REFINITIV

DELTA REPORT

10-Q

TBBK - BANCORP, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	3228
CHANGES	1168
DELETIONS	1203
ADDITIONS	857

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, 2023 March 31, 2024

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

For the transition period from: _____ to _____

Commission file number: 000-51018

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	**(302) 385-5000**
(Address of principal executive offices and zip code)	*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each Exchange on Which Registered
Common Stock, par value $1.00 per share	TBBK	Nasdaq Global Select

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 o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o
Smaller reporting company o	Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of October 27, 2023 April 29, 2024, there were 53,655,734 51,764,683 outstanding shares of common stock, $1.00 par value.

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THE BANCORP, INC

Form 10-Q Index

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

THE BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	September 30, 2023 (unaudited)	December 31, 2022	March 31, 2024 (unaudited)	December 31, 2023
ASSETS				
Cash and cash equivalents				
Cash and due from banks	$ 4,881	$ 24,063	$ 9,105	$ 4,820
Interest-earning deposits at Federal Reserve Bank	898,533	864,126	1,241,363	1,033,270
Total cash and cash equivalents	903,414	888,189	1,250,468	1,038,090
Investment securities, available-for-sale, at fair value	756,636	766,016		
Investment securities, available-for-sale, at fair value, net of $10.0 million allowance for credit loss			718,247	747,534
Commercial loans, at fair value	379,603	589,143	282,998	332,766
Loans, net of deferred loan fees and costs	5,198,972	5,486,853	5,459,344	5,361,139
Allowance for credit losses	(24,145)	(22,374)	(28,741)	(27,378)
Loans, net	5,174,827	5,464,479	5,430,603	5,333,761
Federal Home Loan Bank, Atlantic Central Bankers Bank, and Federal Reserve Bank stock	20,157	12,629		
Stock in Federal Reserve, Federal Home Loan and Atlantic Central Bankers Banks			15,642	15,591
Premises and equipment, net	28,978	18,401	27,482	27,474
Accrued interest receivable	34,159	32,005	37,861	37,534
Intangible assets, net	1,751	2,049	1,552	1,651
Other real estate owned	18,756	21,210	19,559	16,949
Deferred tax asset, net	20,379	19,703	21,764	21,219
Other assets	127,107	89,176	109,680	133,126
Total assets	$ 7,465,767	$ 7,903,000	$ 7,915,856	$7,705,695
LIABILITIES				
Deposits				
Demand and interest checking	$ 6,455,043	$ 6,559,617	$ 6,828,159	$6,630,251
Savings and money market	49,428	140,496	62,597	50,659
Time deposits, $100,000 and over	—	330,000		
Total deposits	6,504,471	7,030,113	6,890,756	6,680,910
Securities sold under agreements to repurchase	42	42	—	42
Senior debt	95,771	99,050	95,948	95,859
Subordinated debentures	13,401	13,401	13,401	13,401
Other long-term borrowings	9,861	10,028	38,407	38,561
Other liabilities	68,533	56,335	60,579	69,641
Total liabilities	6,692,079	7,208,969	7,099,091	6,898,414
SHAREHOLDERS' EQUITY				
Common stock - authorized, 75,000,000 shares of $1.00 par value; 53,867,129 and 55,689,627 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	53,867	55,690		
Common stock - authorized, 75,000,000 shares of $1.00 par value; 52,253,037 and 53,202,630 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			52,253	53,203
Additional paid-in capital	234,320	299,279	166,335	212,431
Retained earnings	517,587	369,319	618,044	561,615
Accumulated other comprehensive loss	(32,086)	(30,257)	(19,867)	(19,968)

Total shareholders' equity	773,688	694,031	816,765	807,281
Total liabilities and shareholders' equity	$ 7,465,767	$ 7,903,000	$ 7,915,856	$ 7,705,695

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

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended September 30,		For the nine months ended September 30,		For the three months ended March 31,	
	2023	2022	2023	2022	2024	2023
	(Dollars in thousands, except per share data)				(Dollars in thousands, except per share data)	
Interest income						
Loans, including fees	$ 110,592	$ 75,579	$ 324,229	$181,320	$ 114,252	$ 106,259
Investment securities:						
Taxable interest	9,647	6,792	28,820	17,115	9,634	9,300
Tax-exempt interest	40	25	114	74	39	32
Interest-earning deposits	8,689	1,525	24,271	2,876	11,884	6,585
	128,968	83,921	377,434	201,385	135,809	122,176
Interest expense						
Deposits	38,431	16,065	110,307	23,261	39,161	34,460
Short-term borrowings	—	1,235	234	1,267	19	234
Long-term borrowings	128	506	382	506	686	126
Senior debt	1,234	1,279	3,793	3,838	1,233	1,279
Subordinated debentures	293	177	825	432	292	261
	40,086	19,262	115,541	29,304	41,391	36,360
Net interest income	88,882	64,659	261,893	172,081	94,418	85,816
Provision for credit losses	1,752	822	4,016	4,331		
Provision for credit losses on loans					2,169	1,903
Net interest income after provision for credit losses	87,130	63,837	257,877	167,750	92,249	83,913
Non-interest income						
ACH, card and other payment processing fees	2,553	2,230	7,153	6,552	2,964	2,171
Prepaid, debit card and related fees	21,513	19,175	67,013	57,865	24,286	23,323
Net realized and unrealized gains on commercial loans, at fair value	525	745	4,171	11,262	1,096	1,725
Leasing related income	1,767	1,048	4,768	3,566	388	1,490
Other	422	228	2,000	698	648	280
Total non-interest income	26,780	23,426	85,105	79,943	29,382	28,989
Non-interest expense						
Salaries and employee benefits	30,475	28,001	93,427	77,848	30,280	29,785
Depreciation and amortization	644	685	2,046	2,224	949	721
Rent and related occupancy cost	1,510	1,268	4,265	3,831	1,640	1,394
Data processing expense	1,404	1,292	4,123	3,727	1,421	1,321
Printing and supplies	82	154	355	342	103	145
Audit expense	446	366	1,255	1,107	359	392
Legal expense	1,203	907	3,110	3,175	821	958
Legal settlement	—	—	—	1,152		
Civil money penalty	—	1,750	—	1,750		
Amortization of intangible assets	99	99	298	298	99	99
FDIC insurance	806	679	2,233	2,326	845	955
Software	4,427	4,001	12,981	12,030	4,489	4,237

Insurance	1,321	1,314	3,935	3,692	1,338	1,306
Telecom and IT network communications	305	368	1,044	1,119	271	376
Consulting	448	339	1,412	902	578	322
Writedowns and other losses on other real estate owned	131	—	1,315	—		
Write-downs and other losses on other real estate owned					—	1,019
Other	4,158	3,607	13,633	10,504	3,519	5,000
Total non-interest expense	47,459	44,830	145,432	126,027	46,712	48,030
Income before income taxes	66,451	42,433	197,550	121,666	74,919	64,872
Income tax expense	16,314	11,829	49,282	31,694	18,490	15,750
Net income	$ 50,137	$ 30,604	$ 148,268	$ 89,972	$ 56,429	$ 49,122
Net income per share - basic	$ 0.93	$ 0.54	$ 2.70	$ 1.58	$ 1.07	$ 0.89
Net income per share - diluted	$ 0.92	$ 0.54	$ 2.68	$ 1.56	$ 1.06	$ 0.88
Weighted average shares - basic					52,747,140	55,452,815
Weighted average shares - diluted					53,326,588	56,048,142

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

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	(Dollars in thousands)			
Net income	$ 50,137	$ 30,604	$ 148,268	$ 89,972
Other comprehensive loss, net of reclassifications into net income:				
Other comprehensive loss				
Securities available-for-sale:				
Change in net unrealized losses during the period	(4,310)	(14,431)	(2,510)	(53,982)
Reclassification adjustments for losses included in income	—	—	4	6
Other comprehensive loss	(4,310)	(14,431)	(2,506)	(53,976)
Income tax benefit related to items of other comprehensive loss				
Securities available-for-sale:				
Change in net unrealized losses during the period	(1,164)	(3,897)	(678)	(14,576)
Reclassification adjustments for losses included in income	—	—	1	2
Income tax benefit related to items of other comprehensive loss	(1,164)	(3,897)	(677)	(14,574)
Other comprehensive loss, net of tax and reclassifications into net income	(3,146)	(10,534)	(1,829)	(39,402)
Comprehensive income	$ 46,991	$ 20,070	$ 146,439	$ 50,570

	For the three months ended March 31,	
	2024	2023
	(Dollars in thousands)	
Net income	$ 56,429	$ 49,122
Other comprehensive income, net of reclassifications into net income:		
Other comprehensive income		
Securities available-for-sale:		
Change in net unrealized gains	126	5,229
Reclassification adjustments for losses included in income	2	4
Other comprehensive income	128	5,233
Income tax expense related to items of other comprehensive income		
Securities available-for-sale:		
Change in net unrealized gains	27	1,412
Reclassification adjustments for losses included in income	—	1

Income tax expense related to items of other comprehensive income		27	1,413
Other comprehensive income, net of tax and reclassifications into net income		101	3,820
Comprehensive income		$ 56,530	$ 52,942

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

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three and nine months ended September 30, 2023

For the three months ended March 31, 2024

For the three months ended March 31, 2024

(Dollars in thousands, except share data)

	Common stock shares	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Total	Common stock shares	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Total
Balance at January 1, 2023	55,689,627	$ 55,690	$ 299,279	$ 369,319	$ (30,257)	$ 694,031						
Balance at January 1, 2024							53,202,630	$ 53,203	$ 212,431	$ 561,615	$ (19,968)	$ 807,281
Net income	—	—	—	49,122	—	49,122	—	—	—	56,429	—	56,429
Common stock issued from option exercises, net of tax benefits	13,158	13	92	—	—	105						
Common stock issued from restricted units, net of tax benefits	405,286	405	(405)	—	—	—	312,619	312	(312)	—	—	—
Stock-based compensation	—	—	3,169	—	—	3,169	—	—	3,317	—	—	3,317
Common stock repurchases and excise tax	(778,442)	(778)	(24,321)	—	—	(25,099)	(1,262,212)	(1,262)	(49,101)	—	—	(50,363)
Other comprehensive income net of reclassification adjustments and tax	—	—	—	—	3,820	3,820	—	—	—	—	101	101
Balance at March 31, 2023	55,329,629	$ 55,330	$ 277,814	$ 418,441	$ (26,437)	$ 725,148						
Net income	—	$ —	$ —	$ 49,009	$ —	$ 49,009						
Common stock issued from restricted units, net of tax benefits	41,382	41	(41)	—	—	—						
Stock-based compensation	—	—	2,750	—	—	2,750						
Common stock repurchases and excise tax	(828,727)	(829)	(24,408)	—	—	(25,237)						
Other comprehensive loss net of reclassification adjustments and tax	—	—	—	—	(2,503)	(2,503)						
Balance at June 30, 2023	54,542,284	$ 54,542	$ 256,115	$ 467,450	$ (28,940)	$ 749,167						
Net income	—	$ —	$ —	$ 50,137	$ —	$ 50,137						
Common stock issued from restricted units, net of tax benefits	—	10	(10)	—	—	—						
Stock-based compensation	10,323	—	2,775	—	—	2,775						
Common stock repurchases	(685,478)	(685)	(24,560)	—	—	(25,245)						
Other comprehensive loss net of reclassification adjustments and tax	—	—	—	—	(3,146)	(3,146)						
Balance at September 30, 2023	53,867,129	$ 53,867	$ 234,320	$ 517,587	$ (32,086)	$ 773,688						
Balance at March 31, 2024							52,253,037	$ 52,253	$ 166,335	$ 618,044	$ (19,867)	$ 816,765

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

THE BANCORP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three and nine months ended September 30, 2022

For the three months ended March 31, 2023

(Dollars in thousands, except share data)

	2022: Common stock shares	2022: Common stock	2022: Additional paid-in capital	2022: Retained earnings	2022: Accumulated other comprehensive income (loss)	2022: Total	2023: Common stock shares	2023: Common stock	2023: Additional paid-in capital	2023: Retained earnings	2023: Accumulated other comprehensive (loss) income	2023: Total
Balance at January 1, 2022	57,370,563	$ 57,371	$ 349,686	$ 239,106	$ 6,291	$ 652,454						
Balance at January 1, 2023							55,689,627	$55,690	$299,279	$369,319	$ (30,257)	$694,031
Net income	—	—	—	28,966	—	28,966	—	—	—	49,122	—	49,122
Common stock issued from option exercises, net of tax benefits	27,818	27	57	—	—	84	13,158	13	92	—	—	105
Common stock issued from restricted units, net of tax benefits	284,040	284	(284)	—	—	—	405,286	405	(405)	—	—	—
Stock-based compensation	—	—	1,618	—	—	1,618	—	—	3,169	—	—	3,169
Common stock repurchases	(527,393)	(527)	(14,473)	—	—	(15,000)						
Other comprehensive loss net of												
Common stock repurchases and excise tax							(778,442)	(778)	(24,321)	—	—	(25,099)
Other comprehensive income net of												
reclassification adjustments and tax	—	—	—	—	(15,827)	(15,827)	—	—	—	—	3,820	3,820
Balance at March 31, 2022	57,155,028	$ 57,155	$ 336,604	$ 268,072	$ (9,536)	$ 652,295						
Net income	—	$ —	$ —	$ 30,402	$ —	$ 30,402						
Common stock issued from option exercises, net of tax benefits	7,500	7	71	—	—	78						
Common stock issued from restricted units, net of tax benefits	280,892	281	(281)	—	—	—						
Stock-based compensation	—	—	1,802	—	—	1,802						
Common stock repurchases	(577,926)	(578)	(14,422)	—	—	(15,000)						
Other comprehensive loss net of reclassification adjustments and tax	—	—	—	—	(13,041)	(13,041)						
Balance at June 30, 2022	56,865,494	$ 56,865	$ 323,774	$ 298,474	$ (22,577)	$ 656,536						
Net income	$ —	$ —	$ —	$ 30,604	$ —	$ 30,604						
Stock-based compensation	—	—	2,131	—	—	2,131						
Common stock repurchases	(663,934)	(663)	(14,336)	—	—	(14,999)						
Other comprehensive loss net of reclassification adjustments and tax	—	—	—	—	(10,534)	(10,534)						
Balance at September 30, 2022	56,201,560	$ 56,202	$ 311,569	$ 329,078	$ (33,111)	$ 663,738						
Balance at March 31, 2023							55,329,629	$55,330	$277,814	$418,441	$ (26,437)	$725,148

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

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30,		For the three months ended March 31,	
	2023	2022	2024	2023
	(Dollars in thousands)		(Dollars in thousands)	
Operating activities				
Net income	$ 148,268	$ 89,972	$ 56,429	$ 49,122
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	2,344	2,522	1,048	820
Provision for credit losses	4,016	4,331		
Provision for credit losses on loans and security			2,169	1,903
Net amortization of investment securities discounts/premiums	703	1,356	318	309
Stock-based compensation expense	8,694	5,551	3,317	3,169
Gain on commercial loans, at fair value	(5,852)	(15,034)		
Writedown of other real estate owned	1,147	—		
Realized gains on commercial loans, at fair value			(1,069)	(2,407)
Write-down of other real estate owned			—	830
Change in fair value of commercial loans, at fair value	1,700	5,278	—	603
Change in fair value of derivatives	(19)	(1,505)	(27)	79
Loss on sales of investment securities	4	6	2	4
Increase in accrued interest receivable	(2,154)	(7,635)	(1,496)	(1,724)
Increase in other assets	(45,102)	(5,563)		
Increase (decrease) in other liabilities	11,616	(10,971)		
Decrease (increase) in other assets			24,173	(7,835)
Decrease in other liabilities			(9,634)	(1,738)
Net cash provided by operating activities	125,365	68,308	75,230	43,135
Investing activities				
Purchase of investment securities available-for-sale	(48,989)	(19,321)	(7,340)	(39,788)
Proceeds from redemptions and prepayments of securities available-for-sale	55,151	127,374	36,524	23,387
Proceeds from sale of other real estate owned	2,044	—		
Sale of repossessed assets	6,671	852	2,388	1,527
Net decrease (increase) in loans	278,373	(1,459,304)		
Net (increase) decrease in loans			(101,062)	128,036
Commercial loans, at fair value drawn during the period	(105,192)	(36,877)	—	(35,962)
Payments on commercial loans, at fair value	317,980	554,836	48,801	132,782
Purchases of premises and equipment	(12,369)	(4,495)	(1,604)	(3,674)
Net cash provided by (used in) investing activities	493,669	(836,935)		
Net cash (used in) provided by investing activities			(22,293)	206,308
Financing activities				
Net (decrease) increase in deposits	(525,642)	934,392		
Redemption of senior debt	(3,273)	—		
Net increase (decrease) in deposits			209,846	(325,456)
Net decrease in securities sold under agreements to repurchase			(42)	—
Proceeds from the issuance of common stock	105	162	—	105
Repurchases of common stock and excise tax	(74,999)	(44,999)	(50,363)	(25,099)
Net cash (used in) provided by financing activities	(603,809)	889,555		
Net cash provided by (used in) financing activities			159,441	(350,450)
Net increase in cash and cash equivalents	15,225	120,928		
Net increase (decrease) in cash and cash equivalents			212,378	(101,007)
Cash and cash equivalents, beginning of period	888,189	601,784	1,038,090	888,189

Cash and cash equivalents, end of period	$ 903,414	$ 722,712	$1,250,468	$ 787,182
Supplemental disclosure:				
Interest paid	$ 117,473	$ 30,079	$ 42,339	$ 38,248
Taxes paid	$ 67,985	$ 30,168	$ 1,096	$ 1,944
Non-cash investing and financing activities				
Transfer of loans from discontinued operations	$ —	$ 61,580		
Transfer of real estate owned from discontinued operations	$ —	$ 17,343		
Transfer of real estate owned from commercial loans, at fair value, and loans, net			$ 2,610	$ 737
Leased vehicles transferred to repossessed assets	$ 7,009	$ 830	$ 1,970	$ 4,022

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

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THE BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Nature of Operations

The Bancorp, Inc. ("the Company") is a Delaware corporation and a registered financial holding company. Its primary, wholly-owned subsidiary is The Bancorp Bank, National Association ("the Bank"). The Bank is a nationally chartered commercial bank located in Sioux Falls, South Dakota and is a Federal Deposit Insurance Corporation ("FDIC") insured institution. As a nationally chartered institution, its primary regulator is the Office of the Comptroller of the Currency ("OCC"). The Bank has two primary lines of business consisting of its national specialty finance segment and its payments segment.

In the national specialty finance segment, the Bank makes the following types of loans: securities-backed lines of credit ("SBLOC") and , cash value of insurance-backed lines of credit ("IBLOC"), and investment advisor financing; leases (direct lease financing); small business loans ("SBLs"), consisting primarily of Small Business Administration ("SBA") loans loans; and non-SBA commercial real estate bridge loans ("REBL").

While the national specialty finance segment generates the majority of the Company's revenues, the payments segment also contributes significant revenues. In its payments segment, the Company provides payment and deposit services nationally, which include prepaid and debit card accounts, private label affinity group banking, deposit accounts to investment advisors' customers, card payment payments and other payment processing services. Payments segment deposits fund the majority of the Company's loans and securities and may result in produce lower costs than other funding sources. Most of the payments segment's revenues and deposits, and SBLOC and IBLOC loans, result from relationships with third parties which market such products. Concentrations of loans and deposits are based upon the cumulative account balances generated by those third parties. Similar concentrations result in revenues in prepaid, debit card and related fees. These concentrations may also be reflected in a lower cost of funds compared to other funding sources. The Company sweeps certain deposits off its balance sheet to other institutions through intermediaries. Such sweeps are utilized to optimize diversity within its funding structure by managing the percentage of individual client deposits to total deposits.

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 are affected by state and federal legislation and regulations.

Note 2. Significant Accounting Policies

Basis of Presentation

The financial statements of the Company, as of September 30, 2023 March 31, 2024 and for the three and nine month three-month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, 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 Quarterly Report on Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). 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, 2022 December 31, 2023 (the "2022 "2023 Form 10-K"). The results of operations for the nine month three-month period ended September 30, 2023 March 31, 2024 may not necessarily be indicative of the results of operations for the full year ending December 31, 2023 December 31, 2024.

There have been no significant changes to as of March 31, 2024 from the Company's significant accounting policies as described in the 2022 2023 Form 10-K.

The Company's non-SBA commercial real estate bridge loans, at fair value, are primarily collateralized by multi-family properties (apartment buildings), and to a lesser extent, by hotel and retail properties. These loans were originally generated for sale through securitizations. In 2020, the Company decided to retain these loans on its balance sheet as interest-earning assets and resumed originating such loans in 2021. These new originations are identified as REBL and are held for investment in the loan portfolio. Prior originations initially intended for securitizations continue to be accounted for at fair value, and are included in the balance sheet in "Commercial loans, at fair value."

Note 3. Stock-based Compensation

The Company recognizes compensation expense for stock options and restricted stock units (“RSU”) in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 718 *Stock Based Compensation* (“ASC 718”). The expense fair value of the option or RSU is generally measured at fair value at the grant date with compensation expense recognized over the service period, which is typically the stated vesting period. For option grants subject to a service condition, the Company utilizes the Black-Scholes option-pricing model to estimate the fair value of each option such options on the date of grant. The Black-Scholes model takes into consideration the exercise price and expected life of the options, the

current price of the underlying stock and its expected volatility, the expected dividends on the stock and the current risk-free interest rate for the expected life of the option. The Company’s estimate of the fair value of a stock option is based on expectations derived from historical experience and may not necessarily equate to its market value when

fully vested. In accordance with ASC 718, the Company estimates the number of options for which the requisite service is expected to be rendered. At September 30, 2023 March 31, 2024, the Company had two active stock-based compensation plans.

During the nine three months ended September 30, 2023 March 31, 2024, the Company granted 45,616 stock options with a vesting period of four years and a weighted average grant-date fair value of $21.92. During the three months ended March 31, 2023, the Company granted 57,573 stock options with a vesting period of four years and a weighted average grant-date fair value of $17.37. During the nine months ended September 30, 2022, the Company granted 100,000 stock options with a vesting period of four years and a weighted average grant-date fair value of $14.01. There were 13,158 no common stock options exercised in the nine month three-month period ended September 30, 2023 March 31, 2024. There were 35,318 common 13,158 stock options exercised in the nine month three-month period ended September 30, 2022 March 31, 2023.

A summary of the Company’s stock options is presented below.

	Options	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate intrinsic value	Options	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Outstanding at January 1, 2023	580,104	$ 13.25	7.48	$ 8,968,660				
Outstanding at January 1, 2024					622,677	$ 15.35	6.90	$14,453,641
Granted	57,573	35.17	9.37	—	45,616	43.89	9.87	—
Exercised	(13,158)	10.45	—	278,450	—	—	—	—
Expired	—	—	—	—	—	—	—	—
Forfeited	(1,842)	—	—	—	—	—	—	—
Outstanding at September 30, 2023	622,677	$ 15.35	7.15	$ 11,964,147				
Exercisable at September 30, 2023	365,104	$ 10.41	6.63	$ 8,793,897				
Outstanding at March 31, 2024					668,293	$ 17.30	6.87	$11,376,439
Exercisable at March 31, 2024					429,497	$ 12.89	6.37	$ 8,858,939

The Company granted 547,556 restricted stock units (“RSUs”) 355,965 RSUs in the first nine three months of 2023, of which 514,785 have 2024 with a vesting period of three years and 32,771 have a vesting period of one year. years. At issuance, the 547,556 355,965 RSUs granted in the first nine three months of 2023 2024 had a weighted average fair value of $35.00 $43.89 per unit. During the nine three months ended September 30, 2022, the March 31, 2023, the Company granted 260,693 514,785 RSUs, of which 219,311 have with a vesting period of three years and 41,382 have a vesting period of one year. At issuance, the 260,693 RSUs granted in the first nine months of 2022 had a weighted average fair value of $28.61 $35.17 per unit.

A summary of the Company’s RSUs is presented below.

	RSUs	Weighted average grant date fair value	Average remaining contractual term (years)	RSUs	Weighted average grant date fair value	Average remaining contractual term (years)
Outstanding at January 1, 2023	671,696	$ 17.78	1.00			
Outstanding at January 1, 2024				752,255	$ 32.53	1.66
Granted	547,556	35.00	2.26	355,965	43.89	2.86

Vested	(456,991)	13.80	—	(312,619)	30.18	—
Forfeited	(2,511)	32.64	—	—	—	—
Outstanding at September 30, 2023	759,750	$ 32.54	1.91			
Outstanding at March 31, 2024				795,601	$ 38.54	2.15

As of September 30, 2023 March 31, 2024, there was a total of $19.4 million $29.8 million of unrecognized compensation cost related to unvested awards under stock-based compensation plans. This cost is expected to be recognized over a weighted average period of approximately 1.5 1.7 years. Related compensation expense for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $2.8 $3.3 million and $2.1 million, respectively. Related compensation expense for the nine months ended September 30, 2023 and 2022 was $8.7 million and $5.6 $3.2 million, respectively. The total issuance date fair value of RSUs vested and options exercised during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023, was $6.4 $9.4 million and $6.0 $5.4 million, respectively. The total intrinsic value of the options exercised and RSUs vested in those respective periods was $16.8 $13.7 million and $14.7 $15.0 million, respectively.

For the periods ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company estimated the fair value of each stock option grant on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	September 30,		March 31,	
	2023	2022	2024	2023
Risk-free interest rate	3.67%	1.94%	4.17%	3.67%
Expected dividend yield	—	—	—	—
Expected volatility	45.21%	45.10%	44.76%	45.21%
Expected lives (years)	6.3	6.3	6.3	6.3

Expected volatility is based on the historical volatility of the Company's stock and peer group comparisons over the expected life of the option. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury strip Separate Trading of Registered Interest and Principal of Securities ("STRIPS") 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 stock- based compensation expense for the period ended September 30, 2023

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March 31, 2024 is based on awards that are ultimately expected to vest and has been reduced for estimated forfeitures. The Company estimates forfeitures using historical data or acceptable expedients.

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Note 4. Earnings Per Share

The Company calculates earnings per share in accordance with ASC 260, *Earnings Per Share*. Basic earnings per share excludes dilution and is 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, including stock options and RSUs or other contracts to issue common stock were exercised and converted into common stock. Stock options are dilutive if their exercise prices are less than the current stock price. RSUs are dilutive because they represent grants over vesting periods which do not require employees to pay exercise prices. The dilution shown in the tables below includes the potential dilution from both stock options and RSUs.

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

	For the three months ended September 30, 2023			For the three months ended March 31, 2024		
	Income (numerator)	Shares (denominator)	Per share amount	Income (numerator)	Shares (denominator)	Per share amount
	(Dollars in thousands except share and per share data)			(Dollars in thousands except share and per share data)		
Basic earnings per share						
Net earnings available to common shareholders	$ 50,137	54,175,184	$ 0.93	$ 56,429	52,747,140	$ 1.07
Effect of dilutive securities						
Common stock options and RSUs	—	563,426	(0.01)	—	579,448	(0.01)
Diluted earnings per share						
Net earnings available to common shareholders	$ 50,137	54,738,610	$ 0.92	$ 56,429	53,326,588	$ 1.06

Stock options for 465,104 565,104 shares, exercisable at prices between $6.87 and $18.81 $30.32 per share, were outstanding at September 30, 2023 March 31, 2024, and included in the diluted earnings per share computation because the their exercise price per share was less than the average market price for the three-month period ending March 31, 2024. Stock options for 157,573 103,189 shares were anti-dilutive and not included in the earnings per share calculation.

	For the nine months ended September 30, 2023			For the three months ended March 31, 2023		
	Income (numerator)	Shares (denominator)	Per share amount	Income (numerator)	Shares (denominator)	Per share amount
	(Dollars in thousands except share and per share data)			(Dollars in thousands except share and per share data)		
Basic earnings per share						
Net earnings available to common shareholders	$ 148,268	54,828,547	$ 2.70	$ 49,122	55,452,815	$ 0.89
Effect of dilutive securities						
Common stock options and RSUs	—	507,807	(0.02)	—	595,327	(0.01)
Diluted earnings per share						
Net earnings available to common shareholders	$ 148,268	55,336,354	$ 2.68	$ 49,122	56,048,142	$ 0.88

Stock options for 465,104 shares, exercisable at prices between $6.87 and $18.81 per share, were outstanding at September 30, 2023 March 31, 2023, and included in the diluted earnings per share computation because the their exercise price per share was less than the average market price for the three-month period ending March 31, 2023. Stock options for 157,573 shares were anti-dilutive and not included in the earnings per share calculation.

	For the three months ended September 30, 2022		
	Income (numerator)	Shares (denominator)	Per share amount
	(Dollars in thousands except share and per share data)		
Basic earnings per share			
Net earnings available to common shareholders	$ 30,604	56,429,425	$ 0.54
Effect of dilutive securities			
Common stock options and RSUs	—	578,799	—
Diluted earnings per share			
Net earnings available to common shareholders	$ 30,604	57,008,224	$ 0.54

Stock options for 407,604 shares, exercisable at prices between $6.87 and $10.45 per share, were outstanding at September 30, 2022, and included in the diluted earnings per share computation because the exercise price per share was less than the average market price. Stock options for 200,000 shares were anti-dilutive and not included in the earnings per share calculation.

	For the nine months ended September 30, 2022		
	Income (numerator)	Shares (denominator)	Per share amount
	(Dollars in thousands except share and per share data)		
Basic earnings per share			
Net earnings available to common shareholders	$ 89,972	56,782,524	$ 1.58
Effect of dilutive securities			
Common stock options and RSUs	—	728,462	(0.02)
Diluted earnings per share			
Net earnings available to common shareholders	$ 89,972	57,510,986	$ 1.56

Stock options for 407,604 shares, exercisable at prices between $6.87 and $10.45 per share, were outstanding at September 30, 2022, and included in the diluted earnings per share computation because the exercise price per share was less than the average market price. Stock options for 200,000 shares were anti-dilutive and not included in the earnings per share calculation.

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 at September 30, 2023 and December 31, 2022 are summarized as follows (in thousands):

Available-for-sale	September 30, 2023			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value

U.S. Government agency securities	$ 35,698	$ 6	$ (2,677)	$ 33,027
Asset-backed securities[1]	334,517	—	(3,019)	331,498
Tax-exempt obligations of states and political subdivisions	4,860	—	(227)	4,633
Taxable obligations of states and political subdivisions	43,351	10	(1,644)	41,717
Residential mortgage-backed securities	175,122	85	(15,166)	160,041
Collateralized mortgage obligation securities	37,709	—	(2,117)	35,592
Commercial mortgage-backed securities	158,810	—	(14,962)	143,848
Corporate debt securities	10,000	—	(3,720)	6,280
	$ 800,067	$ 101	$ (43,532)	$ 756,636

	September 30, 2023			
[1]Asset-backed securities as shown above	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Federally insured student loan securities	$ 6,581	$ —	$ (53)	$ 6,528
Collateralized loan obligation securities	327,936	—	(2,966)	324,970
	$ 334,517	$ —	$ (3,019)	$ 331,498

Available-for-sale	December 31, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government agency securities	$ 29,859	$ 17	$ (1,495)	$ 28,381
Asset-backed securities[1]	343,885	—	(9,876)	334,009
Tax-exempt obligations of states and political subdivisions	3,560	—	(61)	3,499
Taxable obligations of states and political subdivisions	45,668	52	(1,709)	44,011
Residential mortgage-backed securities	150,135	148	(10,463)	139,820
Collateralized mortgage obligation securities	43,858	—	(2,075)	41,783
Commercial mortgage-backed securities	179,977	—	(13,164)	166,813
Corporate debt securities	10,000	—	(2,300)	7,700
	$ 806,942	$ 217	$ (41,143)	$ 766,016

	December 31, 2022			
[1]Asset-backed securities as shown above	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Federally insured student loan securities	$ 8,488	$ —	$ (144)	$ 8,344
Collateralized loan obligation securities	335,397	—	(9,732)	325,665
	$ 343,885	$ —	$ (9,876)	$ 334,009

Investments in Federal Home Loan Bank ("FHLB") stock, Atlantic Central Bankers Bank ("ACBB") stock, and Federal Reserve Bank stock are recorded at cost and amounted to $20.2 million at September 30, 2023 and $12.6 million at December 31, 2022. At each of those dates, ACBB stock amounted to $40,000. The Bank's conversion to a national charter required the purchase of $11.0 million of

Federal Reserve Bank stock in September 2022. The amount of FHLB stock required to be held is based on the amount of borrowings, and after repayment thereof, the stock may be redeemed.

The amortized cost and fair value of the Company's investment securities at September 30, 2023, 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	
	Amortized cost	Fair value
Due before one year	$ 24,466	$ 23,993
Due after one year through five years	132,922	126,149
Due after five years through ten years	297,513	287,643
Due after ten years	345,166	318,851
	$ 800,067	$ 756,636

In 2020, the Company began pledging loans to collateralize its line of credit with the FHLB, as described in "Note 6. Loans." The Company had no securities pledged against that line at September 30, 2023 and December 31, 2022. There were no gross realized gains on sales of securities for the nine months ended September 30, 2023 and the year ended December 31, 2022. Realized losses on securities sales were $4,000 and $6,000, respectively, for the nine months ended September 30, 2023 and the year ended December 31, 2022.

Fair values of available-for-sale securities are based on the fair market values supplied by a third-party market data provider, or where such third-party market data is not available, fair values are based on discounted cash flows. The third-party market data provider uses a pricing matrix which it creates daily, taking into consideration actual trade data, projected prepayments, and when relevant, projected credit defaults and losses.

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at September 30, 2023 (dollars in thousands):

Available-for-sale		Less than 12 months		12 months or longer		Total	
Description of Securities	Number of securities	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
U.S. Government agency securities	15	$ 14,220	$ (1,007)	$ 17,551	$ (1,670)	$ 31,771	$ (2,677)
Asset-backed securities	55	—	—	331,498	(3,019)	331,498	(3,019)
Tax-exempt obligations of states and political subdivisions	6	2,831	(134)	1,802	(93)	4,633	(227)
Taxable obligations of states and political subdivisions	25	—	—	38,957	(1,644)	38,957	(1,644)
Residential mortgage-backed securities	138	34,735	(2,888)	116,171	(12,278)	150,906	(15,166)
Collateralized mortgage obligation securities	21	—	—	35,592	(2,117)	35,592	(2,117)
Commercial mortgage-backed securities	40	—	—	143,848	(14,962)	143,848	(14,962)
Corporate debt securities	1	—	—	6,280	(3,720)	6,280	(3,720)
Total unrealized loss position investment securities	301	$ 51,786	$ (4,029)	$ 691,699	$ (39,503)	$ 743,485	$ (43,532)

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The amortized cost, gross unrealized gains and losses, and fair values of the Company's investment securities classified as available-for-sale at March 31, 2024 and December 31, 2023 are summarized as follows (in thousands):

Available-for-sale	March 31, 2024				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for Credit Losses	Fair value
U.S. Government agency securities	$ 33,598	$ 4	$ (1,638)	$ —	$ 31,964
Asset-backed securities[(1)]	305,500	163	(398)	—	305,265
Tax-exempt obligations of states and political subdivisions	4,860	16	(70)	—	4,806
Taxable obligations of states and political subdivisions	38,069	10	(992)	—	37,087
Residential mortgage-backed securities	173,832	135	(10,456)	—	163,511
Collateralized mortgage obligation securities	33,553	—	(1,572)	—	31,981
Commercial mortgage-backed securities	155,076	—	(11,443)	—	143,633
Corporate debt securities	10,000	—	—	(10,000)	—
	$ 754,488	$ 328	$ (26,569)	$ (10,000)	$ 718,247

	March 31, 2024			
[(1)]Asset-backed securities as shown above	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Federally insured student loan securities	$ 5,363	$ —	$ (35)	$ 5,328
Collateralized loan obligation securities	300,137	163	(363)	299,937
	$ 305,500	$ 163	$ (398)	$ 305,265

Available-for-sale	December 31, 2023				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for Credit Losses	Fair value
U.S. Government agency securities	$ 35,346	$ 6	$ (1,466)	$ —	$ 33,886
Asset-backed securities[(1)]	327,159	9	(1,815)	—	325,353

Tax-exempt obligations of states and political subdivisions	4,860	39	(48)	—	4,851
Taxable obligations of states and political subdivisions	43,323	15	(952)	—	42,386
Residential mortgage-backed securities	169,882	108	(9,223)	—	160,767
Collateralized mortgage obligation securities	35,575	—	(1,537)	—	34,038
Commercial mortgage-backed securities	157,759	—	(11,506)	—	146,253
Corporate debt securities	10,000	—	—	(10,000)	—
	$ 783,904	$ 177	$ (26,547)	$ (10,000)	$ 747,534

	December 31, 2023			
(1)Asset-backed securities as shown above	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Federally insured student loan securities	$ 6,032	$ —	$ (49)	$ 5,983
Collateralized loan obligation securities	321,127	9	(1,766)	319,370
	$ 327,159	$ 9	$ (1,815)	$ 325,353

Investments in Federal Home Loan Bank ("FHLB") stock, Atlantic Central Bankers Bank ("ACBB") stock, and Federal Reserve Bank stock are recorded at cost and amounted to $15.6 million at March 31, 2024, and $15.6 million at December 31, 2023. At each of those dates, ACBB stock amounted to $40,000. The Bank's conversion to a national charter required the purchase of $11.0 million of Federal Reserve Bank stock in September 2022. The amount of FHLB stock required to be held is based on the amount of borrowings, and after repayment thereof, the stock may be redeemed.

The amortized cost and fair value of the Company's investment securities at March 31, 2024, 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	
	Amortized cost	Fair value
Due before one year	$ 39,156	$ 38,632
Due after one year through five years	116,088	111,912
Due after five years through ten years	284,076	277,194
Due after ten years	315,168	290,509
	$ 754,488	$ 718,247

In 2020, the Company began pledging loans to collateralize its line of credit with the FHLB, as described in "Note 6. Loans." The Company had no securities pledged against that line at March 31, 2024, and December 31, 2023. There were no gross realized gains on sales of securities for the three months ended March 31, 2024, and the year ended December 31, 2023. Realized losses on securities sales were $2,000 and $4,000, respectively, for the three months ended March 31, 2024, and the year ended December 31, 2023.

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at December 31, 2022 March 31, 2024 (dollars in thousands):

Available-for-sale		Less than 12 months		12 months or longer		Total			Less than 12 months		12 months or longer		Total	
Description of Securities	Number of securities	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Number of securities	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
U.S. Government agency securities	12	$ 19,523	$ (1,461)	$ 2,269	$ (34)	$ 21,792	$ (1,495)	16	$ 7,349	$ (165)	$ 23,504	$ (1,473)	$ 30,853	$ (1,638)
Asset-backed securities	55	125,938	(3,027)	208,071	(6,849)	334,009	(9,876)	34	12,128	(3)	162,326	(395)	174,454	(398)
Tax-exempt obligations of states and political subdivisions	4	3,499	(61)	—	—	3,499	(61)	3	—	—	2,825	(70)	2,825	(70)
Taxable obligations of states and political subdivisions	26	39,710	(1,709)	—	—	39,710	(1,709)	24	—	—	34,326	(992)	34,326	(992)
Residential mortgage-backed securities	135	101,685	(6,198)	28,843	(4,265)	130,528	(10,463)	130	10,014	(330)	132,395	(10,126)	142,409	(10,456)
Collateralized mortgage obligation securities	22	41,456	(2,057)	327	(18)	41,783	(2,075)	20	—	—	31,981	(1,572)	31,981	(1,572)

Commercial mortgage-backed securities	43	124,953	(7,683)	41,860	(5,481)	166,813	(13,164)	40	—	—	143,633	(11,443)	143,633	(11,443)
Corporate debt securities	1	—	—	7,700	(2,300)	7,700	(2,300)							
Total unrealized loss position investment securities	298	$ 456,764	$ (22,196)	$ 289,070	$ (18,947)	$ 745,834	$ (41,143)	267	$29,491	$ (498)	$530,990	$ (26,071)	$560,481	$ (26,569)

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at December 31, 2023 (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	Unrealized losses
Description of Securities							
U.S. Government agency securities	15	$ 14,945	$ (302)	$ 17,697	$ (1,164)	$ 32,642	$ (1,466)
Asset-backed securities	53	—	—	314,749	(1,815)	314,749	(1,815)
Tax-exempt obligations of states and political subdivisions	3	997	(3)	1,850	(45)	2,847	(48)
Taxable obligations of states and political subdivisions	25	—	—	39,621	(952)	39,621	(952)
Residential mortgage-backed securities	132	20,884	(491)	126,645	(8,732)	147,529	(9,223)
Collateralized mortgage obligation securities	20	—	—	34,038	(1,537)	34,038	(1,537)
Commercial mortgage-backed securities	40	—	—	146,253	(11,506)	146,253	(11,506)
Total unrealized loss position investment securities	288	$ 36,826	$ (796)	$ 680,853	$ (25,751)	$ 717,679	$ (26,547)

The Company owns one single issuer trust preferred security, issued by an insurance company, which was purchased in 2006. The 2006, and owns no other such security is not rated by any bond rating service. or similar security. At September 30, 2023 March 31, 2024, this security had a book value cost basis of $10.0 million, and a fair value comprises the balance of $6.3 million. This security is presented in the corporate debt securities classification in the tables above. The security was issued by an aggregator above. The Bank provided for a potential loss for the full amount of insurance lines in run-off, including workmen's compensation lines. In the third quarter of 2023, the Company was notified that interest payments were being deferred on the security, as permitted under the terms $10.0 million par value of the trust preferred indenture which permits such deferrals security through a provision for up to twenty consecutive quarters. At the end credit loss of the deferral, deferred interest must be repaid, including interest on the deferred interest. The Company has requested additional updated financial information from the aggregator to permit a more accurate valuation of the security subsequent to the interest deferral. The aggregator has indicated that it is attempting to identify all holders of the security and that it intends to provide such financial information concurrently to all holders. The Company has placed the security in non-accrual status and will evaluate the security for potential loss $10.0 million in the fourth quarter of 2023, when 2023. Interest payments

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on the aggregator indicated that trust preferred security have been deferred, as permitted by its terms for periods up to five years. While the financial information would be distributed. While the trust preferred security has previously been subject to interest deferral which was repaid, there can be no assurance that repayment will occur for the current deferral. Further, depending upon the financial information provided by the aggregator, a loss of up to the full amount of principal, or $10.0 million, may be recognized in the fourth quarter of 2023. In 2023, $197,000 of accrued interest income was reversed on this security when it was placed in non-accrual status, and $210,000 of additional interest would have been earned had the security continued to accrue interest.

The Company has evaluated the securities in the above tables as of September 30, 2023 March 31, 2024 and has concluded that, except for the trust preferred security discussed above, none of these securities required an allowance for credit losses loss ("ACL"). The Company previously evaluated the securities in the above tables as of December 31, 2022 and concluded that none of these securities required an ACL. .

The Company evaluates whether an ACL is required by considering primarily the following factors: (a) the extent to which the fair value is 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 determination of the 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 With the exception of the trust preferred security discussed above, the Company concluded that 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 Company's unrealized loss for corporate debt securities, resulted from one single issuer trust preferred security as described above, and is primarily related to general market conditions, including a lack of liquidity in the market. The severity of the impact of fair value in relation to the carrying amounts of the individual investments is consistent with market developments. The Company's analysis of each investment is performed at the security level. level and the Company intends to hold its investment securities to maturity.

Note 6. Loans

The Company has several lending lines of business including: small business loans ("SBLs"), comprised primarily of SBA loans; direct lease financing primarily for commercial vehicles and to a lesser extent equipment; SBLOC collateralized by marketable securities; IBLOC collateralized by the cash value of eligible life insurance policies; and investment advisor financing for purposes of debt refinance, acquisition of another firm or internal succession. Prior to 2020, the Company also originated non-SBA commercial real estate bridge loans, primarily collateralized by multifamily properties (apartment buildings), and to a lesser extent, by hotel and retail properties, for sale into securitizations. At origination, the Company elected fair value treatment for these loans as they were originally held-for-sale, to better reflect the economics of the transactions. In 2020, the Company decided to retain these loans on its balance sheet as interest-earning assets and currently intends to continue to do doing so. Therefore, these loans are no longer accounted for as held-for-sale, but the Company continues to present them at fair value. At September 30, 2023 March 31, 2024, such loans comprised $253.1 million $173.9 million of the $379.6 $283.0 million of commercial loans,

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at fair value, with the balance comprised of the guaranteed portion of certain SBA loans also previously held for sale. The amortized cost of the $379.6 million $283.0 million commercial loans at fair value was $381.9 $286.7 million. Included in "Net net realized and unrealized gains (losses) on commercial loans, at fair value" value in the consolidated statements of operations are changes in the estimated fair value of such loans. For the nine three months ended September 30, 2023 March 31, 2024, there were no related net unrealized losses or gains recognized for changes in fair value. For the three months ended March 31, 2023, related net unrealized losses recognized for changes in fair value were $1.7 million, $365,000 $603,000, none of which reflected losses attributable to credit weaknesses. For the nine months ended September 30, 2022, net unrealized losses recognized for such changes in fair value were $5.3 million, which reflected $6.4 million of loss attributable to credit weaknesses. In the third quarter of 2021, the Company resumed the origination of non-SBA commercial real estate bridge loans which it also intends to hold for investment and which are accounted for at amortized cost. They are captioned as REBLs as they are transitional commercial mortgage loans which are made to improve and rehabilitate existing properties which already have cash flow.

The Bank has pledged the majority of its loans held for investment at amortized cost and commercial loans at fair value to either the FHLB or the Federal Reserve Bank for lines of credit with those institutions. The FHLB and FRB lines are periodically utilized to manage liquidity. The amount of loans pledged varies and the collateral may be unpledged at any time to the extent the collateral exceeds advances. The lines are maintained consistent with the Bank's liquidity policy which maximizes potential liquidity. At September 30, 2023 March 31, 2024, $2.55 billion $2.41 billion of loans were pledged to the Federal Reserve Bank and $1.10 billion of loans were pledged to the FHLB. FHLB against lines of credit which provide a source of liquidity to the Bank. There were no balances amounts drawn against these lines at September 30, 2023 March 31, 2024.

Prior to 2020, the Company sponsored the structuring of commercial mortgage loan securitizations, and in 2020, the Company decided not to pursue additional securitizations. The loans previously sold to the commercial mortgage-backed securitizations were transitional commercial mortgage loans made to improve and rehabilitate existing properties which already had cash flow. Servicing rights were not retained. Each of the securitizations is considered a variable interest entity of which the Company is not the primary beneficiary. Further, true sale accounting has been applicable to each of the securitizations, as supported by a review performed by an independent third-party consultant. In each of the securitizations, the Company obtained a tranche of certificates which are accounted for as available-for-sale debt securities. The securities were recorded at fair value at acquisition, which was determined by an independent third-party based on the discounted cash flow method using unobservable (level 3) inputs.

Of the six securities purchased by the Bank from our securitizations, all have been repaid except one issued by CRE-2. CRE-2, which is included in the commercial mortgage backed securities classification in investment securities. As of September 30, 2023 March 31, 2024, the principal balance of the Bank's CRE-2-issued security was $12.6 million and it is subordinate to the repayment of a senior tranche with a remaining balance of $3.3 million $2.0 million. A total of $15.9 million $13.7 million plus trustee fees, late charges and unpaid interest is required to repay the Bank tranche. The collateral remaining to repay the $15.9 million consists of a suburban office building in New Jersey and a retail facility in Missouri, the combined most recent appraisals for which total $33.0 million. The excess of the $33.0 million appraised value over the $15.9 million provides repayment protection for the Bank-owned tranche. Efforts to resolve the New Jersey suburban office loan and stabilize the

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property have not been successful to date. A 2023 broker's opinion of the property's liquidation value was $20.9 million versus a loan balance of $24.5 million. Negotiations with the borrower continue, with no plan for immediate liquidation. The Missouri retail facility is held as real estate owned by the trust and is also not yet stabilized, and the special servicer expects to market the property for liquidation. The March 9, 2023 appraised value of the property was $12.1 million versus a loan balance of $16.3 million. Since borrowers are no longer making payments, accrued interest and the Bank's remaining $12.6 million of principal are not expected to be repaid until collateral liquidation.

The Company analyzes credit risk prior to making loans on an individual loan basis. The Company considers relevant aspects of the borrowers' financial position and cash flow, past borrower performance, management's knowledge of market conditions, collateral and the ratio of loan amounts to estimated collateral value in making its credit determinations. For SBLOC, the Company relies on the market value of the underlying securities collateral as adjusted by margin requirements, generally 50% for equities and 80% for investment grade securities. For IBLOC, the Company relies on the cash value of insurance policy collateral.

Major classifications of loans, excluding commercial loans at fair value, are as follows (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
SBL non-real estate	$ 130,579	$ 108,954	$ 140,956	$ 137,752
SBL commercial mortgage	547,107	474,496	637,926	606,986
SBL construction	19,204	30,864	27,290	22,627
SBLs	696,890	614,314	806,172	767,365
Direct lease financing	670,208	632,160	702,512	685,657

SBLOC / IBLOC[(1)]	1,720,513	2,332,469	1,550,313	1,627,285
Advisor financing[(2)]	199,442	172,468	232,206	221,612
Real estate bridge loans	1,848,224	1,669,031	2,101,896	1,999,782
Other loans[(3)]	55,800	61,679	56,163	50,638
	5,191,077	5,482,121	5,449,262	5,352,339
Unamortized loan fees and costs	7,895	4,732	10,082	8,800
Total loans, including unamortized loan fees and costs	$ 5,198,972	$ 5,486,853	$5,459,344	$5,361,139

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
SBLs, including costs net of deferred fees of $8,900 and $7,327 for September 30, 2023 and December 31, 2022, respectively	$ 705,790	$ 621,641		
SBLs, including costs net of deferred fees of $9,979 and $9,502 for March 31, 2024 and December 31, 2023, respectively			$816,151	$776,867
SBLs included in commercial loans, at fair value	126,543	146,717	109,131	119,287
Total SBLs[(4)]	$ 832,333	$ 768,358	$925,282	$896,154

(1)SBLOC are collateralized by marketable securities, while IBLOC are collateralized by the cash surrender value of insurance policies. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, IBLOC loans amounted to $712.6 $595.6 million and $1.12 billion, $646.9 million, respectively.

(2)In 2020, the Bank began originating loans to investment advisors for purposes of debt refinancing, acquisition of another firm or internal succession. Maximum loan amounts are subject to loan-to-value ratios of 70% of the business enterprise value based on a third-party valuation, but may be increased depending upon the debt service coverage ratio. Personal guarantees and blanket business liens are obtained as appropriate.

(3)Includes demand deposit overdrafts reclassified as loan balances totaling $215,000 $239,000 and $2.6 million $1.7 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Estimated overdraft charge-offs and recoveries are reflected in the ACL and are immaterial.

(4)The SBLs held at fair value are comprised of the government guaranteed portion of 7(a) Program (as defined below) loans at the dates indicated.

The following table provides information about loans individually evaluated for credit loss at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023 (in thousands). Legacy commercial real estate is comprised of commercial loans made by the Philadelphia commercial loan division which was discontinued.

	September 30, 2023					March 31, 2024				
	Recorded investment	Unpaid principal balance	Related ACL	Average recorded investment	Interest income recognized	Recorded investment	Unpaid principal balance	Related ACL	Average recorded investment	Interest income recognized
Without an ACL recorded										
SBL non-real estate	$ 419	$ 1,895	$ —	$ 344	$ —	$ 1,054	$ 2,356	$ —	$ 788	$ —
SBL commercial mortgage	2,034	2,034	—	899	—	3,301	3,301	—	2,424	—
Direct lease financing	115	285	—	55	—	170	176	—	169	—
Legacy commercial real estate	—	—	—	2,664	—					
Other loans						—	—	—	66	—
Real estate bridge loans						39,400	39,400	—	19,700	—
Consumer - home equity	231	231	—	262	7	227	227	—	228	3
With an ACL recorded										
SBL non-real estate	918	918	(566)	915	2	929	929	(618)	1,163	1
SBL commercial mortgage	911	911	(419)	1,732	—	182	182	(41)	508	—
SBL construction	3,385	3,385	(44)	3,385	—	3,385	3,385	(44)	3,385	—
Direct lease financing	3,236	3,236	(774)	2,612	—	4,677	4,902	(2,618)	4,147	—
IBLOC	475	475	(17)	119	—					
Legacy commercial real estate and Other loans	3,688	3,688	(11)	1,336	—					
Total										
						1,983	3,285	(618)	1,951	1

SBL commercial mortgage / SBL non-real estate	[illegible]	[illegible]	[illegible]	[illegible]	2	3,483	3,483	(41)	2,932	—
SBL construction	3,385	3,385	(44)	3,385	—	3,385	3,385	(44)	3,385	—
Direct lease financing	3,351	3,521	(774)	2,667	—	4,847	5,078	(2,618)	4,316	—
IBLOC	475	475	(17)	119	—					
Legacy commercial real estate and Other loans	3,688	3,688	(11)	4,000	—					
Other loans						—	—	—	66	—
Real estate bridge loans						39,400	39,400	—	19,700	—
Consumer - home equity	231	231	—	262	7	227	227	—	228	3
	$ 15,412	$ 17,058	$ (1,831)	$ 14,323	$ 9	$ 53,325	$54,858	$(3,321)	$ 32,578	$ 4

	December 31, 2022					December 31, 2023				
	Recorded investment	Unpaid principal balance	Related ACL	Average recorded investment	Interest income recognized	Recorded investment	Unpaid principal balance	Related ACL	Average recorded investment	Interest income recognized
Without an ACL recorded										
SBL non-real estate	$ 400	$ 2,762	$ —	$ 388	$ —	$ 522	$ 1,714	$ —	$ 380	$ —
SBL commercial mortgage	—	—	—	45	—	1,546	1,546	—	1,028	—
Direct lease financing	—	—	—	52	—	167	167	—	78	—
Legacy commercial real estate	3,552	3,552	—	1,421	150	—	—	—	2,131	—
Consumer - home equity	295	295	—	306	9	230	230	—	255	8
With an ACL recorded										
SBL non-real estate	974	974	(525)	1,237	7	1,397	1,397	(670)	1,011	3
SBL commercial mortgage	1,423	1,423	(441)	1,090	—	835	835	(343)	1,553	—
SBL construction	3,386	3,386	(153)	1,245	—	3,385	3,385	(44)	3,385	—
Direct lease financing	3,550	3,550	(933)	710	—	3,618	3,804	(1,827)	2,814	—
IBLOC						—	—	—	95	—
Legacy commercial real estate						—	—	—	710	
Other loans	692	692	(15)	1,923	—	132	132	(4)	384	—
Total										
SBL non-real estate	1,374	3,736	(525)	1,625	7	1,919	3,111	(670)	1,391	3
SBL commercial mortgage	1,423	1,423	(441)	1,135	—	2,381	2,381	(343)	2,581	—
SBL construction	3,386	3,386	(153)	1,245	—	3,385	3,385	(44)	3,385	—
Direct lease financing	3,550	3,550	(933)	762	—	3,785	3,971	(1,827)	2,892	—
IBLOC						—	—	—	95	—
Legacy commercial real estate and Other loans	4,244	4,244	(15)	3,344	150	132	132	(4)	3,225	—
Consumer - home equity	295	295	—	306	9	230	230	—	255	8
	$ 14,272	$ 16,634	$ (2,067)	$ 8,417	$ 166	$ 11,832	$13,210	$(2,888)	$ 13,824	$ 11

The loan review department recommends non-accrual status for loans to the surveillance committee, in those situations where interest income appears to be uncollectible or a protracted delay in collection becomes evident. The surveillance committee further vets and approves the non-accrual status.

The following table summarizes non-accrual loans with and without an ACL as of the periods indicated (in (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023

	Non-accrual loans with a related ACL	Non-accrual loans without a related ACL	Total non-accrual loans	Total non-accrual loans	Non-accrual loans with a related ACL	Non-accrual loans without a related ACL	Total non-accrual loans	Total non-accrual loans
SBL non-real estate	$ 837	$ 419	$ 1,256	$ 1,249	$ 855	$ 1,054	$ 1,909	$ 1,842
SBL commercial mortgage	911	2,034	2,945	1,423	182	3,301	3,483	2,381
SBL construction	3,385	—	3,385	3,386	3,385	—	3,385	3,385
Direct leasing	3,236	115	3,351	3,550	4,677	170	4,847	3,785
IBLOC	475	—	475	—				
Consumer - home equity	—	—	—	56				
Legacy commercial real estate and Other loans	3,688	—	3,688	692				
Real estate bridge loans[1]					—	39,400	39,400	—
Other loans					—	—	—	132
	$ 12,532	$ 2,568	$ 15,100	$ 10,356	$9,099	$43,925	$53,024	$ 11,525

[1] In the first quarter of 2024, a $39.4 million apartment building rehabilitation bridge loan was transferred to nonaccrual status. On April 2, 2024, the same loan was transferred from nonaccrual status to other real estate owned. We intend to continue to manage the capital improvements on the underlying apartment complex. As the units become available for lease, the property manager will be tasked with leasing these units at market rents. The Company intends to explore a potential sale of the asset prior to stabilization. The $39.4 million loan balance compares to a September 2023 third party "as is" appraisal of $47.8 million, or an 82% "as is" loan to value ("LTV"), with additional potential collateral value as construction progresses, and units are re-leased at stabilized rental rates. The $39.4 million loan, as well as the other non-accrual balances in this table as of March 31, 2024, are also reflected in the substandard loan totals.

The Company had $18.8 $19.6 million of other real estate owned ("OREO") at September 30, 2023 March 31, 2024, and $21.2 $16.9 million of OREO at December 31, 2022 December 31, 2023. The following table summarizes the Company's non-accrual loans, loans past due 90 days or more, and OREO at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(Dollars in thousands)		(Dollars in thousands)	
Non-accrual loans				
SBL non-real estate	$ 1,256	$ 1,249	$ 1,909	$ 1,842
SBL commercial mortgage	2,945	1,423	3,483	2,381
SBL construction	3,385	3,386	3,385	3,385
Direct leasing	3,351	3,550	4,847	3,785
IBLOC	475	—		
Legacy commercial real estate and Other loans	3,688	692		
Consumer - home equity	—	56		
Real estate bridge loans[1]			39,400	—
Other loans			—	132
Total non-accrual loans	15,100	10,356	53,024	11,525
Loans past due 90 days or more and still accruing	677	7,775		
Loans past due 90 days or more and still accruing[2]			4,108	1,744
Total non-performing loans	15,777	18,131	57,132	13,269
OREO	18,756	21,210		
OREO[3]			19,559	16,949
Total non-performing assets	$ 34,533	$ 39,341	$76,691	$ 30,218

[1] In the first quarter of 2024, a $39.4 million apartment building rehabilitation bridge loan was transferred to nonaccrual status. On April 2, 2024, the same loan was transferred from nonaccrual status to other real estate owned. We intend to continue to manage the capital improvements on the underlying apartment complex. As the units become available for lease, the property manager will be tasked with leasing these units at market rents. The Company intends to explore a potential sale of the asset prior to stabilization. The $39.4 million loan balance compares to a September 2023 third party "as is" appraisal of $47.8 million, or an 82% "as is" loan to value ("LTV"), with additional potential collateral value as construction progresses, and units are re-leased at stabilized rental rates. The $39.4 million loan as well as the other non-accrual balances in this table as of March 31, 2024 are reflected in the substandard loan totals in Note 6 to the financial statements.

[2] The vast majority of the increase in Loans past due 90 days or more and still accruing resulted from vehicle leases to governmental entities and municipalities, the payments for which are sometimes subject to administrative delays.

(3) The increase in OREO reflected the addition of a $2.6 million hotel securing an SBA loan. Should a loss be realized on the sale of this property, we believe that any such loss will be offset by a 75% SBA Guarantee, consistent with other such reimbursements from the SBA.

Interest which would have been earned on loans classified as non-accrual for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, was $621,000 $440,000 and $133,000, $194,000, respectively. No income on non-accrual loans was recognized during the nine three months ended September 30, 2023 March 31, 2024. During the nine three months ended September 30, 2023 March 31, 2024, $89,000 222,000 of legacy commercial real estate, $89,000 REBL, $37,000 of direct leasing, $57,000 of SBL commercial real

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estate, $10,000 and $22,000 of SBL non-real estate $13,000 of IBLOC, and $71,000 of direct leasing were reversed from interest income, which represented interest accrued on loans placed into non-accrual status during the period. During the nine three months ended September 30, 2022 March 31, 2023, $139,000 89,000 of legacy commercial real estate, $89,000 of SBL commercial real estate, and $69,000 $3,000 of SBL non-real estate, was and $26,000 of direct leasing were reversed from interest income, which represented interest accrued on loans placed into non-accrual status during the period. Material amounts of non-accrual interest reversals are charged to the ACL, but such amounts were not material during either the nine three months ended September 30, 2023 March 31, 2024 or 2022. 2023.

Effective January 1, 2023 loan modifications to borrowers Loans which are experiencing financial difficulty stress are required to be disclosed reviewed by type the loan review department, which is independent of modification and by type of loan. Prior accounting guidance classified loans which were modified as troubled debt restructurings only if the modification reflected lending lines. The review includes an analysis for a concession from the lender potential specific reserve allocation in the form of a below market interest rate or other concession ACL. For REBLs, updated appraisals are generally obtained in addition to borrower financial difficulty. Under conjunction with modifications.

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For the new guidance, loans with modifications will be reported whether a concession is made or not. Loans previously classified as troubled debt restructurings will continue to be reported in three months ended March 31, 2024 and the following tables and loans with modifications made after January 1, 2023 will be reported under the new loan modification guidance. As of September 30, 2023 twelve months ended December 31, 2023, loans modified and related information are as follows (dollars in thousands):

	March 31, 2024				December 31, 2023			
	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Payment delay and term extension	Total	Percent of total loan category
SBL non-real estate	$ 2,224	$ —	$ 2,224	1.58%	$ 651	$ —	$ 651	0.47%
SBL commercial mortgage	3,328	—	3,328	0.52%	—	—	—	—
Direct lease financing	—	—	—	—	—	127	127	0.02%
Real estate bridge lending(1)	26,923	32,500	59,423	2.83%	—	12,300	12,300	0.62%
Total	$ 32,475	$ 32,500	$ 64,975	1.19%	$ 651	$ 12,427	$ 13,078	0.24%

(1) For the period ended March 31, 2024, the “as is” weighted average LTV of the real estate bridge lending balances was less than 72.5%, and the “as stabilized” LTV was approximately 68% based upon recent appraisals. “As stabilized” LTVs reflect the third-party appraiser’s estimated value after the rehabilitation is complete. For the period ended December 31, 2023, the weighted average loan to value was less than 70%, based on recent "as is" appraised value. On each property reflected in the balances, apartment improvements and renovations continue, utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of March 31, 2024.

September 30, 2023

	Interest rate reduction	Term extension	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Payment delay and term extension	Payment delay, term extension and interest rate reduction	Percent of total class of financing receivable
SBL non-real estate	$ —	$ —	$ 156	$ —	$ —	$ —	—
Direct lease financing	—	—	—	—	—	—	—
SBL commercial mortgage	—	—	—	—	—	—	—
Other loans	—	—	—	—	—	—	—
Consumer - home equity	—	—	—	—	—	—	—
Total	$ —	$ —	$ 156	$ —	$ —	$ —	—

The following table shows an analysis of loans that were modified during the twelvethree months prior to September 30, 2023ended March 31, 2024 and the year ended December 31, 2023 presented by loan classification (dollars in thousands):

	Payment Status (Amortized Cost Basis)						
	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total delinquent	Current	Total
SBL non-real estate	$ —	$ —	$ —	$ —	$ —	$ 156	$ 156
SBL commercial mortgage	—	—	—	—	—	—	—
Other loans	—	—	—	—	—	—	—
Consumer - home equity	—	—	—	—	—	—	—
	$ —	$ —	$ —	$ —	$ —	$ 156	$ 156

	March 31, 2024						
	Payment Status (Amortized Cost Basis)						
	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total delinquent	Current	Total
SBL non-real estate	$ —	$ —	$ —	$ 790	$ 790	$ 1,434	$ 2,224
SBL commercial mortgage	—	—	—	—	—	3,328	3,328
Real estate bridge lending[1]	—	—	—	—	—	59,423	59,423
	$ —	$ —	$ —	$ 790	$ 790	$64,185	$64,975

	December 31, 2023						
	Payment Status (Amortized Cost Basis)						
	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total delinquent	Current	Total
SBL non-real estate	$ —	$ —	$ —	$ 156	$ 156	$ 495	$ 651
Direct lease financing	—	—	—	127	127	—	127
Real estate bridge lending[1]	—	—	—	—	—	12,300	12,300
	$ —	$ —	$ —	$ 283	$ 283	$12,795	$13,078

There[1] For the period ended March 31, 2024, the “as is” weighted average LTV of the real estate bridge lending balances was one modified less than 72.5%, and the “as stabilized” LTV was approximately 68% based upon recent appraisals. “As stabilized” LTVs reflect the third-party appraiser’s estimated value after the rehabilitation is complete. For the period ended December 31, 2023, the weighted average loan to value was less than 70%, based on recent "as is" appraised value. On each property reflected in the table above, balances, apartment improvements and renovations continue, utilizing additional borrower capital. The balances for $156,000, which had a $2,200 reduction in monthly payment for six months, which constituted the average reduction. both periods were also classified as either special mention or substandard as of March 31, 2024.

Under previous accounting guidance, which was effective through December 31, 2022, The following table describes the Company’s loans that were modified financial effect of the modifications made to borrowers experiencing financial difficulty as of September 30, 2023 March 31, 2024 and December 31, 2022 and considered troubled debt restructurings are as follows December 31, 2023 (dollars in thousands):

	September 30, 2023			December 31, 2022		
	Number	Pre-modification recorded investment	Post-modification recorded investment	Number	Pre-modification recorded investment	Post-modification recorded investment
SBL non-real estate	6	$ 543	$ 543	8	$ 650	$ 650
SBL commercial mortgage	1	834	834	1	834	834
Legacy commercial real estate	1	3,552	3,552	1	3,552	3,552
Consumer - home equity	1	231	231	1	239	239
Total[1]	9	$ 5,160	$ 5,160	11	$ 5,275	$ 5,275

	March 31, 2024	December 31, 2023

	Combined Rate and Maturity			Combined Rate and Maturity		
	Weighted average interest reduction	Weighted average term extension (in months)	More-Than-Insignificant-Payment Delay(2)	Weighted average interest reduction	Weighted average term extension (in months)	More-Than-Insignificant-Payment Delay(2)
SBL non-real estate	—	—	1.58%	—	—	0.47%
SBL commercial mortgage	—	—	0.52%	—	—	—
Direct lease financing	—	—	—	—	3	—
Real estate bridge lending(1)	1.68%	—	1.28%	—	12	—

(1)Troubled debt restructurings included non-accrual loans For the period ended March 31, 2024, the “as is” weighted average LTV of $4.8 million the real estate bridge lending balances was less than 72.5%, and $1.4 million at September 30, 2023 the “as stabilized” LTV was approximately 68% based upon recent appraisals. “As stabilized” LTVs reflect the third-party appraiser’s estimated value after the rehabilitation is complete. For the period ended December 31, 2023, the weighted average loan to value was less than 70%, based on recent "as is" appraised value. On each property reflected in the balances, apartment improvements and December 31, 2022, respectively. renovations continue, utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of March 31, 2024.

(2) Percentage represents the principal of loans deferred divided by the principal of the total loan portfolio.

The table below provides information as to how the loans were modified as troubled debt restructuring loans as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023			December 31, 2022		
	Adjusted interest rate	Extended maturity	Combined rate and maturity	Adjusted interest rate	Extended maturity	Combined rate and maturity
SBL non-real estate	$ —	$ —	$ 543	$ —	$ —	$ 650
SBL commercial mortgage	—	—	834	—	—	834
Legacy commercial real estate	—	—	3,552	—	—	3,552
Consumer - home equity	—	—	231	—	—	239
Total(1)	$ —	$ —	$ 5,160	$ —	$ —	$ 5,275

(1)Troubled debt restructurings included non-accrual There were no loans of $4.8 million that received a term extension modification which had a payment default during the period and $1.4 million at September 30, 2023 and December 31, 2022, respectively. were modified in the twelve months before default.

The Company had no commitments to extend additional credit to loans classified as either modified or troubled debt restructurings as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

Under the previous accounting guidance explained above, when There were $65.0 million and $13.1 million of loans were classified as troubled debt restructurings, modified for year-to-date March 31, 2024 and for the Company estimated the value of underlying collateral and repayment sources. A specific reserve in the ACL was established if the collateral valuation, less estimated disposition costs, was lower than the recorded loan value. The amount of the specific reserve served to increase the provision for credit losses in the quarter the loan was classified as a troubled debt restructuring. As of September 30, 2023twelve months ended December 31, 2023, there were nine troubled debt restructured loans respectively, with an aggregate balance of $5.2 million which had specific reserves of $579,000. As $10,000 and $127,000 as of December 31, 2022 March 31, 2024 and December 31, 2023, there were eleven troubled debt restructured loans with an aggregate balance of $5.3 million which had specific reserves of $637,000. respectively. Substantially all of these the reserves at March 31, 2024 related to the non-guaranteed portion of SBA loans for start-up businesses. While the new guidance eliminates the troubled debt restructuring classification, loans previously classified as such will now be reported as loans with modifications, whether or not the modification reflected a lender concession. Specific reserves for loans with balances which exceed collateral values will continue to be required in the ACL. loans.

The following table summarizes loans that were restructured within the twelve months ended September 30, 2023 March 31, 2024 that have subsequently defaulted (in thousands):

	September 30, 2023		March 31, 2024	
	Number	Pre-modification recorded investment	Number	Pre-modification recorded investment
SBL non-real estate	2	$ 174		
Legacy commercial real estate	1	3,552	1	3,552
Total	3	$ 3,726	1	$ 3,552

Management estimates the ACL quarterly and for most loan categories uses relevant available internal and external historical loan performance information to determine the quantitative component of the reserve and current economic conditions, and reasonable and supportable forecasts and other factors to determine the qualitative component of the reserve. Reserves on specific credit-deteriorated loans comprise the third and final component of the reserve. Historical credit loss experience provides the quantitative basis for the estimation of expected credit losses over the estimated remaining life of the loans. The qualitative component of the ACL is designed to be responsive to changes in portfolio credit quality and the impact of current and future economic conditions on loan performance, and is subjective. The review of the appropriateness of the ACL is performed by the Chief Credit Officer and presented to the Audit Committee of the Company’s Board of Directors (the “Board”) for approval. With the exception of SBLOC and IBLOC, which utilize probability of loss/loss given default, and the other loan category, which uses discounted cash flow to determine a reserve, the quantitative components for remaining categories are determined by establishing reserves on loan pools with similar risk characteristics based on a lifetime loss-rate model, or vintage analysis, as described in the following paragraph. Loans that do not share risk characteristics are evaluated on an individual basis. If foreclosure is believed to be probable or repayment is expected from the sale of collateral, a reserve for deficiency is established within the ACL. Those reserves are estimated based on the difference between loan principal and the estimated fair value of the collateral, adjusted for estimated disposition costs.

Except for SBLOC, IBLOC and other loans as noted above, for purposes of determining the quantitative historical loss reserve for each similar risk pool, the loans not assigned an individual reserve are segregated by product type, to recognize differing risk characteristics within portfolio segments, and an average historical loss rate is calculated for each product type. Loss rates are computed by classifying net charge-offs by year of loan origin, origination, and dividing into total originations for that specific year. This methodology is referred to as vintage analysis. The average loss rate is then projected over the estimated remaining loan lives unique to each loan pool, to determine estimated lifetime losses. For SBLOC and IBLOC, since significant de minimus losses have not been incurred, probability of loss/loss given default considerations are utilized. For the other loan category discounted cash flow is utilized to determine a reserve. The Company also considers the need for an additional ACL based upon qualitative factors such as the Company's current loan performance statistics by pool, and economic conditions. These qualitative factors are intended to account for forward looking expectations over a twelve to eighteen month period not reflected in historical loss rates and otherwise unaccounted for in the quantitative process. Accordingly, such factors may increase or decrease the allowance compared to historical loss rates as the Company's forward looking expectations change. The qualitative factor percentages are applied against the pool balances as of the end of the period. Aside from the qualitative adjustments to account for forward looking expectations of loss over a twelve to eighteen month projection period, the balance of the ACL reverts to the Company's quantitative analysis derived from its historical loss rates. The qualitative and quantitative historical loss rate components, together with the allowances on specific credit-deteriorated loans, comprise the total ACL.

A similar process is employed to calculate an ACL assigned to off-balance sheet commitments, which are comprised of unfunded loan commitments and letters of credit. That ACL for unfunded commitments is recorded in other liabilities. Even though portions of the ACL may be allocated to loans that have been individually measured for credit deterioration, the entire ACL is available for any credit that, in management's judgment, should be charged off.

At September 30, 2023 March 31, 2024, the ACL amounted to $24.1 million $28.7 million of which $10.7 million $11.9 million of allowances resulted from the Company's historical charge-off ratios, $1.8 million $3.3 million from reserves on specific loans, with the balance comprised of the qualitative components. The $10.7 million $11.9 million resulted primarily from SBA non-real estate bridge lending and leasing charge-offs. The proportion of qualitative reserves compared to charge-off history related reserves reflects that significant the general absence of charge-offs have not been experienced in the Company's largest loan portfolios consisting of SBLOC, IBLOC and real estate bridge lending. The general absence of significant respective such charge-offs reflects, at least in part,

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the nature of related collateral consisting, respectively, of marketable securities, the cash value of life insurance and workforce apartment buildings. As charge-offs are nonetheless possible, significant subjectivity is required to consider qualitative factors to derive the related components of the allowance.

The Company ranks its qualitative factors in five levels: minimal, low, moderate, moderate-high, and high-risk. The individual qualitative factors for each portfolio segment have their own scale based on an analysis of that segment. A high-risk ranking results in the largest increase in the ACL calculation with each level below having a lesser impact on a sliding scale. The qualitative factors used for each portfolio are described below in the description of each portfolio segment. When the Company adopted current expected credit loss accounting ("CECL") methodology as of January 1, 2020, the management assumption was that some degree of economic slowdown should be considered over the next eighteen months. That belief reflected the length of the current economic expansion and the relatively high level of unsustainable U.S. government deficit spending. Accordingly, the economic qualitative factor for certain loan pools was set at moderate as of January 1, 2020. Based on the uncertainty as to how the COVID-19 pandemic would impact the Company's loan pools, the Company increased certain qualitative factors to moderate and moderate-high in 2020. In the second quarter of 2021, the Company reassessed those factors and reversed increases to moderate-high for certain pools, based upon increased vaccination rates and significant reopening of the economy. As a result of continuing economic uncertainty in 2022, including heightened inflation and increased risks of recession, the qualitative factors which had previously been set in anticipation of a downturn, at January 1, 2020, were maintained through the third quarter of 2022. In the fourth quarter of 2022, as risks of a recession increased, the economic qualitative risk factor was increased for non-real estate SBL and leasing. Those higher qualitative allocations were retained in the first quarter of 2023, as negative economic indications persisted. In the second quarter of 2023, CECL model adjustments of $1.7 million resulted from a $2.5 million CECL model decrease from changes in estimated average lives, partially offset by a $794,000 CECL model increase resulting from increasing economic and collateral risk factors to respective moderate-high and moderate risk levels. The elevated economic risk level for leasing reflected input from department heads regarding the potential borrower impact of the higher rate environment. The elevated collateral risk level for leasing reflected lower auction prices for vehicles and uncertainty over the extent to which such prices might decrease in the future. The adjustment for average lives reflected a change in the estimated lives of leases, higher variances for which may result from their short maturities. In the third quarter of 2023, there were indications of auction price stabilization, while the auto workers' strike could reduce supply and drive up prices. Nonetheless, the elevated risk levels were maintained. The third quarter provision of $1.8 million reflected the impact of $922,000 of quarterly net-charge offs, primarily from leasing.

The Company has not increased the qualitative risk levels for SBLOC or IBLOC because of the nature of related collateral. SBLOC loans are subject to maximum loan to marketable securities value, and notwithstanding historic drops in the stock market in recent years, losses have not been realized. IBLOC loans are limited to borrowers with insurance companies that exceed credit requirements, and loan amounts are limited to life insurance cash values. The Company also has had not, prior to the fourth quarter of 2023, increased the economic factor for multi-family multifamily real estate bridge lending. While Federal Reserve rate increases directly increase real estate bridge loan floating-rate borrowing costs, those borrowers are required to purchase interest rate caps that will partially limit the increase in borrowing costs during the term of the loan. Additionally, there continues to be several additional mitigating factors within the multifamily sector that should continue to fuel demand. Higher interest rates are increasing the cost to purchase a home, which in turn is increasing the number of renters and subsequent demand for multifamily. The softening demand for new homes should continue to exacerbate the current housing shortage, and therefore continue to fuel demand for multifamily apartment homes. Additionally, higher rents in the multifamily sector are causing renters to be more price sensitive, which is driving demand for most of the apartment buildings within the Company's loan portfolio which management considers "workforce" housing. As a result, In the fourth quarter of 2023, an increasing trend in substandard loans was reflected in an increase in the risk level for the REBL ACL economic qualitative economic factor, was not increased. which resulted in a $1.0 million increase in the fourth quarter provision for credit loss on loans.

The economic qualitative factor is based on the estimated impact of economic conditions on the loan pools, as distinguished from the economic factors themselves, for the following reasons. The Company has not experienced significant multi-family limited multifamily (apartment building) loan charge-offs, despite stressed economic conditions. Accordingly, the ACL for this pool was derived from a qualitative factor based on industry loss information for multi-family multifamily housing. Similarly, the The Company's charge-offs have been virtually non-existent for SBLOC and IBLOC notwithstanding stressed economic periods, and their ACL is accordingly also determined by a qualitative factors. factor. Investment advisor loans were first offered in 2020 with limited performance history, during which charge-offs have not been experienced. For investment advisor loans, the nature of the underlying ultimate repayment source was considered, namely the fee-based advisory income streams resulting from investment portfolios under management, and the impact changes in economic conditions would have on those payment streams. The qualitative factors used for this and the other portfolios are described below in the description of each portfolio segment. Additionally, the Company's charge-off histories for SBLs, primarily SBA, and leases have not correlated with economic conditions, including trends in unemployment. While specific economic factors did not correlate with actual historical losses, multiple economic factors are considered in the economic qualitative factor. For the non-guaranteed portion of SBA loans, leases, real estate bridge lending and investment advisor financing, the Company's loss forecasting analysis included a review of industry statistics. However, the

Company's own charge-off history and average life estimates, for categories in which the Company has experienced charge-offs, was the primary quantitatively-derived element in the forecasts. The qualitative component results from management's qualitative assessments which consider internal and external inputs.

Below are the portfolio segments used to pool loans with similar risk characteristics and align with the Company's methodology for measuring expected credit losses. These pools have similar risk and collateral characteristics, and certain of these pools are broken down further in determining and applying the vintage loss estimates previously discussed. For instance, within the direct lease financing pool, government and public institution leases are considered separately. Additionally, the Company evaluates its loans under an internal loan risk rating system as a means of identifying problem loans. The special mention classification indicates weaknesses that may, if not cured, threaten the borrower's future repayment ability. A substandard classification reflects an existing weakness indicating the possible inadequacy of net worth and other repayment sources. These classifications are used both by regulators and peers, as they have been

correlated with an increased probability of credit losses. A summary of the Company's primary portfolio pools and loans accordingly classified, by year of origination, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows (in thousands):

As of September 30, 2023 March 31, 2024	2024	2023	2022	2021	2020	2019	Prior	Revolving loans at amortized cost	Total	
SBL non real estate										
Non-rated	$ 255 587	$ —	$ —	$ —	$ —	$ —	$ —	$ 255 587		
Pass(1)	35,310 4,574	34,742 53,009	28,224 30,892	10,095 25,574	4,491 8,510	5,219 7,421	—	118,081 129,980		
Special mention	471 —	495 447	261 318	1,114 257	123 273	913 590	—	3,377 1,885		
Substandard	—	—	124 495	532 531	251 682	570 874	—	1,477 2,582		
Total SBL non-real estate	36,036 5,161	35,237 53,456	28,609 31,705	11,741 26,362	4,865 9,465	6,702 8,885	—	123,190 135,034		
SBL commercial mortgage										
Pass	67,290 33,607	135,496 131,474	98,083 142,746	68,315 85,168	59,030 67,445	100,291 154,876	—	528,505 615,316		
Special mention	—	375	—	7,439 10,759	91	1,352	—	603		661 —9,078 12,577
Substandard	—	—	—	1,755	452	1,853	2,492 3,129	—	4,797 5,336	

Total SBL commercial mortgage	67,665 33,607	135,496 131,849	105,522 142,746	68,767 97,682	61,486 67,988	103,444 159,357	—	542,380 633,229	
SBL construction									
Pass	1,141 2,323	4,687 5,764	1,669 1,685	5,537	927	4,305 4,579	—	—	12,729 20,815
Special mention	—	—	3,090 —	— 3,090	—	—	—	3,090	
Substandard	—	—	2,675 —	— 2,675	—	710	—	3,385	
Total SBL construction	1,141 2,323	4,687 5,764	7,434 1,685	11,302	927	4,305	710 5,289	—	19,204 27,290
Direct lease financing									
Non-rated	3,104 1,977	—	—	—	—	—	—	3,104 1,977	
Pass	228,521 85,404	245,135 276,002	107,593 199,452	49,034 80,585	21,724 31,373	6,652 16,772	—	658,659 689,588	
Special mention	—	928 94	427 1,648	149 978	206 213	85	—	—	1,710 3,018
Substandard	58 —	3,031 1,085	2,671 4,763	725 1,509	124 340	126 232	—	6,735 7,929	
Total direct lease financing	231,683 87,381	249,094 277,181	110,691 205,863	49,908 83,072	22,054 31,926	6,778 17,089	—	670,208 702,512	
SBLOC									
Non-rated	—	—	—	—	—	—	1,279 1,690	1,279 1,690	
Pass	—	—	—	—	—	—	1,006,643 953,061	1,006,643 953,061	
Total SBLOC	—	—	—	—	—	—	1,007,922 954,751	1,007,922 954,751	
IBLOC									
Non-rated	—	—	—	—	—	—	3,842	3,842	
Pass	—	—	—	—	—	—	707,550 594,985	707,550 594,985	
Substandard	—	—	—	—	—	—	1,199 577	1,199 577	
Total IBLOC	—	—	—	—	—	—	712,591 595,562	712,591 595,562	
Advisor financing									
Non-rated Pass	198 15,324	90,955	60,599	31,104	23,423	—	—	221,405	
Special mention	—	—	1,076	8,818	907	—	—	— 10,801	
Total advisor financing	15,324	198							
Pass	58,707 90,955	63,900 61,675	50,339 39,922	26,298 24,330	—	—	—	199,244	
Total advisor financing	58,905	63,900	50,339	26,298	—	—	—	199,442 232,206	
Real estate bridge loans									
Pass	234,408 109,086	1,004,539 418,012	513,418 965,541	444,077	—	—	—	—	1,752,365 1,936,716
Special mention(1)	—	44,159 —	64,067	16,913	—	—	—	80,980	
Substandard(1)	—	—	44,159						
Substandard	—	— 32,500	51,700	—	—	—	—	51,700 84,200	
Total real estate bridge loans	234,408 109,086	1,048,698 418,012	565,118 1,062,108	512,690	—	—	—	—	1,848,224 2,101,896
Other loans									
Non-rated	3,416 8,977	—	—	—	—	11,669 12,954	—	15,085 21,931	
Pass	166 10	261 165	370 259	2,610 358	2,370 2,608	41,334 39,567	1,638 1,554	48,749 44,521	
Special mention	—	—	—	—	—	394 330	—	394 330	
Substandard Total other loans(2)	— 8,987	— 165	— 259	— 358	— 2,608	3,688 52,851	— 1,554	3,688	
Total other loans(2)	3,582	261	370	2,610	2,370	57,085	1,638	67,916 66,782	
	$ 633,420 261,869	$ 1,537,373 977,382	$ 868,083 1,506,041	$ 160,251 771,388	$ 95,080 137,244	$ 174,719 243,471	$ 1,722,151 1,551,867	$ 5,191,077 5,449,262	
Unamortized loan fees and costs	—	—	—	—	—	—	—	7,895 10,082	
Total								$ 5,198,972 5,459,344	

(1)IncludedAt March 31, 2024, substandard real estate bridge loan amounts of $32.5 million and $12.3 million are reflected in the SBL non loan modification tables and the $39.4 million is reflected in the non-accrual tables. For the substandard real estate pass total bridge loans, recent appraisals reflect a respective weighted average "as is" LTV of $118.1 million was $2.3 million 79% and a further estimated 76% "as stabilized" LTV. The "as stabilized"

LTV reflects the third-party appraiser's estimate of SBA Paycheck Protection Program ("PPP") loans, which are guaranteed by the U.S. government. value after rehabilitation is complete.

(2)Included in Other loans are $12.1 $10.6 million of SBA loans purchased for Community Reinvestment Act ("CRA") purposes as of September 30, 2023 March 31, 2024. These loans are classified as SBL in the Company's loan table, which classifies loans by type, as opposed to risk characteristics.

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As of December 31, 2022 December 31, 2023	2023	2022	2021	2020	2019	2018	Prior	Revolving loans at amortized cost	Total		
SBL non real estate											
Non-rated[1]	$ 2,075 $	4,266 $	273 507 $	—$	—$	—$	—$	6,614 —$	—$	507	
Pass	32,402 47,066	30,388 32,512	13,432 26,919	5,599 9,662	3,931 4,334	4,555 5,357	—	90,307 125,850			
Special mention	460	—	— 258	1,101	119	337	—	—	585	284	—869 2,275
Substandard	—	— 495	320 632	242 564	15 250	642 562	—	1,219 2,503			
Total SBL non-real estate	34,477 48,033	34,654 33,007	14,025 27,809	5,841 11,327	4,531 4,703	5,481 6,256	—	99,009 131,135			
SBL commercial mortgage											
Non-rated Pass	10,600 128,375	138,281	93,399	67,635	58,550	98,704	—	584,944			
Special mention	375	—	10,764	—	595	1,363	—	13,097			
Substandard	—	—	—	—	—	—	10,600				
Pass	116,647	97,968	64,388	64,692	42,461	68,193	—	454,349			
Special mention	—	—	— 452	1,853	—	630 1,928	—	2,483 4,233			
Substandard Total SBL commercial mortgage	128,750	138,281	104,163	68,087	60,998	101,995	—	—	141	—834	589 —1,564
Total SBL commercial mortgage	127,247	97,968	64,529	66,545	43,295	69,412	—	468,996 602,274			
SBL construction											
Pass	3,153 2,848	11,650 5,966	9,712 1,877	2,964 927	4,534	—	—	16,152			
Special mention	—	—	3,090	—	—	—	27,479 —	3,090			
Substandard	—	2,676 —	— 2,675	—	—	710	—	3,386 3,385			
Total SBL construction	3,153 2,848	14,326 5,966	9,712 7,642	2,964 927	— 4,534	710	—	30,865 22,627			
.											
Direct lease financing											
Non-rated	73,424	30,900	8,245	1,153	429	108	—	114,259			
Pass	254,063	129,763	71,043	38,038	13,722	4,291	—	510,920			
Special mention	—	—	61 1,273	—	—	—	—	61			
Substandard —	2,854 —	2,324 1,273									
Pass	1,658 302,362	84 221,768	92,945	37,664	17,469	4,349	—	676,557			
Special mention	—	666	202	125	146	—	—	— 1,139			
Substandard	6,920										
Total direct lease financing 135	330,341 3,898	162,987 1,998	81,007 372	39,275 184	14,151	4,399 101	—	632,160 6,688			
Total direct lease financing	303,770	226,332	95,145	38,161	17,799	4,450	—	685,657			
SBLOC											

Non-rated	—	—	—	—	—	—	4,284 3,261	4,284 3,261	
Pass	—	—	—	—	—	—	1,205,098 977,158	1,205,098 977,158	
Total SBLOC	—	—	—	—	—	—	1,209,382 980,419	1,209,382 980,419	
IBLOC									
Non-rated	—	—	—	—	—	—	555,219	555,219	
Pass	—	—	—	—	—	—	567,868 646,230	567,868 646,230	
Substandard	—	—	—	—	—	—	636	636	
Total IBLOC	—	—	—	—	—	—	1,123,087 646,866	1,123,087 646,866	
Advisor financing									
Non-rated Pass	3,318 92,273	909 63,083	40,994	24,321	—	—	—	—	— 4,227 220,671
			35,665 Special						
Pass	68,078	64,498	mention	—	—	—	—	168,241	
Total advisor financing	71,396	65,407	35,665 941	—	—	—	941		
Total advisor financing	92,273	63,083	40,994	25,262	—	172,468 —	—	221,612	
Real estate bridge loans									
Pass	1,009,708 397,073	659,323 1,013,199	461,474	—	—	—	—	1,871,746	
Special mention	—	1,669,031							
Total real estate bridge loans 59,423	1,009,708	659,323 16,913	—	—	—	—	76,336		
Substandard	—	1,669,031 —	51,700	—	—	—	—	51,700	
Total real estate bridge loans	397,073	1,072,622	530,087	—	—	—	—	1,999,782	
Other loans									
Non-rated	4,374	29	37 2,555	—	—	16,326 —	488 —	21,254 11,513	— 14,068
Pass	264 165	366 260	2,611 363	2,750 2,609	2,820 2,314	41,571 40,101	1,187 1,593	51,569 47,405	
Special mention	—	—	—	—	—	3,552 362	—	3,552 362	
Substandard	—	—	—	—	—	692 132	56 —	748 132	
Total other loans(2) (1)	4,638 2,720	395 260	2,648 363	2,750 2,609	2,820 2,314	62,141 52,108	1,731 1,593	77,123 61,967	
Total	$1,580,960 975,467	$1,035,060 1,539,551	$207,586 806,203	$117,375 146,373	$64,797 90,348	$142,143 165,519	$2,334,200 1,628,878	$5,482,121 5,352,339	
Unamortized loan fees and costs	—	—	—	—	—	—	—	4,732 8,800	
Total								$5,486,853 5,361,139	

(1)Included in the SBL non real estate non-rated total of $6.6 million was $4.5 million of SBA PPP loans, which are guaranteed by the U.S. government.

(2)Included in Other loans are $15.4 $11.3 million of SBA loans purchased for CRA purposes as of December 31, 2022 December 31, 2023. These loans are classified as SBL in the Company's loan table, which classifies loans by type, as opposed to risk characteristics.

SBL. Substantially all SBLs consist of SBA loans. The Bank participates in loan programs established by the SBA, including the 7(a) Loan Guarantee Program (the "7(a) Program"), the 504 Fixed Asset Financing Program (the "504 Program"), and the discontinued PPP. The 7(a) Program is designed to help small business borrowers start or expand their businesses by providing partial guarantees of loans made by banks and non-bank lending institutions for specific business purposes, including long or short term working capital; funds for

the purchase of equipment, machinery, supplies and materials; funds for the purchase, construction or renovation of real estate; and funds to acquire, operate or expand an existing business or refinance existing debt, all under conditions established by the SBA. The 504 Program includes the financing of real estate and commercial mortgages. In 2020 and 2021, the Company also participated in the PPP, which provided short-term loans to small businesses. PPP loans are fully guaranteed by the U.S. government. This program was a specific response to the COVID-19 pandemic, and the vast majority of these loans have been reimbursed by the U.S. government, with $2.3 million $1.9 million remaining to be reimbursed as of September 30, 2023 March 31, 2024. The Company segments the SBL portfolio into four pools: non-real estate, commercial mortgage and construction to capture the risk characteristics of each pool, and the PPP loans discussed above. PPP loans are not included in the risk pools because they have inherently different risk characteristics due to the U.S. government guarantee. In the table above, the PPP loans are included in non-rated SBL non-real estate. The qualitative factors for SBL loans focus on pool loan performance, underlying collateral for collateral dependent loans and changes in economic conditions. Additionally, the construction segment adds a qualitative factor for general construction risk, such as construction delays resulting from labor shortages or availability/pricing of construction materials.

Direct lease financing. The Company provides lease financing for commercial and government vehicle fleets and, to a lesser extent, provides lease financing for other equipment. Leases are either open-end or closed-end. An open-end lease is one in which, at the end of the lease term, the lessee must pay the difference between the amount at which the Company sells the leased asset and the stated termination value. Termination value is a contractual value agreed to by the parties at the inception of a lease as to the value of the leased asset at the end of the lease term. A closed-end lease is one for which no such payment is due on lease termination. In a closed-end lease, the risk that the amount received on a sale of the leased asset will be less than the residual value is assumed by the Bank, as lessor. The qualitative factors for direct lease financing focus on underlying collateral for collateral dependent loans, portfolio loan performance, loan concentrations and changes in economic conditions.

SBLOC. SBLOC loans are made to individuals, trusts and entities and are secured by a pledge of marketable securities maintained in one or more accounts for which the Company obtains a securities account control agreement. The securities pledged may be either debt or equity securities or a combination thereof, but all such securities must be listed for trading on a national securities exchange or automated inter-dealer quotation system. SBLOCs are typically payable on demand. Maximum SBLOC line amounts are calculated by applying a standard “advance rate” calculation against the eligible security type depending on asset class: typically, up to 50% for equity securities and mutual fund securities and 80% for investment grade (Standard & Poor’s rating of BBB- or higher, or Moody’s rating of Baa3 or higher) municipal or corporate debt securities. Substantially all SBLOCs have full recourse to the borrower. The underlying securities collateral for SBLOC loans is monitored on a daily basis to confirm the composition of the client portfolio and its daily market value. The primary qualitative factor in the SBLOC analysis is the ratio of loans outstanding to market value. This factor has been maintained at low levels, which has remained appropriate as losses have not materialized despite the historic declines in the equity markets during 2020, during which there were no losses. Significant losses have not been incurred since inception of this line of business. Additionally, the advance rates noted above were established to provide the Company with protection from declines in market conditions from the origination date of the lines of credit.

IBLOC. IBLOC loans are collateralized by the cash surrender value of eligible insurance policies. Should a loan default, the primary risks for IBLOCs are if the insurance company issuing the policy were to become insolvent, or if that company would fail to recognize the Bank’s assignment of policy proceeds. To mitigate these risks, insurance company ratings are periodically evaluated for compliance with Bank standards. Additionally, the Bank utilizes assignments of cash surrender value, which legal counsel has concluded are enforceable. Significant losses have not been incurred since inception of this line of business. The qualitative factors for IBLOC primarily focus on the concentration risk with insurance companies.

Investment advisor financing. In 2020, the Bank began originating loans to investment advisors for purposes of debt refinancing, acquisition of another firm or internal succession. Maximum loan amounts are subject to loan-to-value ratios of 70%, based on third party third-party business appraisals, but may be increased depending upon the debt service coverage ratio. Personal guarantees and blanket business liens are obtained as appropriate. Loan repayment is highly dependent on fee streams from advisor clientele. Accordingly, loss of fee-based investment advisory clients or negative market performance may reduce fees and pose a risk to these credits. As credit losses have not been experienced, the ACL is determined by qualitative factors. The qualitative factors for investment advisor financing focus on historical industry losses, changes in lending policies and procedures, portfolio performance and economic conditions.

Real estate bridge loans. Real estate bridge loans are transitional commercial mortgage loans which are made to improve and rehabilitate existing properties which already have cash flow, and which are securitized by those properties. The portfolio is comprised primarily of apartment buildings. Prior to 2020, such loans were originated for securitization and loans which had been originated but not securitized continue to be accounted for at fair value in “Commercial loans, at fair value”, on the balance sheet. In 2021, originations resumed and are being held for investment in “Loans, net of deferred fees and costs”, on the balance sheet. The Bancorp has minimal exposure to non-multifamily commercial real estate such as office buildings, and instead has a portfolio largely comprised of rehabilitation bridge loans for apartment buildings. These loans generally have three-year terms with two one-year extensions to allow for the rehabilitation work to be completed and rentals stabilized for an extended period, before being refinanced at lower rates through U.S. Government Sponsored Entities or other lenders. The rehabilitation

real estate lending portfolio consists primarily of workforce housing, which the Company considers to be working class apartments at more affordable rental rates. As credit losses significant charge-offs have not been experienced for multi-family multifamily (apartment building loans) which comprise the REBL portfolio, the ACL is determined by qualitative factors. Qualitative factors focus on historical industry losses, changes in economic conditions, underlying collateral and portfolio performance.

Other loans. Other loans include commercial and consumer loans including home equity lines of credit which the Company generally no longer offers. Qualitative factors focus on changes in the underlying collateral for collateral dependent loans, portfolio loan performance, loan concentrations and changes in economic conditions.

Expected credit losses are estimated over the estimated remaining lives of loans. The estimate excludes possible extensions, renewals and modifications unless either of the following applies: management has a reasonable expectation that a loan will be restructured, or the extension or renewal options are included in the borrower contract and are not unconditionally cancellable by us.

The Company does not measure an ACL on accrued interest receivable balances, because these balances are written off in a timely manner as a reduction to interest income when loans are placed on non-accrual status.

ACL on off-balance sheet credit exposures. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The ACL on such off-balance sheet credit exposures, also referred to as loan commitments, is adjusted through the provision for credit losses. The estimate considers the likelihood that funding will occur over the estimated life of the commitment. The amount of the ACL on such exposures as of September 30, 2023March 31, 2024 and as of December 31, 2022December 31, 2023 was $2.4 million and $2.8 million$2.6 million, respectively.

A detail of the changes in the ACL by loan category and summary of loans evaluated individually and collectively for credit deterioration is as follows (in thousands):

	September 30, 2023									
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Other loans	Deferred fees and costs	Total
Beginning 1/1/2023	$ 5,028 $	2,585 $	565 $	7,972 $	1,167 $	1,293 $	3,121 $	643 $	—$	22,374
Beginning 1/1/2024										
Charge-offs	(871)	—	—	(2,804)	—	—	—	(3)	—	(3,678)
Recoveries	446	75	—	220	—	—	—	299	—	1,040
Provision (credit)(1)	1,250	19	(323)	3,583	(291)	203	335	(367)	—	4,409
Ending balance	$ 5,853 $	2,679 $	242 $	8,971 $	876 $	1,496 $	3,456 $	572 $	—$	24,145
Ending balance: Individually evaluated for expected credit loss	$ 566 $	419 $	44 $	774 $	17 $	—$	—$	11 $	—$	1,831
Ending balance: Collectively evaluated for expected credit loss	$ 5,287 $	2,260 $	198 $	8,197 $	859 $	1,496 $	3,456 $	561 $	—$	22,314
Loans: Ending balance	$130,579 $	547,107 $	19,204	$670,208	$1,720,513	$199,442	$1,848,224	$55,800 $	7,895	$5,198,972
Ending balance: Individually evaluated for expected credit loss	$ 1,337 $	2,945 $	3,385 $	3,351 $	475 $	—$	—$	3,919 $	—$	15,412
Ending balance: Collectively evaluated for expected credit loss	$129,242 $	544,162 $	15,819	$666,857	$1,720,038	$199,442	$1,848,224	$51,881 $	7,895	$5,183,560

	March 31, 2024									
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Other loans	Deferred fees and costs	Total
Beginning 1/1/2023										
Beginning 1/1/2024	$ 6,059 $	2,820 $	285 $	10,454 $	813 $	1,662 $	4,740 $	545 $	—$	27,37
Charge-offs	(111)	—	—	(919)	—	—	—	(6)	—	(1,03
Recoveries	4	—	—	32	—	—	—	—	—	3
Provision (credit)(1)	106	(264)	58	2,276	(38)	80	149	(4)	—	2,36
Ending balance	$ 6,058 $	2,556 $	343 $	11,843 $	775 $	1,742 $	4,889 $	535 $	—$	28,74
Ending balance: Individually evaluated for expected credit loss	$ 618 $	41 $	44 $	2,618 $	—$	—$	—$	—$	—$	3,32
Ending balance: Collectively evaluated for expected credit loss	$ 5,440 $	2,515 $	299 $	9,225 $	775 $	1,742 $	4,889 $	535 $	—$	25,42
Loans: Ending balance	$140,956 $	637,926 $	27,290	$702,512	$1,550,313	$232,206	$2,101,896	$56,163	$10,082	$5,459,34
Ending balance: Individually evaluated for expected credit loss	$ 1,983 $	3,483 $	3,385 $	4,847 $	—$	—$	39,400 $	227 $	—$	53,32
Ending balance: Collectively evaluated for expected credit loss	$138,973 $	634,443 $	23,905	$697,665	$1,550,313	$232,206	$2,062,496	$55,936	$10,082	$5,406,01

December 31, 2022										December 31, 2023									
SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Other loans	Deferred fees and costs	Total	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Other loans	Deferred fees and costs	Total

Beginning 1/1/2022	$ 5,415	$ 2,952	$ 432	$ 5,817	$ 964	$ 868	$ 1,181	$ 177	$ —	$ 17,806										
Beginning 1/1/2023											$ 5,028	$ 2,585	$ 565	$ 7,972	$ 1,167	$ 1,293	$ 3,121	$ 643	$ —	$ 22,374
Charge-offs	(885)	—	—	(576)	—	—	—	—	—	(1,461)	(871)	(76)	—	(3,666)	(24)	—	—	(3)	—	(4,640
Recoveries	140	—	—	124	—	—	—	24	—	288	475	75	—	330	—	—	—	299	—	1,179
Provision (credit)[1]	358	(367)	133	2,607	203	425	1,940	442	—	5,741	1,427	236	(280)	5,818	(330)	369	1,619	(394)	—	8,465
Ending balance	$ 5,028	$ 2,585	$ 565	$ 7,972	$ 1,167	$ 1,293	$ 3,121	$ 643	$ —	$ 22,374	$ 6,059	$ 2,820	$ 285	$ 10,454	$ 813	$ 1,662	$ 4,740	$ 545	$ —	$ 27,378
Ending balance: Individually evaluated for expected credit loss	$ 525	$ 441	$ 153	$ 933	$ —	$ —	$ —	$ 15	$ —	$ 2,067	$ 670	$ 343	$ 44	$ 1,827	$ —	$ —	$ —	$ 4	$ —	$ 2,888
Ending balance: Collectively evaluated for expected credit loss	$ 4,503	$ 2,144	$ 412	$ 7,039	$ 1,167	$ 1,293	$ 3,121	$ 628	$ —	$ 20,307	$ 5,389	$ 2,477	$ 241	$ 8,627	$ 813	$ 1,662	$ 4,740	$ 541	$ —	$ 24,490
Loans:																				
Ending balance	$108,954	$ 474,496	$ 30,864	$632,160	$2,332,469	$172,468	$1,669,031	$61,679	$ 4,732	$5,486,853	$137,752	$ 606,986	$ 22,627	$685,657	$1,627,285	$221,612	$1,999,782	$50,638	$ 8,800	$5,361,139
Ending balance: Individually evaluated for expected credit loss	$ 1,374	$ 1,423	$ 3,386	$ 3,550	$ —	$ —	$ —	$ 4,539	$ —	$ 14,272	$ 1,919	$ 2,381	$ 3,385	$ 3,785	$ —	$ —	$ —	$ 362	$ —	$ 11,832
Ending balance: Collectively evaluated for expected credit loss	$107,580	$ 473,073	$ 27,478	$628,610	$2,332,469	$172,468	$1,669,031	$57,140	$ 4,732	$5,472,581	$135,833	$ 604,605	$ 19,242	$681,872	$1,627,285	$221,612	$1,999,782	$50,276	$ 8,800	$5,349,307

	September 30, 2022										March 31, 2023									
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Other loans	Deferred fees and costs	Total	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Other loans	Deferred fees and costs	Total
Beginning 1/1/2022	$ 5,415	$ 2,952	$ 432	$ 5,817	$ 964	$ 868	$ 1,181	$ 177	$ —	$ 17,806										
Beginning 1/1/2023											$ 5,028	$ 2,585	$ 565	$ 7,972	$ 1,167	$ 1,293	$ 3,121	$ 643	$ —	$ 22,374
Charge-offs	(861)	—	—	(312)	—	—	—	—	—	(1,173)	(214)	—	—	(905)	—	—	—	(3)	—	(1,122
Recoveries	57	—	—	108	—	—	—	—	—	165	202	75	—	67	—	—	—	—	—	344
Provision (credit)[1]	300	(794)	(6)	682	220	396	1,602	491	—	2,891	290	(179)	(75)	2,054	(140)	128	156	(36)	—	2,198
Ending balance	$ 4,911	$ 2,158	$ 426	$ 6,295	$ 1,184	$ 1,264	2,783	$ 668	$ —	$ 19,689	$ 5,306	$ 2,481	$ 490	$ 9,188	$ 1,027	$ 1,421	3,277	$ 604	$ —	$ 23,794

Ending balance: Individually evaluated for expected credit loss	$ 594	$ 222	$ 34	$ —	$ —	$ —	$ —	$ 13	$ —	$ 863	$ 458	$ 481	$ 44	$ 689	$ —	$ —	$ —	$ 12	$ —	$ 1,68
Ending balance: Collectively evaluated for expected credit loss	$ 4,317	$ 1,936	$ 392	$ 6,295	$ 1,184	$ 1,264	$ 2,783	$ 655	$ —	$ 18,826	$ 4,848	$ 2,000	$ 446	$ 8,499	$ 1,027	$ 1,421	$ 3,277	$ 592	$ —	$ 22,11
Loans:																				
Ending balance	$116,080	$ 429,865	$ 26,841	$599,796	$2,369,106	$168,559	$1,488,119	$64,980	$ 4,029	$5,267,375	$114,334	$ 492,798	$ 33,116	$652,541	$2,053,450	$189,425	$1,752,322	$60,210	$ 6,151	$5,354,34
Ending balance: Individually evaluated for expected credit loss	$ 1,347	$ 1,423	$ 710	$ —	$ —	$ —	$ —	$ 4,442	$ —	$ 7,922	$ 1,160	$ 2,948	$ 3,385	$ 1,381	$ —	$ —	$ —	$ 4,388	$ —	$ 13,26
Ending balance: Collectively evaluated for expected credit loss	$114,733	$ 428,442	$ 26,131	$599,796	$2,369,106	$168,559	$1,488,119	$60,538	$ 4,029	$5,259,453	$113,174	$ 489,850	$ 29,731	$651,160	$2,053,450	$189,425	$1,752,322	$55,822	$ 6,151	$5,341,08

[(1)]The amount shown as the provision for credit losses for the period reflects the provision on credit losses for loans, while the consolidated statements of operations provision for credit losses includes provisions for unfunded commitments as follows: $393,000 $194,000 for the nine three months ended September 30, 2023 March 31, 2024, $1.4 million $295,000 provision reversal for the nine three months ended September 30, 2022 March 31, 2023, and $1.4 million $135,000 (credit) million for full year 2022. 2023.

A summary of the Company's net charge-offs accordingly classified, by year of origination, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows (in thousands):

As of September 30, 2023 March 31, 2024	2024	2023	2022	2021	2020	2019	Prior	Total	
SBL non-real estate									
Current period charge-offs	$ —	$ —	$ —	$ — (101)	$ —	$ (871) (10)	$ (871) (111)		
Current period recoveries	—	—	—	—	—	446 4	446 4		
Current period SBL non-real estate net charge-offs	—	—	—	— (101)	—	(425) (6)	(425) (107)		
SBL commercial mortgage									
Current period charge-offs	—	—	—	—	—	—	—		
Current period recoveries	—	—	—	—	—	75 —	75 —		
Current period SBL commercial mortgage net charge-offs	—	—	—	—	—	75 —	75 —		
SBL construction									
Current period charge-offs	—	—	—	—	—	—	—		
Current period recoveries	—	—	—	—	—	—	—		
Current period SBL construction net charge-offs	—	—	—	—	—	—	—		
Direct lease financing									
Current period charge-offs	(114) (3)	(1,706) (20)	(756) (621)	(189) (250)	(39) (19)	— (6)	(2,804) (919)		
Current period recoveries	—	30	105	70	—	15 8	220 14	5	5 32
Current period direct lease financing net charge-offs	(114) (3)	(1,676) (20)	(651) (613)	(119) (236)	(39) (14)	15 (1)	(2,584) (887)		
SBLOC									
Current period charge-offs	—	—	—	—	—	—	—		
Current period recoveries	—	—	—	—	—	—	—		

Current period SBLOC net charge-offs	—	—	—	—	—	—	—	
IBLOC								
Current period charge-offs	—	—	—	—	—	—	—	
Current period recoveries	—	—	—	—	—	—	—	
Current period IBLOC net charge-offs	—	—	—	—	—	—	—	
Advisor financing								
Current period charge-offs	—	—	—	—	—	—	—	
Current period recoveries	—	—	—	—	—	—	—	
Current period advisor financing net charge-offs	—	—	—	—	—	—	—	
Real estate bridge loans								
Current period charge-offs	—	—	—	—	—	—	—	
Current period recoveries	—	—	—	—	—	—	—	
Current period real estate bridge loans net charge-offs	—	—	—	—	—	—	—	
Other loans								
Current period charge-offs	—	(6)	—	—	—	—	(3) (3) (6)	
Current period recoveries	—	—	—	—	—	299 —	299 —	
Current period other loans net recoveries	—	(6)	—	—	—	—	—	296 296 (6)
Total								
Current period charge-offs	(114) (3)	(1,706) (26)	(756) (621)	(189) (351)	(39) (19)	(874) (16)	(3,678) (1,036)	
Current period recoveries	—	30	105	70	—	835 8	1,040 14	5 9 36
Current period net charge-offs	$ (114) (3)	$ (1,676) (26)	$ (651) (613)	$ (119) (337)	$ (39) (14)	$ (39) (7)	$ (2,638) (1,000)	
			27 26					

As of December 31, 2022 December 31, 2023	2023	2022	2021	2020	2019	2018	Prior	Total
SBL non-real estate								
Current period charge-offs	$ —	$ —	$ (17) —	$ —	$ —	$ (868) (871)	$ (885) (871)	
Current period recoveries	—	—	2 —	—	8 —	130 475	140 475	
Current period SBL non-real estate net charge-offs	—	—	(15) —	—	8 —	(738) (396)	(745) (396)	
SBL commercial mortgage								
Current period charge-offs	—	—	—	—	—	— (76)	— (76)	
Current period recoveries	—	—	—	—	—	— 75	— 75	
Current period SBL commercial mortgage net charge-offs	—	—	—	—	—	— (1)	— (1)	
SBL construction								
Current period charge-offs	—	—	—	—	—	—	—	
Current period recoveries	—	—	—	—	—	—	—	
Current period SBL construction net charge-offs	—	—	—	—	—	—	—	
Direct lease financing								
Current period charge-offs	(93) (138)	(308) (2,138)	(150) (1,117)	(25) (234)	(39)	—	—	(576) (3,666)
Current period recoveries	—	1 48	117 168	6 96	—	— 18	124 330	
Current period direct lease financing net charge-offs	(93) (138)	(307) (2,090)	(33) (949)	(19) (138)	— (39)	— 18	(452) (3,336)	
SBLOC								
Current period charge-offs	—	—	—	—	—	—	—	
Current period recoveries	—	—	—	—	—	—	—	
Current period SBLOC net charge-offs	—	—	—	—	—	—	—	
IBLOC								
Current period charge-offs	—	— (12)	(12)	—	—	—	—	— (24)
Current period recoveries	—	—	—	—	—	—	—	
Current period IBLOC net charge-offs	—	— (12)	(12)	—	—	—	—	— (24)
Advisor financing								
Current period charge-offs	—	—	—	—	—	—	—	
Current period recoveries	—	—	—	—	—	—	—	
Current period advisor financing net charge-offs	—	—	—	—	—	—	—	
Real estate bridge loans								
Current period charge-offs	—	—	—	—	—	—	—	

Current period recoveries	—	—	—	—	—	—	—
Current period real estate bridge loans net charge-offs	—	—	—	—	—	—	—
Other loans							
Current period charge-offs	—	—	—	—	—	— (3)	— (3)
Current period recoveries	—	—	—	—	—	24 299	24 299
Current period other loans net charge-offs	—	—	—	—	—	24 296	24 296
Total							
Current period charge-offs	(93) (138)	(308) (2,150)	(167) (1,129)	(25) (234)	— (39)	(868) (950)	(1,461) (4,640)
Current period recoveries	—	1 48	119 168	6 96	8 —	154 867	288 1,179
Current period net charge-offs	$ (93) (138)	$ (307) (2,102)	$ (48) (961)	$ (19) (138)	$ 8 (39)	$ (714) (83)	$ (1,173) (3,461)

The Company did not have loans acquired with deteriorated credit quality at either September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. In the first nine three months of 2023, 2024, the Company purchased $2.0 million of lease receivables and $43.2 million $3.1 million of SBLs, none of which were credit deteriorated. Additionally, in the first nine three months of 2023, 2024, the Company participated in SBLs with other institutions in the amount of $4.0 million. $633,000.

The delinquent loans in the following table are treated as collateral dependent to the extent they have resulted from borrower financial difficulty (and not from administrative delays or other mitigating factors), and are not brought current. For non-accrual loans, the Company establishes a reserve in the allowance for credit losses for deficiencies between estimated collateral and loan carrying values. During the nine three months ended September 30, 2023 March 31, 2024, the Company did not have any significant changes to the extent to which collateral secures its collateral dependent loans due to general collateral deterioration or from other factors. SBL non-real estate are collateralized by business assets, which may include certain real estate. SBL commercial mortgage and construction are collateralized by real estate for small businesses, while real estate bridge lending is primarily collateralized by apartment buildings, or other commercial real estate. SBLOC is collateralized by marketable investment securities while IBLOC is collateralized by the cash value of life insurance. Advisor financing is collateralized by investment advisors' business franchises. Direct lease financing is collateralized primarily by vehicles, or equipment.

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

	September 30, 2023							March 31, 2024						
	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total past due	Current	Total loans	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total past due	Current	Total loans
SBL non-real estate	$ 186	$ 389	$ 358	$ 1,256	$ 2,189	$ 128,390	$ 130,579	$ 130	$ 695	$ 157	$ 1,909	$ 2,891	$ 138,065	$ 140,956
SBL commercial mortgage	—	1	—	2,945	2,946	544,161	547,107	273	—	—	3,483	3,756	634,170	637,926
SBL construction	—	—	—	3,385	3,385	15,819	19,204	—	—	—	3,385	3,385	23,905	27,290
Direct lease financing	3,021	1,672	207	3,351	8,251	661,957	670,208	4,133	2,307	3,700	4,847	14,987	687,525	702,512
SBLOC / IBLOC	11,947	2,691	75	475	15,188	1,705,325	1,720,513	19,941	1,861	248	—	22,050	1,528,263	1,550,313
Advisor financing	—	—	—	—	—	199,442	199,442	—	—	—	—	—	232,206	232,206
Real estate bridge loans	—	—	—	—	—	1,848,224	1,848,224	—	9,467	—	39,400	48,867	2,053,029	2,101,896
Other loans	302	40	37	3,688	4,067	51,733	55,800	73	1	3	—	77	56,086	56,163
Unamortized loan fees and costs	—	—	—	—	—	7,895	7,895	—	—	—	—	—	10,082	10,082
	$ 15,456	$ 4,793	$ 677	$ 15,100	$ 36,026	$ 5,162,946	$ 5,198,972	$24,550	$14,331	$ 4,108	$53,024	$96,013	$5,363,331	$5,459,344

	December 31, 2022							December 31, 2023						
	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total past due	Current	Total loans	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total past due	Current	Total loans
SBL non-real estate	$ 1,312	$ 543	$ 346	$ 1,249	$ 3,450	$ 105,504	$ 108,954	$ 84	$ 333	$ 336	$ 1,842	$ 2,595	$ 135,157	$ 137,752
SBL commercial mortgage	1,853	5	297	1,423	3,578	470,918	474,496	2,183	—	—	2,381	4,564	602,422	606,986
SBL construction	—	—	—	3,386	3,386	27,478	30,864	—	—	—	3,385	3,385	19,242	22,627
Direct lease financing	4,035	2,053	539	3,550	10,177	621,983	632,160	5,163	1,209	485	3,785	10,642	675,015	685,657
SBLOC / IBLOC	14,782	343	2,869	—	17,994	2,314,475	2,332,469	21,934	3,607	745	—	26,286	1,600,999	1,627,285
Advisor financing	—	—	—	—	—	172,468	172,468	—	—	—	—	—	221,612	221,612
Real estate bridge loans	—	—	—	—	—	1,669,031	1,669,031	—	—	—	—	—	1,999,782	1,999,782
Other loans	330	90	3,724	748	4,892	56,787	61,679	853	76	178	132	1,239	49,399	50,638

Unamortized loan fees and costs	—	—	—	—	—	4,732	4,732	—	—	—	—	—	8,800	8,800
	$ 22,312	$ 3,034	$ 7,775	$ 10,356	$ 43,477	$ 5,443,376	$ 5,486,853	$30,217	$5,225	$ 1,744	$11,525	$48,711	$5,312,428	$5,361,139

The scheduled maturities of the direct financing leases reconciled to the total lease receivables in the consolidated balance sheet, are as follows (in thousands):

Remaining 2023	$ 48,771	
2024	176,589	
Remaining 2024		$164,137
2025	152,797	164,935
2026	92,555	142,499
2027	52,873	73,403
2028 and thereafter	17,456	
2028		31,181
2029 and thereafter		5,053
Total undiscounted cash flows	541,041	581,208
Residual value[(1)]	200,487	218,200
Difference between undiscounted cash flows and discounted cash flows	(71,320)	(96,896)
Present value of lease payments recorded as lease receivables	$ 670,208	$702,512

[(1)]Of the $200,487,000, $33,680,000 $218,200,000, $44,941,000 is not guaranteed by the lessee or other guarantors.

Note 7. Transactions with Affiliates

The Bank did not maintain any deposits for various affiliated companies as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The Bank has entered into lending transactions in the ordinary course of business with directors, executive officers, principal stockholders and affiliates of such persons. All loans were made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable loans with persons not related to the lender. At September 30, 2023 March 31, 2024, these loans were current as to principal and interest payments and did not involve more than normal risk of collectability. Loans to these related parties amounted to $4.0 $5.3 million at September 30, 2023 March 31, 2024 and $5.5 $5.7 million at December 31, 2022 December 31, 2023.

Mr. Hersh Kozlov, a director of the Company, is a partner at Duane Morris LLP, an international law firm. The Company paid Duane Morris LLP $164,000 $3,000 and $1.4 million $2,700 for legal services for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Note 8. Fair Value Measurements

ASC 825, *Financial Instruments*, requires disclosure of the estimated fair value of an entity's assets and liabilities considered to be financial instruments. For the Company, as for most financial institutions, the majority of its assets and liabilities are considered to be financial instruments. However, many such instruments lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction. Accordingly, estimated fair values are determined by the Company using the best available

data and an estimation methodology it believes to be suitable for each category of financial instruments. 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 although it has sold loans and securities in the past and may do so in the future. For fair value disclosure purposes, the Company utilized certain value measurement criteria required in accordance with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), as discussed below. In addition, ASC 820 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.

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 and the Company's balance at the Federal Reserve Bank, had recorded values of $903.4 million $1.25 billion and $888.2 million $1.04 billion as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, which approximated fair values.

The estimated fair values of investment securities are based on quoted market prices, if available, or estimated independently by a third-party pricing service based upon their matrix pricing technique. Level 3 investment security fair values are based on the present valuing of cash flows, which discounts expected cash flows from principal and interest using yield to maturity, or yield to call as appropriate, at the measurement date. In the third first quarter of 2023 2024 and 2022, 2023, there were no transfers between the three levels.

FHLB stock, ACBB stock and Federal Reserve, Bank FHLB, and ACBB stock, are held as required by those respective institutions and are carried at cost. Each of these institutions require their correspondent banking institutions members to hold stock as a condition of membership. While a fixed stock amount is required by each of these institutions, the FHLB stock requirement periodically increases or decreases with the level varying levels of borrowing activity. activity.

Commercial loans held at fair value are comprised primarily of commercial real estate bridge loans and SBA loans which had been originated for sale or securitization in the secondary market, and which are now being held on the balance sheet. Commercial real estate bridge loans and SBA loans are valued using a discounted cash flow analysis based upon pricing for similar loans where market indications of the sales price of such loans are not available. SBA loans are valued on a pooled basis and commercial real estate bridge loans are valued individually.

Loans, net have an estimated fair value using the present value of future cash flows. The discount rate used in these calculations is the estimated current market rate adjusted for credit risk. Accrued interest receivable has a carrying value that approximates fair value.

Loan fair values are based on "unobservable inputs" that are based on available information. Level 3 fair values are based on the present value of cash flows by unit of measurement. In the first quarter of 2022, discontinued loans were reclassified to loans held for investment, as efforts to sell the loans had concluded. Accordingly, these loans are accounted for as such, and included in related tables. Discontinued OREO, which constituted the remainder of discontinued assets, was reclassified to the OREO caption on the consolidated balance sheet.

For OREO, market value is based upon appraisals of the underlying collateral by third-party appraisers, reduced by 7% to 10% for estimated selling costs.

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

Time deposits, when outstanding, senior debt and subordinated debentures have a fair value estimated using a discounted cash flow calculation that applies current interest rates to discount expected cash flows. The carrying amount of accrued interest payable approximates its fair value. Long term borrowings resulting from sold loans which did not qualify for true sale accounting are presented in the amount of the principal of such loans.

The fair values of interest rate swaps, recorded in other assets or other liabilities, 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 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.

The following tables provide information regarding carrying amounts and estimated fair values (in thousands) as of the dates indicated:

	September 30, 2023					March 31, 2024				
	Carrying amount	Estimated fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount	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	$ 756,636	$ 756,636	$ —	$ 738,033	$ 18,603	$ 718,247	$ 718,247	$ —	$ 706,176	$ 12,071
FHLB, ACBB, and Federal Reserve Bank stock	20,157	20,157	—	—	20,157					
Federal Reserve, FHLB and ACBB stock						15,642	15,642	—	—	15,642
Commercial loans, at fair value	379,603	379,603	—	—	379,603	282,998	282,998	—	—	282,998
Loans, net of deferred loan fees and costs	5,198,972	5,156,653	—	—	5,156,653	5,459,344	5,411,026	—	—	5,411,026
Interest rate swaps, asset	427	427	—	427	—	312	312	—	312	—

	December 31, 2022					December 31, 2023				
Demand and interest checking	6,455,043	6,455,043	—	6,455,043	—	6,828,159	6,828,159	—	6,828,159	—
Savings and money market	49,428	49,428	—	49,428	—	62,597	62,597	—	62,597	—
Senior debt	95,771	93,765	—	93,765	—	95,948	91,362	—	91,362	—
Subordinated debentures	13,401	10,583	—	—	10,583	13,401	11,347	—	—	11,347
Securities sold under agreements to repurchase	42	42	42	—	—					
	Carrying amount	Estimated fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount	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	$ 766,016	$ 766,016	$ —	$ 745,993	$ 20,023	$ 747,534	$ 747,534	$ —	$ 735,463	$ 12,071
FHLB, ACBB, and Federal Reserve Bank stock	12,629	12,629	—	—	12,629					
Federal Reserve, FHLB and ACBB stock						15,591	15,591	—	—	15,591
Commercial loans, at fair value	589,143	589,143	—	—	589,143	332,766	332,766	—	—	332,766
Loans, net of deferred loan fees and costs	5,486,853	5,462,948	—	—	5,462,948	5,361,139	5,329,436	—	—	5,329,436
Interest rate swaps, asset	408	408	—	408	—	285	285	—	285	—
Demand and interest checking	6,559,617	6,559,617	—	6,559,617	—	6,630,251	6,630,251	—	6,630,251	—
Savings and money market	140,496	140,496	—	140,496	—	50,659	50,659	—	50,659	—
Time deposits	330,000	330,000	—	330,000	—					
Senior debt	99,050	93,871	—	93,871	—	95,859	96,539	—	96,539	—
Subordinated debentures	13,401	10,067	—	—	10,067	13,401	11,470	—	—	11,470
Securities sold under agreements to repurchase	42	42	42	—	—	42	42	42	—	—

Other assets and liabilities measured at fair value on a recurring basis, segregated by fair value hierarchy, are summarized below (in thousands) as of the dates indicated:

		Fair Value Measurements at Reporting Date Using				Fair Value Measurements at Reporting Date Using		
	Fair value September 30, 2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value March 31, 2024	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	$ 33,027	$ —	$ 33,027	$ —	$ 31,964	$ —	$ 31,964	$ —
Asset-backed securities	331,498	—	331,498	—	305,265	—	305,265	—
Obligations of states and political subdivisions	46,350	—	46,350	—	41,893	—	41,893	—
Residential mortgage-backed securities	160,041	—	160,041	—	163,511	—	163,511	—
Collateralized mortgage obligation securities	35,592	—	35,592	—	31,981	—	31,981	—

Commercial mortgage-backed securities	143,848	—	131,525	12,323	143,633	—	131,562	12,071
Corporate debt securities	6,280	—	—	6,280				
Total investment securities, available-for-sale	756,636	—	738,033	18,603	718,247	—	706,176	12,071
Commercial loans, at fair value	379,603	—	—	379,603	282,998	—	—	282,998
Interest rate swaps, asset	427	—	427	—	312	—	312	—
	$ 1,136,666	$ —	$ 738,460	$ 398,206	$1,001,557	$ —	$ 706,488	$ 295,069

		Fair Value Measurements at Reporting Date Using				Fair Value Measurements at Reporting Date Using		
	Fair value December 31, 2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value December 31, 2023	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	$ 28,381	$ —	$ 28,381	$ —	$ 33,886	$ —	$ 33,886	$ —
Asset-backed securities	334,009	—	334,009	—	325,353	—	325,353	—
Obligations of states and political subdivisions	47,510	—	47,510	—	47,237	—	47,237	—
Residential mortgage-backed securities	139,820	—	139,820	—	160,767	—	160,767	—
Collateralized mortgage obligation securities	41,783	—	41,783	—	34,038	—	34,038	—
Commercial mortgage-backed securities	166,813	—	154,490	12,323	146,253	—	134,182	12,071
Corporate debt securities	7,700	—	—	7,700				
Total investment securities, available-for-sale	766,016	—	745,993	20,023	747,534	—	735,463	12,071
Commercial loans, at fair value	589,143	—	—	589,143	332,766	—	—	332,766
Interest rate swaps, asset	408	—	408	—	285	—	285	—
	$ 1,355,567	$ —	$ 746,401	$ 609,166	$1,080,585	$ —	$ 735,748	$ 344,837

The Company's Level 3 asset activity for the categories shown are summarized below (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Available-for-sale securities		Commercial loans, at fair value	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Beginning balance	$ 20,023	$ 19,031	$ 589,143	$ 1,388,416
Transfers to OREO	—	—	(737)	(61,580)
Total net gains (losses) (realized/unrealized)				
Included in earnings	—	—	4,152	12,570
Included in other comprehensive income	(1,420)	992	—	—
Purchases, issuances, sales and settlements				
Issuances	—	—	105,192	66,067
Settlements	—	—	(318,147)	(816,330)
Ending balance	$ 18,603	$ 20,023	$ 379,603	$ 589,143
Total losses year to date included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date as shown above.	$ (1,420)	$ —	$ (1,323)	$ (3,492)

The Company's Level 3 asset activity for the categories shown are summarized below (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Assets held-for-sale from discontinued operations	
	September 30, 2023	December 31, 2022
Beginning balance	$ —	$ 3,268
Settlements	—	(3,268)
Ending balance	$ —	$ —
Total losses year to date included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date as shown above.	$ —	$ —

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Available-for-sale securities		Commercial loans, at fair value	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Beginning balance	$ 12,071	$ 20,023	$ 332,766	$ 589,143
Transfers to OREO	—	—	(1,978)	(2,686)
Total net (losses) or gains (realized/unrealized)				
Included in earnings	—	—	1,069	3,869
Included in earnings (included in credit loss)	—	(10,000)	—	—
Included in other comprehensive income/(loss)	—	2,048	—	—
Purchases, issuances, sales and settlements				
Issuances	—	—	—	134,256
Settlements	—	—	(48,859)	(391,816)
Ending balance	$ 12,071	$ 12,071	$ 282,998	$ 332,766
Total losses year to date included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date as shown above.	$ —	$ —	$ —	$ (3,085)

The Company's OREO activity is summarized below (in thousands) as of the dates indicated:

	March 31, 2024	December 31, 2023
Beginning balance	$ 16,949	$ 21,210
Transfer from loans, net	632	—
Transfer from commercial loans, at fair value	1,978	2,686
Write-downs	—	(1,147)
Sales	—	(5,800)
Ending balance	$ 19,559	$ 16,949

	September 30, 2023	December 31, 2022
Beginning balance	$ 21,210	$ 18,873
Transfer from commercial loans, at fair value	737	—
Writedowns	(1,147)	—
Sales	(2,044)	(2,343)

Transfers from commercial loans, at fair value	—	4,680
Ending balance	$ 18,756	$ 21,210

Information related to fair values of Level 3 balance sheet categories is as follows (dollars in thousands):

	Level 3 instruments only				
	Fair value at September 30, 2023	Valuation techniques	Unobservable inputs	Range at September 30, 2023	Weighted average at September 30, 2023
Commercial mortgage-backed investment security(1)	$ 12,323	Discounted cash flow	Discount rate	13.20%	13.20%
Insurance liquidating trust preferred security(2)	6,280	Discounted cash flow	Discount rate	15.50%	15.50%
FHLB, ACBB, and Federal Reserve Bank stock	20,157	Cost	N/A	N/A	N/A
Loans, net of deferred loan fees and costs(3)	5,156,653	Discounted cash flow	Discount rate	7.40%-13.00%	8.43%
Commercial - SBA(4)	126,543	Discounted cash flow	Discount rate	7.32%	7.32%
Non-SBA commercial real estate - fixed(5)	124,802	Discounted cash flow	Discount rate	8.58%-12.72%	8.95%
Non-SBA commercial real estate - floating(6)	128,258	Discounted cash flow	Discount rate	9.80%-17.30%	14.02%
Commercial loans, at fair value	379,603				
Subordinated debentures(7)	10,583	Discounted cash flow	Discount rate	12.00%	12.00%
OREO(8)	18,756	Appraised value	N/A	N/A	N/A

	Level 3 instruments only				
	Fair value at March 31, 2024	Valuation techniques	Unobservable inputs	Range at March 31, 2024	Weighted average at March 31, 2024
Commercial mortgage-backed investment security(1)	$ 12,071	Discounted cash flow	Discount rate	14.00%	14.00%
FHLB, ACBB, and Federal Reserve Bank stock	15,642	Cost	N/A	N/A	N/A
Loans, net of deferred loan fees and costs(2)	5,411,026	Discounted cash flow	Discount rate	7.40%-13.00%	8.48%
Commercial - SBA(3)	109,131	Discounted cash flow	Discount rate	7.01%	7.01%
Non-SBA commercial real estate - fixed(4)	162,565	Discounted cash flow	Discount rate	8.52%-12.35%	9.60%
Non-SBA commercial real estate – floating(5)	11,302	Discounted cash flow	Discount rate	10.00%-17.00%	13.21%
Commercial loans, at fair value	282,998				
Subordinated debentures(6)	11,347	Discounted cash flow	Discount rate	11.00%	11.00%
OREO(7)	19,559	Appraised value	N/A	N/A	N/A

	Level 3 instruments only					Level 3 instruments only				
	Fair value at December 31, 2022	Valuation techniques	Unobservable inputs	Range at December 31, 2022	Weighted average at December 31, 2022	Fair value at December 31, 2023	Valuation techniques	Unobservable inputs	Range at December 31, 2023	Weighted average at December 31, 2023
Commercial mortgage-backed investment security	$ 12,323	Discounted cash flow	Discount rate	12.71%	12.71%	$ 12,071	Discounted cash flow	Discount rate	14.00%	14.00%
Insurance liquidating trust preferred security	7,700	Discounted cash flow	Discount rate	11.50%	11.50%					

FHLB, ACBB, and Federal Reserve Bank stock	12,629	Cost	N/A	N/A	N/A	15,591	Cost	N/A	N/A	N/A
Loans, net of deferred loan fees and costs	5,462,948	Discounted cash flow	Discount rate	5.65% - 11.00%	6.86%	5,329,436	Discounted cash flow	Discount rate	7.40%-13.00%	8.41%
Commercial - SBA	146,717	Discounted cash flow	Discount rate	5.57%-6.25%	6.17%	119,287	Discounted cash flow	Discount rate	7.46%	7.46%
Non-SBA commercial real estate - fixed	28,695	Discounted cash flow and appraisal	Discount rate	8.36%-11.65%	10.31%	162,674	Discounted cash flow and appraisal	Discount rate	8.00%-12.30%	8.76%
Non-SBA commercial real estate - floating	413,731	Discounted cash flow	Discount rate	7.07%-17.20%	7.90%	50,805	Discounted cash flow	Discount rate	9.30%-16.50%	14.19%
Commercial loans, at fair value	589,143					332,766				
Subordinated debentures	10,067	Discounted cash flow	Discount rate	11.50%	11.50%	11,470	Discounted cash flow	Discount rate	11.00%	11.00%
OREO	21,210	Appraised value	N/A	N/A	N/A	16,949	Appraised value	N/A	N/A	N/A

The valuations for each of the instruments above, as of the balance sheet date, are subject to judgments, assumptions and uncertainties, changes in which could have a significant impact on such valuations. Weighted averages were calculated by using the discount rate for each individual security or loan weighted by its market value, except for SBA loans. For SBA loans, the yield derived from market pricing indications for comparable pools determined by date of loan origination. For commercial loans recorded at fair value, changes in fair value are reflected in the income statement. Changes in the fair value of securities which are unrelated to credit are recorded through equity. Changes in the fair value of loans recorded at amortized cost which are unrelated to credit are a disclosure item, without impact on the financial statements. The notes below refer to the September 30, 2023 March 31, 2024 table.

(1) Commercial mortgage-backed investment security, consisting of a single Bank-issued bank-issued CRE security, is valued using discounted cash flow analysis. The discount rate and prepayment rate applied are based upon market observations and actual experience for comparable securities and implicitly assume market averages for defaults and loss severities. The CRE-2 security has significant credit enhancement, or protection from other subordinated tranches in the issue, which limits the valuation exposure to credit losses. Nonetheless, increases in expected default rates or loss severities on the loans underlying the issue could reduce its value. In market environments in which investors demand greater yield compensation for credit risk, the discount rate applied would ordinarily be higher and the valuation lower. Changes in prepayments and loss experience could also change the interest earned on this holding in future periods and impact its fair value. As a single security, the weighted average rate shown is the actual rate applied to the CRE-2 security. For additional information related to this security, see Note "Note 6. Loans."

(2) Insurance liquidating trust preferred security is a single debenture which is valued using discounted cash flow analysis. The discount rate used is based on the market rate on comparable relatively illiquid instruments and credit analysis. A change in the liquidating trust's ability to repay the note, or an increase in interest rates, particularly for privately placed debentures, would affect the discount rate and thus the valuation. As a single security, the weighted average rate shown is the actual rate applied to the security. The security was issued by an aggregator of insurance lines in run-off, including workmen's compensation lines. In the third quarter of 2023, the Company was notified that interest payments were being deferred on the security, as permitted under the terms of the trust preferred indenture which permits such deferrals for up to twenty consecutive quarters. At the end of the deferral, deferred interest must be repaid, including interest on the deferred interest. The Company has requested additional updated financial information from the aggregator to permit a more accurate valuation of the security subsequent to the interest deferral. The aggregator has indicated that it is attempting to identify all holders of the security and that it intends to provide such financial information concurrently to all holders. The Company has placed the security in non-accrual status and will evaluate the security for potential loss in the fourth quarter of 2023, when the aggregator indicated that the financial information would be distributed. While the security has previously been subject to interest deferral which was repaid, there can be no assurance that repayment will occur for the current deferral. Further, depending upon the financial information provided by the aggregator, a loss of up to the full amount of principal, or $10.0 million, may be recognized in the fourth quarter of 2023.

(3) Loans, net of deferred loan fees and costs are valued using discounted cash flow analysis. Discount rates are based upon available information for estimated current origination rates for each loan type. Origination rates may fluctuate based upon changes in the risk free (Treasury) rate and credit experience for each loan type.

(4) (3) Commercial – SBA Loans are comprised of the government guaranteed portion of SBA-insured loans. Their valuation is based upon the yield derived from dealer pricing indications for guaranteed pools, adjusted for seasoning and prepayments. A limited number of broker/dealers originate the pooled securities for which the loans are purchased and as a result, prices can fluctuate based on such limited market demand, although the government guarantee has resulted in consistent historical demand. Valuations are impacted by prepayment assumptions resulting from both voluntary payoffs and defaults. Such assumptions for these seasoned loans are based on a seasoning vector for constant prepayment rates from 3% to 30% over life.

(5) (4) Non-SBA commercial real estate – fixed are fixed rate non-SBA commercial real estate mortgages. These loans are fair valued by a third party, third-party, based upon discounting at market rates for similar loans. Discount rates used in applying discounted cash flow analysis utilize input based upon loan terms, the general level of interest rates

and the quality of the credit. Deterioration in loan performance or other credit weaknesses could result in fair value ranges which would be dependent upon potential buyers' tolerance for such weaknesses and are difficult to estimate.

(6) (5)Non-SBA commercial real estate – floating are floating rate non-SBA loans, the vast majority of which are secured by multi-family multifamily properties (apartments). These are bridge loans designed to provide owners time and funding for property improvements and are generally valued using discounted cash flow analysis. The discount rate for the vast majority of these loans was based upon current origination rates for similar loans. Deterioration in loan performance or other credit weaknesses could result in fair value ranges which would be dependent upon potential buyers' tolerance for such weaknesses and are difficult to estimate. At September 30, 2023 March 31, 2024, these loans were fair valued by a third party, third-party, based upon discounting at market rates for similar loans.

(7) (6)Subordinated debentures are comprised of two subordinated notes issued by the Company, $13.4 million of debentures bearing interest at SOFR plus 3.51% and maturing in March 2038 with a floating rate originally indexed to three-month London Inter-Bank Offered Rate ("LIBOR" (the "2038 Debentures") plus 3.25%. In the second quarter of 2023, the index was changed to secured overnight financing rate ("SOFR") as part of the market-wide LIBOR transition. These notes, which are valued using discounted cash flow analysis. The discount rate is based on the market rate for comparable relatively illiquid instruments. Changes in those market rates, or the credit of the Company could result in changes in valuation. the 2038 Debentures' valuation.

(8) (7)For OREO, fair value is based upon appraisals of the underlying collateral by third party third-party appraisers, reduced by 7% to 10% for estimated selling costs. Such appraisals reflect estimates of amounts realizable upon property sales based on the sale of comparable properties and other factors. Actual sales prices may vary based upon the identification of potential purchasers, changing conditions in local real estate markets and the level of interest rates required to finance purchases.

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				Fair Value Measurements at Reporting Date Using		
Description	Fair value September 30, 2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs[(1)] (Level 3)	Fair value March 31, 2024	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs[(1)] (Level 3)
Collateral dependent loans[(1)]	$ 13,581	$ —	$ —	$ 13,581	$ 5,852	$ —	$ —	$ 5,852
OREO	18,756	—	—	18,756	19,559	—	—	19,559
Intangible assets	1,751	—	—	1,751				
	$ 34,088	$ —	$ —	$ 34,088	$25,411	$ —	$ —	25,411

		Fair Value Measurements at Reporting Date Using				Fair Value Measurements at Reporting Date Using		
Description	Fair value December 31, 2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs[(1)] (Level 3)	Fair value December 31, 2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs[(1)] (Level 3)
Collateral dependent loans[(1)]	$ 12,205	$ —	$ —	$ 12,205	$ 8,944	$ —	$ —	$ 8,944
OREO	21,210	—	—	21,210	16,949	—	—	16,949
Intangible assets	2,049	—	—	2,049				
	$ 35,464	$ —	$ —	$ 35,464	$ 25,893	$ —	$ —	25,893

(1)The method of valuation approach for the loans evaluated for an allowance for credit losses on an individual loan basis and also for OREO was the market approach based upon appraisals of the underlying collateral by external appraisers, reduced by 7% to 10% for estimated selling costs. Intangible assets are valued based upon internal analyses.

At September 30, 2023 March 31, 2024, principal on collateral dependent loans, and troubled debt restructurings, which is accounted for on the basis of the value of underlying collateral, is shown at an estimated fair value of $13.6 $5.9 million. To arrive at that fair value, related loan principal of $15.4 $9.2 million was reduced by specific reserves of $1.8

million $3.3 million within the ACL as of that date, representing the deficiency between principal and estimated collateral values, which were reduced by estimated costs to sell. When the deficiency is deemed uncollectible, it is charged off by reducing the specific reserve and decreasing principal. Included in the collateral dependent loans at September 30, 2023 were nine troubled debt restructured loans with a balance of $5.2 million, which had specific reserves of $579,000. Included in the

collateral dependent loans at December 31, 2022, were eleven troubled debt restructured loans with a balance of $5.3 million which had specific allowances of $637,000. Under the new accounting guidance effective January 1, 2023, which broadened the reporting of loan restructurings to include all modifications, there was one $156,000 loan classified as modified as of September 30, 2023. There was no specific reserve on that loan.and decreasing principal. Valuation techniques consistent with the market and/or cost approach were used to measure fair value and primarily included observable inputs for the individual collateral dependent loans being evaluated such as recent sales of similar assets collateral 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. hierarchy.

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 certain non-SBA commercial estate loans held at fair value. These instruments are not accounted for as effective hedges. As of September 30, 2023 March 31, 2024, the Company had entered into one interest rate swap agreement with an aggregate notional amount of $6.8 million. Under that swap agreement the Company receives an adjustable rate of interest based upon SOFR. The Company recorded a net gain of $18,000 $27,000 for the nine three months ended September 30, 2023 March 31, 2024 to recognize the fair value of the derivative instrument which is reported in net realized and unrealized gains (losses) on commercial loans, at fair value, in the consolidated statements of operations. The amount receivable by the Company under this swap agreement was $427,000 $312,000 at September 30, 2023 March 31, 2024, which is reported in other assets. The Company had minimum collateral posting thresholds with certain of its derivative counterparties and had posted cash collateral of $541,000 $51,000 as of September 30, 2023 March 31, 2024.

The maturity date, notional amount, interest rate paid and received and fair value of the Company's remaining interest rate swap agreement as of September 30, 2023 March 31, 2024 is summarized below (dollars in thousands):

	September 30, 2023				March 31, 2024			
Maturity date	Notional amount	Interest rate paid	Interest rate received	Fair value	Notional amount	Interest rate paid	Interest rate received	Fair value
December 23, 2025	6,800	2.16%	5.66%	427	6,800	2.16%	5.56%	312
Total	$ 6,800			$ 427	$ 6,800			$312

Note 10. Other Identifiable Intangible Assets

In May 2016, the Company purchased approximately $60.0 million of lease receivables which resulted in a customer list intangible of $3.4 million that is being amortized over a ten year period. Amortization expense is $340,000 per year ($900,000 709,000 over the next three years). The gross carrying amount of the customer list intangible is $3.4 million, and as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively, the accumulated amortization expense was $2.5 $2.7 million and $2.3 $2.6 million.

In January 2020, the Company purchased McMahon Leasing and subsidiaries for approximately $8.7 million which resulted in $1.1 million of intangibles. The gross carrying value of $1.1 million of intangibles was comprised of a customer list intangible of $689,000, goodwill of $263,000 and a trade name valuation of $135,000. The customer list intangible is being amortized over a twelve year period and accumulated amortization expense was $215,000 $244,000 at September 30, 2023 March 31, 2024 and $172,000 $230,000 at December 31, 2022 December 31, 2023. Amortization expense is $57,000 per year ($287,000 over the next five years). The gross carrying value and accumulated amortization related to the Company's intangibles at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are presented below:

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(Dollars in thousands)				(Dollars in thousands)			
Customer list intangibles	$ 4,093	$ 2,740	$ 4,093	$ 2,442	$ 4,093	$ 2,939	$ 4,093	$ 2,840
Goodwill	263	—	263	—	263	—	263	—
Trade Name	135	—	135	—	135	—	135	—
Total	$ 4,491	$ 2,740	$ 4,491	$ 2,442	$ 4,491	$ 2,939	$ 4,491	$ 2,840

Note 11. Recent Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform in Financial Reporting*, which addressed optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, resulting from the phase-out of the

LIBOR London Inter-Bank Offered Rate ("LIBOR") reference rate. The Company discontinued LIBOR-based originations in 2021. Since then, all LIBOR based instruments on the balance sheet have been successfully transitioned to alternative indices with no material impact.

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In March 2022, the FASB issued ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures.* ASU 2022-02 addresses areas identified by the FASB as part of its post-implementation review of the credit losses

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standard (ASU 2016-13) that introduced the CECL model. The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the CECL model and enhance the disclosure requirements for loan refinancings and modifications. The Company adopted ASU 2022-02 on January 1, 2023. Effective January 1, 2023, loan modifications to borrowers experiencing financial difficulty are required to be disclosed by type of modification and by type of loan. Prior accounting guidance classified loans which were modified as troubled debt restructurings only if the modification reflected a concession from the lender in the form of a below market interest rate or other concession in addition to borrower financial difficulty. Under the new guidance, loans with modifications are being reported whether a concession is made or not.

Note 12. Shareholders' Equity

On October 20, 2021, the Board approved a common stock repurchase program for the 2022 fiscal year (the "2022 Repurchase Program"). Under the 2022 Repurchase Program, the Company repurchased $15.0 million in value of the Company's common stock in each quarter of 2022.

On October 26, 2022, the Board approved a common stock repurchase program for the 2023 fiscal year (the "2023 Repurchase Program"), which authorizes. Under the 2023 Repurchase Program, the Company to repurchase $25.0 million repurchased $25.0 million in value of the Company's common stock per fiscal in each quarter in 2023, for a maximum amount of $100.0 million. Under the 2023 Repurchase Program, the Company intends to repurchase shares through open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 2023. The 2023 Repurchase Program may be modified or terminated at any time.During the three and nine months ended September 30, 2023, the Company repurchased 685,478 shares and 2,292,647 shares of its common stock in the open market under the 2023 Repurchase Program at an average price of $36.47 per share and $32.71 per share, respectively.

On October 26, 2023, the Board approved a common stock repurchase program for the 2024 fiscal year (the "2024 Repurchase Program"), which authorizes the Company to repurchase $50.0 million in value of the Company's common stock per fiscal quarter in 2024, for a maximum amount of $200.0 million. Under the 2024 Repurchase Program, the Company intends to repurchase shares through open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act. Act of 1934, as amended (the "Exchange Act"). The 2024 Repurchase Program may be modified or terminated at any time. During the three months ended March 31, 2024, the Company repurchased 1,262,212 shares of its common stock in the open market under the 2023 Repurchase Program at an average price of $39.61 per share.

As a means of returning capital to shareholders, the Company implemented stock repurchase programs which totaled $40.0 million, $60.0 million and $100.0 million, in equal quarterly amounts, respectively, in 2021, 2022 and 2023, with $200 million originally planned for 2024. Subsequently the second quarter 2024 planned repurchase was increased from $50 million to $100 million. The planned amounts of such repurchases are determined in the fourth quarter of the preceding year by assessing the impact of budgetary earnings projections on regulatory capital requirements. The excess of projected earnings over amounts required to maintain capital requirements is the maximum available for capital return to shareholders, barring any need to retain capital for other purposes. A significant portion of such excess earnings has been utilized for stock repurchases in the amounts noted above, while cash dividends have not been paid. In determining whether capital is returned through stock repurchases or cash dividends, the Company calculates a maximum share repurchase price, based upon comparisons with what it concludes to be other exemplar peer share price valuations, with further consideration of internal growth projections. As these share prices, which are updated at least annually, have not been reached, capital return has consisted solely of stock repurchases. Exemplar share price comparisons are based upon multiples of earnings per share over time, with further consideration of returns on equity and assets. While repurchase amounts are planned in the fourth quarter of the preceding year, repurchases may be modified or terminated at any time, should capital need to be conserved.

Note 13. 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. Without the prior approval of the OCC, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year's net income combined with the retained net income of the two preceding years. Additionally, a dividend may not be paid in excess of a bank's retained earnings. Moreover, an insured depository institution may not pay a dividend if the payment would cause it to be less than "adequately capitalized" under the prompt corrective action framework as defined in the Federal Deposit Insurance Act or if the institution is in default in the payment of an assessment due to the FDIC. Similarly, a banking organization that fails to satisfy regulatory minimum capital conservation buffer requirements will be subject to certain limitations, which include restrictions on capital distributions.

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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.

The Company and the 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

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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. Moreover, capital requirements may be modified based upon regulatory rules or by regulatory discretion at any time reflecting a variety of factors including deterioration in asset quality.

The following table sets forth our regulatory capital amounts and ratios for the periods indicated:

	Tier 1 capital to average assets ratio	Tier 1 capital to risk-weighted assets ratio	Total capital to risk-weighted assets ratio	Common equity tier 1 to risk weighted assets	Tier 1 capital to average assets ratio	Tier 1 capital to risk-weighted assets ratio	Total capital to risk-weighted assets ratio	Common equity tier 1 to risk weighted assets
As of September 30, 2023								
As of March 31, 2024								
The Bancorp, Inc.	10.92%	15.53%	16.04%	15.53%	10.87%	15.76%	16.35%	15.76%
The Bancorp Bank, National Association	12.13%	17.26%	17.77%	17.26%	12.05%	17.43%	18.02%	17.43%
"Well capitalized" institution (under federal regulations-Basel III)	5.00%	8.00%	10.00%	6.50%	5.00%	8.00%	10.00%	6.50%
As of December 31, 2022								
As of December 31, 2023								
The Bancorp, Inc.	9.63%	13.40%	13.87%	13.40%	11.19%	15.66%	16.23%	15.66%
The Bancorp Bank, National Association	10.73%	14.95%	15.42%	14.95%	12.37%	17.35%	17.92%	17.35%
"Well capitalized" institution (under federal regulations-Basel III)	5.00%	8.00%	10.00%	6.50%	5.00%	8.00%	10.00%	6.50%

Note 14. Legal

On June 12, 2019, the Bank was served with a qui tam lawsuit filed in the Superior Court of the State of Delaware, New Castle County. The Delaware Department of Justice intervened in the litigation. The case is titled *The State of Delaware, Plaintiff, Ex rel. Russell S. Rogers, Plaintiff-Relator v. The Bancorp Bank, Interactive Communications International, Inc., and InComm Financial Services, Inc., Defendants. Defendants*. The lawsuit alleges that the defendants violated the Delaware False Claims Act by not paying balances on certain open-loop "Vanilla" prepaid cards to the State of Delaware as unclaimed property. The complaint seeks actual and treble damages, statutory penalties, and attorneys' fees. The Bank has filed an answer denying the allegations and continues to vigorously defend against the claims. The Bank and other defendants previously filed a motion to dismiss the action, but the motion was denied and the case is in preliminary stages of discovery. The Company is unable to determine whether the ultimate resolution of the matter will have a material adverse effect on the Company's financial condition or operations.

On January 12, 2021, three former employees of the Bank filed separate complaints against the Company in the Supreme Court of the State of New York, New York County. The Company subsequently removed all three lawsuits to the United States District Court for the Southern District of New York. The cases are captioned: John Edward Barker, Plaintiff v. The Bancorp, Inc., Defendant; Alexander John Kamai, Plaintiff v. The Bancorp, Inc., Defendant; and John Patrick McGlynn III, Plaintiff v. The Bancorp, Inc., Defendant. The lawsuits arise from the Bank's termination of the plaintiffs' employment in connection with the restructuring of its CMBS business. The plaintiffs sought damages in the following amounts: $4,135,142 (Barker), $901,088 (Kamai) and $2,909,627 (McGlynn). On June 11, 2021, the Company filed a consolidated motion to dismiss in each case. On February 25, 2022, the court granted the Company's motion in part, dismissing McGlynn's claims in entirety and most of Barker and Kamai's claims. The sole claims remaining are Barker and Kamai's breach of implied contract claims related to an unpaid bonus, for which they seek $2,000,000 and $300,000, respectively. On September 29, 2022, the Company filed a motion for summary judgment in both matters. On September 8, 2023, the court granted the Company's motion for summary judgment and entered a judgment closing both cases. The Company now considers these matters resolved.

On September 14, 2021, Cachet Financial Services ("Cachet") filed an adversary proceeding against the Bank in the United States U.S. Bankruptcy Court for the Central District of California, titled *Cachet Financial Services, Plaintiff v. The Bancorp Bank, et al., Defendants. Defendants.* The case was filed within the context of Cachet's pending Chapter 11 bankruptcy case. The Bank previously served as the Originating Depository Financial Institution ("ODFI") for automated clearing house ("ACH") transactions in connection with Cachet's payroll services business. The matter arises from the Bank's termination of its Payroll Processing ODFI Agreement with Cachet on October 23, 2019, for safety and soundness reasons. The initial complaint alleges eight causes of action: (i) breach of contract; (ii) negligence; (iii) intentional interference with contract; (iv) conversion; (v) express indemnity; (vi) implied indemnity; (vii) accounting;

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and (viii) objection to the Bank's proof of claim in the bankruptcy case. On November 4, 2021, the Bank filed a motion in the United States U.S. District Court for the Central District of California to withdraw the reference of the adversary proceeding to the bankruptcy court, which was denied in February 2023. On August 3, 2022, Cachet served the Bank with a First Amended Complaint wherein Cachet, among other things, withdraws its implied indemnity claim against the Bank and adds several defendants unaffiliated with the Bank and causes of action related to those parties. As to the Bank, Cachet seeks approximately $150 million in damages, an accounting and disallowance of the Bank's proof of claim. The Bank is vigorously defending against these claims. On September 28, 2022, the Bank filed a partial motion to dismiss, seeking to dispose of the majority of Cachet's claims against the Bank. The motion is still pending before the bankruptcy court. The Company is not yet able to determine whether the ultimate resolution of this matter will have a material adverse effect on the Company's financial conditions or operations.

On March 27, 2023, the Bank received a Civil Investigative Demand ("CID") from the Consumer Financial Protection Bureau ("CFPB") seeking documents and information related to the Bank's escheatment practices in connection with certain accounts offered through one of the Bank's program partners. The Bank continues to cooperate with the CFPB, including by responding to the CID. While the Company remains confident in the Bank's escheatment practices, it cannot predict the timing or final outcome of the investigation. Future costs related to this matter may be material and could continue to be material at least through the completion of the investigation.

On September 8, 2023, Del Mar TIC I, LLC and Del Mar TIC II, LLC (together, "Del Mar") filed a complaint against the Bank *in the Supreme Court of the State of New York, New York County, captioned Del Mar TIC I, LLC and Del Mar TIC II, LLC, Plaintiffs v. The Bancorp Bank, Defendant. Defendant*. The complaint alleges, among other things, that the Bank improperly and unreasonably force-placed

excessive insurance coverage on real property that serves as security for a loan from the Bank to Del Mar, and that the Bank is improperly paying the related insurance premiums from escrow funds. The complaint asserts five causes of action: (i) declaratory judgment; (ii) breach of fiduciary duty; (iii) breach of contract: implied covenant of good faith and fair dealing; (iv) breach of contract: escrow account; and (v) injunctive relief. On October 12, 2023, the Bank removed the case to the U.S. District Court for the Southern District of New York. The Bank intends to is vigorously defend defending against the claims. On November 15, 2023, the Bank filed a motion to dismiss the complaint. Del Mar subsequently filed an amended complaint, but maintained the same causes of action. On December 22, 2023, the Bank filed a motion to dismiss the amended complaint, which is still pending. The Company is unable to determine whether the ultimate resolution of the matter will have a material adverse effect on the Company's financial condition or operations.

On November 21, 2023, TBBK Card Services, Inc. ("TBBK Card"), a wholly-owned subsidiary of the Bank, was served with a complaint filed in the Superior Court of the State of California, captioned *People of the State of California, acting by and through San Francisco City Attorney David Chiu, Plaintiff v. InComm Financial Services, Inc., TBBK Card Services, Inc., Sutton Bank, Pathward, N.A., and Does 1-10, Defendants*. The complaint principally alleges that the defendants engaged in unlawful, unfair or fraudulent business acts and practices related to the packaging of "Vanilla" prepaid cards and the refund process for unauthorized transactions that occurred due to card draining practices. On December 14, 2023, the case was removed to the U.S. District Court for the Northern District of California. On March 26, 2024, the case was remanded to the Superior Court of the State of California. TBBK Card intends to vigorously defend against the claims. The Company is not yet able to determine whether the ultimate resolution of this matter will have a material adverse effect on the Company's financial conditions or operations.

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 15. Segment Financials

The Company operates under three segments: specialty finance, payments and corporate. The chief operating decision maker for these segments is the Chief Executive Officer. Specialty finance includes the origination of non-SBA commercial real estate loans, SBA loans, direct lease financing, security-backed lines of credit, cash value insurance policy-backed lines of credit and deposits generated by those business lines. Payments include prepaid card accounts, card payments, ACH processing and deposits generated by those business lines. Corporate includes the Company's investment portfolio, corporate overhead and non-allocated expenses.

The following tables provide segment information for the periods indicated:

	For the three months ended September 30, 2023				For the three months ended March 31, 2024			
	Specialty finance	Payments	Corporate	Total	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)				(Dollars in thousands)			
Interest income	$ 109,728	$ 54	$ 19,186	$ 128,968	$112,621	$ 1	$ 23,187	$135,809
Interest allocation	(33,548)	37,748	(4,200)	—	(33,986)	39,578	(5,592)	—
Interest expense	1,118	37,186	1,782	40,086	858	38,064	2,469	41,391
Net interest income	75,062	616	13,204	88,882	77,777	1,515	15,126	94,418
Provision for credit losses	1,752	—	—	1,752				
Provision for credit losses on loans					2,169	—	—	2,169
Non-interest income	2,661	24,101	18	26,780	1,697	27,281	404	29,382
Non-interest expense	20,980	19,033	7,446	47,459	22,823	20,194	3,695	46,712
Income before taxes	54,991	5,684	5,776	66,451	54,482	8,602	11,835	74,919
Income tax expense	—	—	16,314	16,314	—	—	18,490	18,490
Net income (loss)	$ 54,991	$ 5,684	$ (10,538)	$ 50,137	$ 54,482	$ 8,602	$ (6,655)	$ 56,429

For the three months ended March 31, 2023

	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Interest income	$ 105,392	$ 18	$ 16,766	$ 122,176
Interest allocation	(32,935)	34,851	(1,916)	—
Interest expense	1,486	30,504	4,370	36,360
Net interest income	70,971	4,365	10,480	85,816
Provision for credit losses	1,903	—	—	1,903
Non-interest income	3,417	25,528	44	28,989
Non-interest expense	21,479	19,217	7,334	48,030
Income before taxes	51,006	10,676	3,190	64,872
Income tax expense	—	—	15,750	15,750
Net income (loss)	$ 51,006	$ 10,676	$ (12,560)	$ 49,122

March 31, 2024			
Specialty finance	Payments	Corporate	Total

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	For the three months ended September 30, 2022			
	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Interest income	$ 75,041	$ 34	$ 8,846	$ 83,921
Interest allocation	(17,747)	17,154	593	—
Interest expense	940	13,981	4,341	19,262
Net interest income	56,354	3,207	5,098	64,659
Provision of credit losses	822	—	—	822
Non-interest income	1,952	21,440	34	23,426
Non-interest expense	18,292	17,348	9,190	44,830
Income (loss) before taxes	39,192	7,299	(4,058)	42,433
Income tax expense	—	—	11,829	11,829
Net income (loss)	$ 39,192	$ 7,299	$ (15,887)	$ 30,604

	For the nine months ended September 30, 2023			
	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Interest income	$ 321,707	$ 94	$ 55,633	$ 377,434
Interest allocation	(98,805)	108,227	(9,422)	—
Interest expense	3,901	102,353	9,287	115,541
Net interest income	219,001	5,968	36,924	261,893
Provision for credit losses	4,016	—	—	4,016
Non-interest income	10,437	74,269	399	85,105
Non-interest expense	63,528	56,339	25,565	145,432
Income before taxes	161,894	23,898	11,758	197,550
Income tax expense	—	—	49,282	49,282
Net income (loss)	$ 161,894	$ 23,898	$ (37,524)	$ 148,268

	(Dollars in thousands)			
Total assets	$ 5,670,852	$ 31,081	$ 2,213,923	$ 7,915,856
Total liabilities	$ 202,150	$ 6,580,568	$ 316,373	$ 7,099,091

	For the nine months ended September 30, 2022			
	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Interest income	$ 179,700	$ 89	$ 21,596	$ 201,385
Interest allocation	(28,300)	28,565	(265)	—
Interest expense	1,429	19,989	7,886	29,304
Net interest income	149,971	8,665	13,445	172,081

	Specialty finance	Payments	Corporate	Total
Provision for credit losses	4,331	—	—	4,331
Non-interest income	11,496	64,524	3,923	79,943
Non-interest expense	53,071	51,529	21,427	126,027
Income before taxes	104,065	21,660	(4,059)	121,666
Income tax expense	—	—	31,694	31,694
Net income (loss)	$ 104,065	$ 21,660	$ (35,753)	$ 89,972

	September 30, 2023			
	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Total assets	$ 5,550,608	$ 49,400	$ 1,865,759	$ 7,465,767
Total liabilities	$ 225,314	$ 6,204,051	$ 262,714	$ 6,692,079

	December 31, 2022				December 31, 2023			
	Specialty finance	Payments	Corporate	Total	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)				(Dollars in thousands)			
Total assets	$ 6,042,765	$ 57,894	$ 1,802,341	$ 7,903,000	$5,682,035	$ 42,769	$1,980,891	$7,705,695
Total liabilities	$ 321,335	$ 6,101,539	$ 786,095	$ 7,208,969	$ 238,042	$6,412,911	$ 247,461	$6,898,414

Note 16. Subsequent Events

The Company evaluated its September 30, 2023 March 31, 2024 consolidated financial statements for subsequent events through the date the consolidated financial statements were issued. Pursuant to the 2023 2024 Repurchase Program, described in "Note 12. Shareholders' Equity," between October 1, 2023 April 1, 2024 and November 1, 2023 May 3, 2024, the Company repurchased 235,291 726,422 shares of its common stock, at a total cost of $8.0 $23.3 million and an average price of $34.00 $32.14 per share.

Subsequent to the quarter-end, the Company announced that the planned common stock share repurchase for the second quarter of 2024 pursuant to the 2024 Repurchase Program would be increased from $50.0 million to $100.0 million.

In April 2024, the Company began purchasing additional U.S. government-sponsored agency fixed rate commercial and residential mortgage securities of varying maturities to reduce its exposure to lower levels of net interest income should the Federal Reserve begin decreasing rates. Such purchases would also reduce the additional net interest income which would result should the Federal Reserve increase rates. In April 2024, the Company purchased approximately $900 million of such securities, with respective estimated weighted average yields and lives of approximately 5.11% and eight years.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides information about the Company's results of operations, financial condition, liquidity and asset quality. This information is intended to facilitate your understanding and assessment of significant changes and trends related to our financial condition and results of operations. This MD&A should be read in conjunction with our financial information in our 2022 Form 10-K for the fiscal year ended 2023 (the "2023 Form 10-K") and the unaudited interim consolidated financial statements and notes thereto contained in this Quarterly Report on Form 10-Q.

Important Note Regarding Forward-Looking Statements

When used in this Quarterly Report on Form 10-Q, the words "believes," "anticipates," "expects," "intends," "should," "will," "could," "estimates," "plans" or the negative versions of those words or other comparable words and similar expressions are intended to identify forward-looking statements, as such term is defined in the Private Securities Litigation Reform Act of 1995. Factors that could cause results to differ from those expressed in these forward-looking statements include, but are not limited to, the risks and uncertainties described or referenced in Part I, Item 1A. "Risk Factors," in the 2022 2023 Form 10-K and in other of our public filings with the SEC, as well as the following:

- *continued movement in interest rates and the resulting impact on net interest income;*
- *changes in the monetary and fiscal policies of the federal government and its agencies;*
- *the impacts of recent volatility in the banking sector and actual or perceived concerns regarding the liquidity and soundness of other financial institutions;*
- *adverse changes in general economic and business conditions, including the impact of such conditions on the market value of real estate securing certain of our loans;*
- *levels of net charge-offs and the adequacy of the ACL in covering expected losses;*
- *any significant increase in the level of the Bank's deposits that are uninsured by the FDIC;*
- *any failure to maintain or enhance our competitive position with respect to new products, services and technology and achieve our strategic priorities, such as growing payments-related deposit accounts;*
- *the impact on our stock price as a result of speculative or short trading strategies;*
- *weather events, natural disasters, geopolitical events, public health crises and other catastrophic events beyond our control;*
- *the outcome of regulatory matters or investigations, litigation, and other legal actions; and*
- *our ability to identify and prevent cyber-security incidents, such as data security breaches, ransomware, malware intrusion, or other attacks.*

We caution readers not to place undue reliance on forward-looking statements, which speak only as of the date hereof and are based on information presently available to the management of the Company. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q except as required by applicable law.

Recent Developments

Subsequent to the quarter-end, the Company announced that it had increased its share repurchase authorization for the second quarter of 2024 from $50.0 million to $100.0 million. In April 2024, the Company began purchasing additional U.S. government-sponsored agency fixed rate commercial and residential mortgage securities of varying maturities to reduce its exposure to lower levels of net interest income should the Federal Reserve begin decreasing rates. Such purchases would also reduce the additional net interest income which would result should the Federal Reserve increase rates. In April 2024, the Company purchased approximately $900 million of such securities, with respective estimated weighted average yields and lives of approximately 5.11% and eight years. These purchases and fixed loan originations have significantly reduced net interest income exposure to Federal Reserve changes to interest rates. See “Asset and Liability Management” in this MD&A.

Non-performing assets increased during the quarter, primarily as a result of a REBL apartment building loan for $39.4 million, which compares to a September 2023 independent “as is” appraisal of $47.8 million, or an 82% “as is” loan to value ratio (“LTV”), with additional potential collateral value as rehabilitation progresses and units are re-leased at stabilized rental rates. The $2.1 billion apartment bridge lending portfolio has a weighted average origination date “as is” LTV of 70%, based on third-party appraisals. Further, the weighted average origination date “as stabilized” LTV, which measures the estimated value of the apartments after the rehabilitation is complete may provide even greater protection. In its real estate bridge lending portfolio, The Bancorp has minimal exposure to non-multifamily commercial real estate such as office buildings, and instead has a portfolio largely comprised of rehabilitation bridge loans for apartment buildings. These loans generally have three-year terms with two one-year extensions to allow for the rehabilitation work to be completed and rental rates stabilized for an extended period, before being refinanced at lower rates through U.S. Government

Sponsored Entities or other lenders. The rehabilitation real estate lending portfolio consists primarily of workforce housing, which we consider to be working class apartments at more affordable rental rates. Related collateral values should accordingly be more stable than higher rent properties, even in stressed economies. While the macro-economic environment has challenged the multifamily bridge space, the stability of The Bancorp’s rehabilitation bridge loan portfolio is evidenced by the estimated values of collateral for loans that have been classified as substandard. Recent third-party appraisals of those loans reflect a weighted average “as is” LTV of 79% and an “as stabilized” LTV of 76%. Accordingly, even with a higher interest rate environment and other stresses, LTVs for these loans have been significantly sustained and continue to provide protection against potential loss. As part of the underwriting process, The Bancorp reviews borrowers’ previous rehabilitation experience in addition to overall financial wherewithal. These transactions also include significant borrower equity contributions with required performance metrics. Underwriting generally includes, but is not limited to, assessment of local market information relating to vacancy and rental rates, review of post-rehabilitation rental rate assumptions against geo-specific affordability indices, negative news and lien searches, visitations by bank personnel and/or designated engineers, and other information sources. Rehabilitation progress is monitored through ongoing draw requests and financial reporting covenants. This generally allows for early identification of potential issues, and expedited action to address on a timely basis. Operations and ongoing loan evaluations are overseen by multiple levels of management, in addition to the real estate bridge lending team’s experienced professional staff and third-party consultants utilized during the underwriting and asset management process. This oversight includes a separate loan committee specific to real estate bridge lending, which is comprised of seasoned and experienced lending professionals who do not directly report to anyone on the real estate bridge lending team. There is also a separate loan review department, a surveillance committee and additional staff which evaluate potential losses under the current expected credit losses methodology (“CECL”), all of which similarly do not report to anyone on the real estate bridge lending team.

Overview

The Bancorp’s balance sheet has a risk profile enhanced by the special nature of the collateral supporting its loan niches, and related underwriting. Those loan niches have contributed to increased earnings levels, even during periods in which markets have experienced various economic stresses. Real estate bridge lending is comprised of workforce housing which we consider to be working class apartments at more affordable rental rates, in selected states. We believe that underwriting requirements provide significant protection against loss, as supported by LTV ratios based on third-party appraisals. SBLOC and IBLOC loans are respectively collateralized by marketable securities and the cash value of life insurance, while SBA loans are either SBA 7(a) loans that come with significant government-related guarantees, or SBA 405 loans that are made at 50-60% LTVs. Additional detail with respect to these loan portfolios is included in the related tables in “Financial Condition”. Also enhancing Bancorp’s risk profile is the substantial earnings impact of its payment businesses.

Nature of Operations

We are a Delaware financial holding company and our primary, wholly-owned subsidiary is The Bancorp Bank, National Association or (“the Bank. Bank”). The vast majority of our revenue and income is currently generated through the Bank. In our continuing operations, we have four primary lines of specialty lending: lending in our national specialty finance segment:

- SBLOC, IBLOC, and investment advisor financing;
- leasing (direct lease financing);
- SBLs, consisting primarily of SBA loans; and
- non-SBA commercial real estate bridge loans.

SBLOCs and IBLOCs are loans which that are generated through affinity groups and are respectively collateralized by marketable securities and the cash value of insurance policies. SBLOCs are typically offered in conjunction with brokerage accounts and are offered nationally. IBLOC loans are typically viewed as an alternative to standard policy loans from insurance companies and are utilized by our existing advisor base as well as insurance agents throughout the country. Investment advisor financing are loans made to investment advisors for purposes of debt refinance, acquisition of another investment firm or internal succession. Vehicle fleet and, to a lesser extent, other equipment leases are generated in a number of Atlantic Coast and other states and are collateralized primarily by vehicles. SBA loans are generated nationally and are collateralized by commercial properties and other types of collateral. Our non-SBA commercial real estate bridge loans, at fair value, are primarily collateralized by multi-family multifamily properties (apartment buildings), and to a lesser extent, by hotel and retail properties. These loans were originally generated for sale through securitizations. In 2020, we decided to retain these loans on our balance sheet as interest-earning assets and resumed originating such loans in the third quarter of 2021. These new

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originations are identified as real estate bridge loans, consist of apartment building loans, and are held for investment in the loan portfolio. Prior originations originally intended for securitizations continue to be accounted for at fair value, and are included on the balance sheet in "Commercial loans, at fair value."

The majority of our deposit accounts and non-interest income are generated in our payments business line or (such business line, the Fintech "Fintech Solutions Group, Group"), which consists of consumer deposit accounts accessed by prepaid or debit cards, issuing deposit accounts, ACH accounts, other payments such as rapid funds transfer and the collection of payments through credit card companies on behalf of merchants. The issuing deposit accounts are comprised of debit and prepaid card accounts that are generated by independent companies

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that market directly to end users. Our issuing deposit account types are diverse and include: consumer and business debit, general purpose reloadable prepaid, pre-tax medical spending benefit, payroll, gift, government, corporate incentive, reward, business and consumer payment accounts and others. Our ACH accounts facilitate bill payments, and our collection services for payments made to merchants consist of those which must be settled through associations such as Visa or MasterCard. We also provide banking services to organizations with a pre-existing customer base tailored to support or complement the services provided by these organizations to their customers, known as "affinity group banking." These services include loan and deposit accounts for investment advisory companies through our institutional banking department. We typically provide these services under the name and through the facilities of each organization with whom we develop a relationship.

Performance Summary

Our net income increased to $50.1 $56.4 million for the third first quarter of 2024, from $49.1 million for the first quarter of 2023, from $30.6 million for the third quarter of 2022, primarily reflecting a an $24.2 8.6 million increase in net interest income, and a $3.4 million $393,000 increase in non-interest income, partially offset by and a $2.6 million increase $1.3 million decrease in non-interest expense. Higher rates on loans and securities resulted in increases in net interest income, with higher securities rates offsetting which offset the impact of lower securities balances on securities interest. and SBLOC and IBLOC balances. Our cost of funds rose to 2.50% 2.49% in the third first quarter of 2023, 2024, driven primarily by the contractual adjustments for payments balances to Federal Reserve rate increases. See "Asset and Liability Management" in this MD&A for further discussion of how our funding sources and loans adjust to Federal Reserve rate changes.

Prepaid, debit card and other payment fees, including ACH, are the largest drivers of non-interest income. Such fees for the third first quarter of 2023 2024 increased $2.7 million $1.8 million over the comparable 2022 2023 period.

Third First quarter 2023 of 2024 non-interest expense increased $2.6 decreased $1.3 million from the third first quarter of 2022, 2023, reflecting an increase the first quarter 2023 $1.0 million write-down on OREO that resulted from a pending sale of $2.5 million a movie theater property as described in salaries and employee benefits. Note E to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 10-K"). The property had previously been recorded at appraised value, which was adjusted to the proposed sales price in the first quarter of 2023. There was a $1.8 million $2.2 million provision for credit losses in the third first quarter of 2023, 2024, compared to a provision for credit losses of $822,000 $1.9 million in the third first quarter of 2022. 2023.

Key Performance Indicators

We use a number of key performance indicators ("KPIs") to measure our overall financial performance and believe they are useful to investors because they provide additional information about our underlying operational performance and trends. We describe how we calculate and use a number of these KPIs and analyze their results below.

- *Return on assets and return on equity*. Two KPIs commonly used within the banking industry to measure overall financial performance are return on assets and return on equity. Return on assets measures the amount of earnings compared to the level of assets utilized to generate those earnings and is derived by dividing net income by average assets. Return on equity measures the amount of earnings compared to the equity utilized to generate those earnings and is derived by dividing net income by average shareholders' equity.
- *Ratio of equity to assets*. Ratio of equity to assets is another KPI frequently utilized within the banking industry and is derived by dividing period-end shareholders' equity by period-end total assets.
- *Net interest margin and credit losses*. Net interest margin is a KPI associated with net interest income, which is the largest component of our earnings and is the difference between the interest earned on our interest-earning assets consisting of loans and investments, less the interest on our funding, consisting primarily of deposits. Net interest margin is derived by dividing net interest income by average interest-earning assets. Higher levels of earnings and net interest income on lower levels of assets, equity and interest-earning assets are generally desirable. However, these indicators must be considered in light of regulatory capital requirements, which impact equity, and credit risk inherent in loans. Accordingly, the magnitude of credit losses is an additional KPI.
- *Other KPIs*. Other KPIs we use from time to time include growth in average loans and leases, non-interest income growth, the level of non-interest expense and various capital measures including equity to assets.

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Results of KPIs

In the third first quarter 2023, 2024, return on assets and return on equity amounted to 2.71% 2.97% and 26.12% 27.95% (annualized), respectively, compared to 1.69%2.63% and 18.39% 28.07% (annualized) in the third first quarter of 2022. For the nine month period ended September 30, 2023, return on assets and return on equity amounted to 2.66% and 27.01% (annualized), respectively, compared to 1.69% and 18.28% (annualized) for the nine month period ended September 30, 2022. 2023.

At September 30, 2023 March 31, 2024, the ratio of equity to assets was 10.36% 10.32%, compared to 8.53% 9.53% at September 30, 2022 March 31, 2023, reflecting an increase in equity capital from retained earnings, partially offset by share repurchases.

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Net interest margin was 5.07% 5.15% in the third first quarter of 2024, versus 4.67% in the first quarter of 2023, versus 3.69% in the third quarter of 2022, and 4.86% versus 3.32%, respectively, for the nine month periods ended September 30, 2023 and 2022, reflecting a $24.2 million $8.6 million increase in net interest income in the third first quarter of 2023 2024 compared to the third first quarter of 2022, and an $89.8 million increase in net interest income in the nine month period ended September 30, 2023 compared to the nine month period ended September 30, 2022. 2023.

Increases in the above KPIs in 2023 2024 reflected the impact of higher rates on loans and securities as a result of Federal Reserve rate increases, while the impact of loan growth in certain categories was more than offset by SBLOC and IBLOC payoffs. We believe that these payoffs reflected customer sensitivity to the increasing rate environment. As a result of the SBLOC and IBLOC payoffs, average loans and leases decreased to $5.61 billion $5.72 billion in the third first quarter of 2023 2024 compared to $5.91 billion $5.99 billion in the third first quarter of 2022. 2023. The provision for credit losses was $1.8 million $2.2 million in the third first quarter of 2023 2024 compared to a provision for credit losses of $822,000 $1.9 million in the third first quarter of 2022. 2023.Our provision for credit losses was $4.0 million for the nine month period ended September 30, 2023 compared to $4.3 million for the nine month period ended September 30, 2022. Non-interest expense increases decreases over the prior year continued to be were primarily driven mostly by salary expense. the $1.0 million write-down on OREO that resulted from a pending sale of a movie theater property as described in Note E to the December 31, 2022 consolidated financial statements included in the 2022 10-K. The property had previously been recorded at appraised value, which was adjusted to the proposed sales price in the first quarter of 2023.

Critical Accounting Estimates

Our accounting and reporting policies conform with GAAP and general practices within the financial services industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. We view critical accounting estimates as those estimates made in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. Our critical accounting policies and estimates as of September 30, 2023 March 31, 2024 remain unchanged from those presented in the 2022 2023 Form 10-K under Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

LIBOR Transition

The Company discontinued LIBOR-based originations in 2021. Since then, all LIBOR based instruments on the balance sheet have been successfully transitioned to alternative indices with no material impact.

Recent Developments

In the fourth quarter of 2023, we announced a significant increase in our planned stock repurchases for 2024. As a means of returning capital to shareholders, the Company implemented stock repurchase programs which totaled $40.0 million, $60.0 million and $100.0 million, respectively, in 2021, 2022 and 2023, with $200 million planned for 2024. The planned amounts of such repurchases are determined in the fourth quarter of the preceding year by assessing the impact of budgetary earnings projections on regulatory capital requirements. The excess of projected earnings over amounts required to maintain capital requirements is the maximum available for capital return to shareholders, barring any need to retain capital for other purposes. A significant portion of such excess earnings has been utilized for stock repurchases in the amounts noted above, while cash dividends have not been paid. In determining whether capital is returned through stock repurchases or cash dividends, the Company calculates a maximum share repurchase price, based upon comparisons with what it concludes to be other exemplar peer share price valuations, with further consideration of internal growth projections. As these share prices, which are updated at least annually, have not been reached, capital return has consisted solely of stock repurchases. Exemplar share price comparisons are based upon multiples of earnings per share over time, with further consideration of returns on equity and assets. While repurchase amounts are planned in the fourth quarter of the preceding year, repurchases may be modified or terminated at any time, should capital need to be conserved.

The Company owns one trust preferred security, which it purchased in 2006, and which has a par value of $10.0 million. The security was issued by an aggregator of insurance lines in run-off, including workmen's compensation lines. In the third quarter of 2023, the Company was notified that interest payments were being deferred on the security, as permitted under the terms of the trust preferred indenture which permits such deferrals for up to twenty consecutive quarters. At the end of the deferral, deferred interest must be repaid, including interest on the deferred interest. The Company has requested additional updated financial information from the aggregator to permit a more accurate valuation of the security subsequent to the interest deferral. The aggregator has indicated that it is attempting to

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identify all holders of the security and that it intends to provide such financial information concurrently to all holders. The Company has placed the security in non-accrual status and will evaluate the security for potential loss in the fourth quarter of 2023, when the aggregator indicated that the financial information would be distributed. While the security has previously been subject to interest deferral which was repaid, there can be no assurance that repayment will occur for the current deferral. Further, depending upon the financial information provided by the aggregator, a loss of up to the full amount of principal, or $10.0 million, may be recognized in the fourth quarter of 2023.

Results of Operations

Comparison of third first quarter 2023 2024 to third first quarter 2022 2023

Net Income

Net income for the third first quarter of 2023 2024 was $50.1 $56.4 million, or $0.92 $1.06 per diluted share, compared to $30.6 $49.1 million, or $0.54 $0.88 per diluted share, for the third first quarter of 2022. 2023. Income before income taxes was $66.5 $74.9 million in the third first quarter of 2023 2024 compared to $42.4 $64.9 million in the third first quarter of 2022. 2023. Income increased between those respective periods primarily as a result of higher net interest income, which was primarily driven by the impact of Federal Reserve rate increases on the loan and securities portfolios. Variable rate loans and securities comprise the majority of the Company's earning assets, and while they reprice on a lagged basis, they adjust more fully than deposits to Federal Reserve rate changes.

Net Interest Income

Our net interest income for the third first quarter of 2023 2024 increased $24.2 million $8.6 million, or 37.5% 10.0%, to $88.9 $94.4 million from $64.7 $85.8 million in the third first quarter of 2022. 2023. Our interest income for the third first quarter of 2023 2024 increased to $129.0 $135.8 million, an increase of $45.0 $13.6 million, or 53.7% 11.2%, from $83.9 $122.2 million for the third first quarter of 2022. 2023. The increase in interest income resulted primarily from an increase in loan and securities yields resulting from the aforementioned Federal Reserve rate increases, as our average loans and leases decreased to $5.61 $5.72 billion for the third first quarter of 2024 from $5.99 billion for the first quarter of 2023, from $5.91 billion for the third quarter of 2022, a decrease of $300.2 $268.5 million, or 5.1% 4.5%. Related interest income increased $35.0 $8.0 million on a tax equivalent basis. In the third quarter of 2023, net Net paydowns of SBLOC and IBLOC were experienced, continued in first quarter 2024, which partially offset the impact of higher rates and loan growth in other categories. At September 30, 2023 March 31, 2024, the respective balances of SBLOC and IBLOC loans were $1.01 billion $954.8 million and $712.6 million $595.6 million, respectively, compared to $1.27 billion $1.13 billion and $1.10 billion $921.3 million at September 30, 2022 March 31, 2023. Continuing decreases in these balances will result in lower interest income, to the extent they are not replaced by loan growth in other categories. Additionally, overall net interest income may be reduced from current levels should the Federal Reserve begin lowering interest rates. The balance of our commercial loans, at fair value also decreased as a result of non-SBA commercial real estate bridge loan repayments. In the third quarter of 2021, we resumed originating such loans, referred to as real estate bridge loans which are included in loans, net on the balance sheet and which are held at amortized cost.

Of the total $35.0 $8.0 million increase in loan interest income on a tax equivalent basis, the largest increases were $7.5 million for SBLOC, IBLOC and investment advisor financing, $20.5 million $7.2 million for all real estate bridge loans, $2.8 million $2.9 million for small business lending, $2.7 million for leasing and $1.3 million for investment advisor financing, while total SBLOC and IBLOC decreased $6.8 million $4.1 million for SBA loans. . Our average investment securities of $771.4 $736.5 million for the third first quarter of 2023 2024 decreased $56.4 $40.9 million from $827.7 $777.4 million for the third first quarter of 2022. 2023. Related tax equivalent interest income increased $2.9 million, $343,000, primarily reflecting an increase in yields. Higher yields on loans and securities reflected the continuing impact of Federal Reserve rate increases as variable rate loans and securities repriced to higher rates. Federal Reserve rate changes had an immediate impact on cost of funds, while their impact on variable rate loans lags. Generally, interest expense is contractually adjusted daily. The majority of our loans and securities are variable rate and generally reprice monthly or quarterly, although some reprice over several years.

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Our net interest margin (calculated by dividing net interest income by average interest-earning assets) for the third first quarter of 2024 was 5.15% compared to 4.67% for the first quarter of 2023, was 5.07% compared to 3.69% for the third quarter of 2022, an increase of 138 48 basis points. While the yield on interest-earning assets increased 256 76 basis points, the cost of deposits and interest bearing interest-bearing liabilities increased 131 34 basis points, or a net change of 125 42 basis points. The more pronounced increase in the net interest margin compared to the net change reflected the impact of higher rates on assets funded by equity. Balances at the Federal Reserve generally earn lower rates of interest than loans and securities. Average interest-earning deposits at the Federal Reserve Bank increased $372.5 $294.0 million, or 139.3% 50.7%, to $639.9 $874.1 million in the third first quarter of 2023 2024 from $267.4 $580.1 million in the third first quarter of 2022. 2023. In the third first quarter of 2023, 2024, the average yield on our loans increased to 7.89% 7.99% from 5.12% 7.10% for the third first quarter of 2022, 2023, an increase of 277 89 basis points. Yields on taxable investment securities in the third first quarter of 2024 increased to 5.25% compared to 4.81% for the first quarter of 2023, increased to 5.02% compared to 3.30% for the third quarter of 2022, an increase of 172 44 basis points.

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Average Daily Balances

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

	Three months ended September 30, March 31,						Three months ended September 30, March 31,		
									2023 2024 vs 2022 2023
	2024			2023			2022		
	Average Balance	Interest[1]	Average Rate	Average Balance	Interest[1]	Average Rate	Due to Volume	Due to Rate	Total
	(Dollars in thousands)								
Assets:									
Interest-earning assets:									
Loans, net of deferred loan fees and costs[2] [1]	$ 5,603,514 5,717,262	$ 110,506 114,160	7.89% 7.99%	$ 5,904,996 5,987,179	$ 75,536 106,204	5.12% 7.10%	$ (3,639) (4,451)	$ 38,609 12,407	$ 34,970 7,956

Leases-bank qualified[3] [2]	4,585 4,746	110 116	9.60% 9.78%	3,299 3,361	55 69	6.67% 8.21%	26 32	29 15	55 47
Investment securities-taxable	768,364 733,599	9,647 9,634	5.02% 5.25%	824,178 774,055	6,792 9,300	3.30% 4.81%	(424) (428)	3,279 762	2,855 334
Investment securities-nontaxable[3] [2]	3,005 2,895	50	6.66% 6.91%	3,559 3,343	31 41	3.48% 4.91%	(4)	23 13	19 9
Interest-earning deposits at Federal Reserve Bank	639,946 874,073	8,689 11,884	5.43% 5.44%	267,424 580,058	1,525 6,585	2.28% 4.54%	3,598 3,812	3,566 1,487	7,164 5,299
Net interest-earning assets	7,019,414 7,332,575	129,002 135,844	7.35% 7.41%	7,003,456 7,347,996	83,939 122,199	4.79% 6.65%			
Allowance for credit losses	(23,147) (27,158)			(19,111) (22,533)					
Other assets	338,085 331,756			212,078 237,721					
	$ 7,334,352 7,637,173			$ 7,196,423 7,563,184			(443) (1,039)	45,506 14,684	45,063 13,645
Liabilities and shareholders' equity:									
Deposits:									
Demand and interest checking	$ 6,229,668 6,453,866	$ 37,913 38,714	2.43% 2.40%	$ 5,545,115 6,406,834	$ 12,726 32,383	0.92% 2.02%	1,752 239	23,435 6,092	25,187 6,331
Savings and money market	56,538 50,970	518 447	3.66% 3.51%	479,260 132,279	2,792 1,219	2.33% 3.69%	(6,484) (716)	4,210 (56)	(2,274) (772)
Time	—	—	—	87,562 84,333	547 858	2.50% 4.07%	(547) (858)	—	(547) (858)
Total deposits	6,286,206 6,504,836	38,431 39,161	2.45% 2.41%	6,111,937 6,623,446	16,065 34,460	1.05% 2.08%			
Short-term borrowings	— 1,373	19	5.54%	20,500	234	4.57%	(278)	63	(215)
Repurchase agreements	13	—	—	200,423	1,235	2.46%	(1,235)	—	(1,235)
Repurchase agreements	41	—	—	41 42	—	—	—	—	—
Long-term borrowings	9,889 38,517	128 686	5.18% 7.12%	39,035 9,998	506 126	5.19% 5.04%	(377) 489	(1) 71	(378) 560
Subordinated debt	13,401	293 292	8.75% 8.72%	13,401	177 261	5.28% 7.79%	—	116 31	116 31
Senior debt	95,714 95,894	1,234 1,233	5.16% 5.14%	98,910 99,092	1,279	5.17% 5.16%	(41)	(4) (5)	(45) (46)
Total deposits and liabilities	6,405,251 6,654,034	40,086 41,391	2.50% 2.49%	6,463,747 6,766,479	19,262 36,360	1.19% 2.15%			
Other liabilities	167,673 171,116			72,539 87,116					
Total liabilities	6,572,924 6,825,150			6,536,286 6,853,595			(6,932) (1,165)	27,756 6,196	20,824 5,031
Shareholders' equity	761,428 812,023			660,137 709,589					
	$ 7,334,352 7,637,173			$ 7,196,423 7,563,184					
Net interest income on tax equivalent basis[3] [2]		$ 88,916 94,453			$ 64,677 85,839		$ 6,489 126	$ 17,750 8,488	$ 24,239 8,614
Tax equivalent adjustment		34 35			18 23				
Net interest income		$ 88,882 94,418			$ 64,659 85,816				
Net interest margin[3] [2]			5.07% 5.15%			3.69% 4.67%			

[1] Interest on loans for 2023 and 2022 includes $7,000 and $21,000, respectively, of interest and fees on PPP loans.

[2] Includes commercial loans, at fair value. All periods include non-accrual loans.

[3] [2] Full taxable equivalent basis, using 21% respective statutory federal tax rates in 2023 2024 and 2022. 2023.

For the third first quarter of 2023, 2024, average interest-earning assets increased decreased to $7.02 $7.33 billion, an increase a decrease of $16.0 $15.4 million, or 0.2%, from $7.00 $7.35 billion in the third first quarter of 2022. 2023. The increase decrease reflected increased average interest-earning deposits at the Federal Reserve Bank of $372.5 million partially $294.0 million, the impact of which was more than offset by decreased average balances of loans and leases of $300.2 $268.5 million, or 5.1% 4.5%, and decreased average investment securities of $56.4 $40.9 million, or 6.8% 5.3%. For those respective periods, average demand and interest checking deposits increased $684.6 $47.0 million, or 12.3% 0.7%. A $422.7 An $81.3 million decrease in average savings and money market balances reflected the sweeping of deposits off our balance sheet to other institutions. Such sweeps are utilized to optimize diversity within our funding structure by managing the

structure by managing the percentage of individual client deposits to total deposits. The interest expense shown for demand and interest checking is primarily comprised of interest paid to our affinity groups.

Provision for Credit Losses

Our provision for credit losses was $1.8 $2.2 million for the third first quarter of 2023 2024 compared to a provision of $822,000 $1.9 million for the third first quarter of 2022. 2023. The ACL was $24.1 $28.7 million, or 0.46% 0.53% of total loans, at September 30, 2023 March 31, 2024, compared to $22.4 $27.4 million, or 0.41% 0.51% of total loans, at December 31, 2022 December 31, 2023. The higher ratio at September 30, 2023 March 31, 2024 reflected the impact of higher leasing net charge-offs, while primarily in long haul and local trucking, transportation and related activities for which total loans outstanding decreased. exposure was approximately $39 million at March 31, 2024. We believe that our ACL is adequate to cover expected losses. appropriate and supportable. For more information about our provision and ACL and our loss experience, see "Financial Condition – Allowance for Credit Losses," "– Net Charge-offs," and "– Non-performing Loans, Loans 90 days Delinquent and Still Accruing, OREO, Modified Loans and Troubled Debt Restructurings," below and "Note 6. Loans" to the unaudited consolidated financial statements herein.

Non-Interest Income

Non-interest income was $26.8 $29.4 million in the third first quarter of 2023 2024 compared to $23.4 $29.0 million in the third first quarter of 2022. 2023. The $3.4 million, $393,000, or 14.3% 1.4%, increase between those respective periods reflected an increase in prepaid, debit card and related fees. Prepaid, debit card and related fees increased $2.3 million, $963,000, or 12.2% 4.1%, to $21.5 $24.3 million for the third first quarter of 2023, 2024, compared to $19.2 million in the third quarter of 2022. The increase reflected higher transaction volume from new clients and organic growth from existing clients. ACH, card and other payment processing fees increased $323,000, or 14.5%, to $2.6 million for the third quarter of 2023, compared to $2.2 million in the third quarter of 2022, reflecting an increase in rapid funds transfer volume.

Leasing related income increased $719,000, or 68.6%, to $1.8 million for the third quarter of 2023 from $1.0 million for the third quarter of 2022, reflecting an increase in the volume of vehicles sold.

Other non-interest income increased $194,000, or 85.1%, to $422,000 for the third quarter of 2023 from $228,000 in the third quarter of 2022 primarily reflecting increased prepayment and sales fees on small business loans.

Non-Interest Expense

Total non-interest expense was $47.5 million for the third quarter of 2023, an increase of $2.6 million, or 5.9%, compared to $44.8 million for the third quarter of 2022. The majority of the increase resulted from higher salaries and employee benefits expense, which reflected higher numbers of staff in financial crimes, compliance and information technology (“IT”) due to increases in deposit transaction volume and the development of new products. The increase also reflected higher stock compensation expense and less expense deferral related to loan origination costs as a result of lower loan production.

The following table presents the principal categories of non-interest expense for the periods indicated:

	For the three months ended September 30,			
	2023	2022	Increase (Decrease)	Percent Change
	(Dollars in thousands)			
Salaries and employee benefits	$ 30,475	$ 28,001	$ 2,474	8.8%
Depreciation and amortization	644	685	(41)	(6.0)%
Rent and related occupancy cost	1,510	1,268	242	19.1%
Data processing expense	1,404	1,292	112	8.7%
Printing and supplies	82	154	(72)	(46.8)%
Audit expense	446	366	80	21.9%
Legal expense	1,203	907	296	32.6%
Civil money penalty	—	1,750	(1,750)	(100.0)%
Amortization of intangible assets	99	99	—	—
FDIC insurance	806	679	127	18.7%
Software	4,427	4,001	426	10.6%
Insurance	1,321	1,314	7	0.5%
Telecom and IT network communications	305	368	(63)	(17.1)%
Consulting	448	339	109	32.2%
Writedowns and other losses on other real estate owned	131	—	131	100.0%
Other	4,158	3,607	551	15.3%
Total non-interest expense	$ 47,459	$ 44,830	$ 2,629	5.9%

Changes in categories of non-interest expense were as follows:

- Salaries and employee benefits expense increased to $30.5 million for the third quarter of 2023, an increase of $2.5 million, or 8.8%, from $28.0 million for the third quarter of 2022.
- Depreciation and amortization expense decreased $41,000, or 6.0%, to $644,000 in the third quarter of 2023 from $685,000 in the third quarter of 2022.
- Rent and related occupancy cost increased $242,000, or 19.1%, to $1.5 million in the third quarter of 2023 from $1.3 million in the third quarter of 2022, reflecting increased IT-related equipment expense.
- Data processing expense increased $112,000, or 8.7%, to $1.4 million in the third quarter of 2023 from $1.3 million in the third quarter of 2022, reflecting higher transaction volume.
- Printing and supplies expense decreased $72,000, or 46.8%, to $82,000 in the third quarter of 2023 from $154,000 in the third quarter of 2022.
- Audit expense increased $80,000, or 21.9%, to $446,000 in the third quarter of 2023 from $366,000 in the third quarter of 2022.
- Legal expense increased $296,000, or 32.6%, to $1.2 million in the third quarter of 2023 from $907,000 in the third quarter of 2022 reflecting increased legal costs related to a request for information related to the Bank’s escheatment practices from the CFPB as described in “Note 14 Legal” to the financial statements. There were also expenses related to enhancements and updates to the Company’s corporate governance processes and new products.
- FDIC insurance expense increased $127,000, or 18.7%, to $806,000 for the third quarter of 2023 from $679,000 in the third quarter of 2022, reflecting the impact of increased average assets against which assessment rates are applied. Additionally, in 2023 the FDIC increased its assessment rate by two basis points. The cost of resolving several recent bank failures may result in future increased premiums, or special assessments, which would serve to increase expense in the period assessed.

- Software expense increased $426,000, or 10.6%, to $4.4 million in the third quarter of 2023 from $4.0 million in the third quarter of 2022. The increase reflected higher expenditures for information technology infrastructure including those to service the payments businesses.
- Insurance expense increased $7,000, or 0.5%, to $1.3 million in the third quarter of 2023 compared to $1.3 million in the third quarter of 2022.
- Telecom and IT network communications expense decreased $63,000, or 17.1%, to $305,000 in the third quarter of 2023 from $368,000 in the third quarter of 2022.
- Consulting expense increased $109,000, or 32.2%, to $448,000 in the third quarter of 2023 from $339,000 in the third quarter of 2022. The increase reflected expenses related to the Company's ongoing efforts of documenting and optimizing operational controls.
- The $131,000 of writedowns and other losses on OREO reflected the impact of a write-down related to a property sale.
- Other non-interest expense increased $550,747, or 15.3%, to $4.2 million in the third quarter of 2023 from $3.6 million in the third quarter of 2022. The $550,747 increase primarily reflected the following increases: a. regulatory examination fees of $193,000, b. OREO expense of $142,000 and c. $77,000 in travel expenses, as travel increased post-pandemic.

Income Taxes

Income tax expense was $16.3 million for the third quarter of 2023 compared to $11.8 million in the third quarter of 2022. The increase resulted primarily from an increase in income, substantially all of which is subject to income tax. A 24.6% effective tax rate in 2023 and a 27.9% effective tax rate in 2022 primarily reflected a 21% federal tax rate and the impact of various state income taxes. The lower rate in 2023 reflected the impact of adjustments related to state taxes in multiple states.

Comparison of first nine months 2023 to first nine months 2022

Net Income

Net income for the first nine months of 2023 was $148.3 million, or $2.68 per diluted share, compared to $90.0 million, or $1.56 per diluted share, for the first nine months of 2022. Income before income taxes was $197.6$23.3 million in the first nine months of 2023 compared to $121.7 million in the first nine months of 2022. Income increased between those respective periods primarily as a result of higher net interest income, which was primarily driven by the impact of Federal Reserve rate increases on the loan and securities portfolios. Variable rate loans and securities comprise the majority of the Company's earning assets, and while they reprice on a lagged basis, they adjust more fully than deposits to Federal Reserve rate changes.

Net Interest Income

Our net interest income for the first nine months of 2023 increased $89.8 million, or 52.2%, to $261.9 million, from $172.1 million in the first nine months of 2022. Our interest income for the first nine months of 2023 increased to $377.4 million, an increase of

$176.0 million, or 87.4%, from $201.4 million for the first nine months of 2022. The increase in interest income resulted primarily from an increase in loan and securities yields resulting from Federal Reserve rate increases.

Our average loans and leases increased to $5.78 billion for the first nine months of 2023 from $5.54 billion for the first nine months of 2022, an increase of $240.6 million, or 4.3%. Related interest income increased $142.9 million on a tax equivalent basis. The increase in average loans reflected growth in investment advisor loans, small business, direct lease financing, and real estate bridge loans. In the first nine months of 2023, net paydowns of SBLOC and IBLOC were experienced, which partially offset the impact of higher rates and loan growth in other categories. Continuing decreases in these balances will result in lower interest income, to the extent they are not replaced by loan growth in other categories. Additionally, overall net interest income may be reduced from current levels should the Federal Reserve begin lowering interest rates. The balance of our commercial loans, at fair value also decreased, as a result of non-SBA commercial real estate bridge loan repayments. In the third quarter of 2021, we resumed originating such loans, referred to as real estate bridge loans which are included in loans, net on the balance sheet and which are held at amortized cost.

Of the total $142.9 million increase in loan interest income on a tax equivalent basis, the largest increases were $47.5 million for SBLOC, IBLOC and investment advisor financing, $73.3 million for all real estate bridge loans, $8.7 million for leasing, and $12.5 million for SBA loans. Our average investment securities of $776.7 million for the first nine months of 2023 decreased $107.3 million from $884.0 million for the first nine months of 2022. Related tax equivalent interest income increased $11.8 million, primarily reflecting an increase in yields. Higher yields on loans and securities reflected the continuing impact of Federal Reserve rate increases as variable rate loans and securities repriced to higher rates. Federal Reserve rate changes had an immediate impact on cost of funds, while their impact on variable rate loans lags. Generally, interest expense is contractually adjusted daily. The majority of our loans and securities are variable rate and generally reprice monthly or quarterly, although some reprice over several years.

Our net interest margin (calculated by dividing net interest income by average interest-earning assets) for the first nine months of 2023 was 4.86% compared to 3.32% for the first nine months of 2022, an increase of 154 basis points. While the yield on interest-earning assets increased 312 basis points, the cost of deposits and interest bearing liabilities increased 173 basis points, or a net change of 139 basis points. The more pronounced increase in the net interest margin compared to the net change reflected the impact of higher rates on assets funded by equity. Balances at the Federal Reserve generally earn lower rates of interest than loans and securities. Average interest-earning deposits at the Federal Reserve Bank increased $141.5 million, or 28.3%, to $640.6 million in the first nine months of 2023 from $499.1 million in the first nine months of 2022. In the first nine months of 2023, the average yield on our loans increased to 7.48% from 4.37% for the first nine months of 2022, an increase of 311 basis points. Yields on taxable investment securities in the first nine months of 2023 increased to 4.97% compared to 2.59% for the first nine months of 2022, an increase of 238 basis points.

Average Daily Balances

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

	Nine months ended September 30,	Nine months ended September 30,

	2023			2022			2023 vs 2022		
	Average Balance	Interest[1]	Average Rate	Average Balance	Interest[1]	Average Rate	Due to Volume	Due to Rate	Total
	(Dollars in thousands)								
Assets:									
Interest-earning assets:									
Loans, net of deferred loan fees and costs[2]	$ 5,772,266	$ 324,009	7.48%	$ 5,531,902	$ 181,174	4.37%	$ 8,195	$ 134,640	$ 142,835
Leases-bank qualified[3]	3,920	279	9.49%	3,657	185	6.75%	14	80	94
Investment securities-taxable	773,485	28,820	4.97%	880,426	17,115	2.59%	(1,788)	13,493	11,705
Investment securities-nontaxable[3]	3,193	144	6.01%	3,559	93	3.48%	(8)	59	51
Interest-earning deposits at Federal Reserve Bank	640,554	24,271	5.05%	499,104	2,876	0.77%	1,035	20,360	21,395
Net interest-earning assets	7,193,418	377,523	7.00%	6,918,648	201,443	3.88%			
Allowance for credit losses	(23,192)			(19,087)					
Other assets	269,072			203,143					
	$ 7,439,298			$ 7,102,704			7,448	168,632	176,080
Liabilities and shareholders' equity:									
Deposits:									
Demand and interest checking	$ 6,343,711	$ 106,984	2.25%	$ 5,598,028	$ 18,522	0.44%	2,786	85,676	88,462
Savings and money market	88,738	2,465	3.70%	522,525	4,192	1.07%	(12,050)	10,323	(1,727)
Time	27,802	858	4.11%	29,508	547	2.47%	(30)	341	311
Total deposits	6,460,251	110,307	2.28%	6,150,061	23,261	0.50%			
Short-term borrowings	6,758	234	4.62%	71,589	1,267	2.36%	(2,245)	1,212	(1,033)
Repurchase agreements	41	—	—	41	—	—	—	—	—
Long-term borrowings	9,945	382	5.12%	39,286	506	1.72%	(1,127)	1,003	(124)
Subordinated debt	13,401	825	8.21%	13,401	432	4.30%	—	393	393
Senior debt	97,220	3,793	5.20%	98,817	3,838	5.18%	(62)	17	(45)
Total deposits and liabilities	6,587,616	115,541	2.34%	6,373,195	29,304	0.61%			
Other liabilities	117,822			71,413					
Total liabilities	6,705,438			6,444,608			(12,728)	98,965	86,237
Shareholders' equity	733,860			658,096					
	$ 7,439,298			$ 7,102,704					
Net interest income on tax equivalent basis[3]		$ 261,982			$ 172,139		$ 20,176	$ 69,667	$ 89,843
Tax equivalent adjustment		89			58				
Net interest income		$ 261,893			$ 172,081				
Net interest margin[3]			4.86%			3.32%			

[1] Interest on loans for 2023 and 2022 includes $27,000 and $502,000, respectively, of interest and fees on PPP loans.

[2] Includes commercial loans, at fair value. All periods include non-accrual loans.

[3] Full taxable equivalent basis, using 21% respective statutory federal tax rates in 2023 and 2022.

For the first nine months of 2023, average interest-earning assets increased to $7.19 billion, an increase of $274.8 million, or 4.0%, from $6.92 billion in the first nine months of 2022. The increase reflected increased average balances of loans and leases of $240.6 million, or 4.3%, partially offset by decreased average investment securities of $107.3 million, or 12.1%. For those respective periods, average demand and interest checking deposits increased $745.7 million, or 13.3%. A $433.8 million decrease in average savings and money market balances reflected the sweeping of deposits off our balance sheet to other institutions. Such sweeps are utilized to optimize

diversity within our funding structure by managing the percentage of individual client deposits to total deposits. The interest expense shown for demand and interest checking is primarily comprised of interest paid to our affinity groups.

Provision for Credit Losses

Our provision for credit losses was $4.0 million for the first nine months of 2023 compared to $4.3 million for the first nine months of 2022.

The ACL was $24.1 million, or 0.46% of total loans, at September 30, 2023, compared to $22.4 million, or 0.41% of total loans, at December 31, 2022. The higher ratio at September 30, 2023 reflected an increase in the ACL resulting from the impact of higher net charge-offs while total loans outstanding decreased. We believe that our ACL is adequate to cover expected losses. For more information about our provision and ACL and our loss experience, see “Financial Condition – Allowance for Credit Losses,” “– Net

Charge-offs," and "– Non-performing Loans, Loans 90 days Delinquent and Still Accruing, OREO, Modified Loans and Troubled Debt Restructurings," below and "Note 6. Loans" to the unaudited consolidated financial statements herein.

Non-Interest Income

Non-interest income was $85.1 million in the first nine months of 2023 compared to $79.9 million in the first nine months of 2022. The $5.2 million, or 6.5%, increase between those respective periods reflected a decrease in net realized and unrealized gains on commercial loans, at fair value to $4.2 million from $11.3 million. The $7.1 million change reflected a decrease in income recognized when such loans are repaid, as a result of fewer repayments as that portfolio continues to run off. The $4.2 million was comprised of $5.9 million of non-SBA commercial real estate loan repayment related income, $1.7 million of fair value losses and $18,000 of hedge fair value adjustments.

Prepaid, debit card and related fees increased $9.1 million, or 15.8%, to $67.0 million for the first nine months of 2023 compared to $57.9 million in the first nine months of 2022. 2023. The first nine months quarter of 2023 included approximately $600,000 of non-interest income related to the fourth quarter of 2022, and a $1.4 million termination fee from a client which formed its own bank. The increase also reflected higher transaction volume from new clients and organic growth from existing clients. ACH, card and other payment processing fees increased $601,000, $793,000, or 9.2% 36.5%, to $7.2 $3.0 million for the first nine months quarter of 2023 2024, compared to $6.6 $2.2 million in the first nine months quarter of 2022, 2023, reflecting an increase in rapid funds transfer volume.

Net realized and unrealized gains on commercial loans, at fair value, decreased $629,000, or 36.5%, to $1.1 million for the first quarter of 2024 from $1.7 million for the first quarter of 2023. The runoff of the commercial loans, at fair value portfolio, reduced the volume of loan payoffs and the income recognized at the time of payoff.

Leasing related income increased $1.2 million decreased $1.1 million, or 33.7% 74.0%, to $4.8 million $388,000 for the first nine months quarter of 2023 2024 from $3.6 million $1.5 million for the first nine months quarter of 2022. The increase reflected higher volumes 2023, reflecting $1.1 million of vehicle sales. losses related to an auto auction company which ceased operations.

Other non-interest income increased $1.3 million, $368,000, or 186.5% 131.4%, to $2.0 million $648,000 for the first nine months quarter of 2023 2024 from $698,000 $280,000 in the first nine months quarter of 2022 primarily reflecting increased prepayment fees on advisor financing loans and prepayment and loan sales fees on small business loans. 2023 which reflected the impact of prior year insurance related refunds received in 2024.

Non-Interest Expense

Total non-interest expense was $145.4 $46.7 million for the first nine months quarter of 2023, an increase 2024, a decrease of $19.4 $1.3 million, or 15.4% 2.7%, compared to $126.0 $48.0 million for the first nine months quarter of 2022. 2023. The majority decrease reflects a prior year $1.0 million write-down of the increase OREO which resulted from higher a pending sale of a movie theater property as described in Note E to the consolidated financial statements included in the 2022 10-K. The property had previously been recorded at appraised value, which was adjusted to the proposed sales price in the first quarter of 2023. While salaries and employee benefits expense, which reflected higher numbers of staff increased 1.7%, increases in the payments business and related financial crimes compliance and in IT due to increases salary expense, were offset by decreases in deposit transaction volume and the development of new products. The increase also reflected higher incentive and stock compensation expense and less expense deferral related to loan origination costs as a result of lower loan production. compensation.

The following table presents the principal categories of non-interest expense for the periods indicated:

	For the nine months ended September 30,				For the three months ended March 31,			
	2023	2022	Increase (Decrease)	Percent Change	2024	2023	Increase (Decrease)	Percent Change
	(Dollars in thousands)				(Dollars in thousands)			
Salaries and employee benefits	$ 93,427	$ 77,848	$ 15,579	20.0%	$30,280	$29,785	$ 495	1.7%
Depreciation and amortization	2,046	2,224	(178)	(8.0)%	949	721	228	31.6%
Rent and related occupancy cost	4,265	3,831	434	11.3%	1,640	1,394	246	17.6%
Data processing expense	4,123	3,727	396	10.6%	1,421	1,321	100	7.6%
Printing and supplies	355	342	13	3.8%	103	145	(42)	(29.0%)
Audit expense	1,255	1,107	148	13.4%	359	392	(33)	(8.4%)
Legal expense	3,110	3,175	(65)	(2.0)%	821	958	(137)	(14.3%)
Legal settlement	—	1,152	(1,152)	(100.0)%				
Civil money penalty	—	1,750	(1,750)	(100.0)%				
Amortization of intangible assets	298	298	—	—	99	99	—	—
FDIC insurance	2,233	2,326	(93)	(4.0)%	845	955	(110)	(11.5%)
Software	12,981	12,030	951	7.9%	4,489	4,237	252	5.9%
Insurance	3,935	3,692	243	6.6%	1,338	1,306	32	2.5%
Telecom and IT network communications	1,044	1,119	(75)	(6.7)%	271	376	(105)	(27.9%)
Consulting	1,412	902	510	56.5%	578	322	256	79.5%
Writedowns and other losses on OREO	1,315	—	1,315	100.0%				
Write-downs and other losses on other real estate owned					—	1,019	(1,019)	(100.0%)
Other	13,633	10,504	3,129	29.8%	3,519	5,000	(1,481)	(29.6%)

Total non-interest expense	$ 145,432	$ 126,027	$ 19,405	15.4%	$46,712 $48,030 $ (1,318)	(2.7%)

Changes in categories of non-interest expense were as follows:

- Salaries and employee benefits expense increased to $93.4 $30.3 million for the first nine months quarter of 2023, 2024, an increase of $15.6 million, $495,000, or 20.0% 1.7%, from $77.8 $29.8 million for the first nine months quarter of 2022. 2023.
- Depreciation and amortization expense decreased $178,000, increased $228,000, or 8.0% 31.6%, to $2.0 million $949,000 in the first nine months quarter of 2023 2024 from $2.2 million $721,000 in the first nine months quarter of 2022. 2023, reflecting the impact of the Sioux Falls, South Dakota relocation to new and expanded offices and a new expanded data center.
- Rent and related occupancy cost increased $434,000, $246,000, or 11.3% 17.6%, to $4.3 $1.6 million in the first nine months quarter of 2023 2024 from $3.8 $1.4 million in the first nine months quarter of 2022, 2023, reflecting increased IT-related equipment expense. the impact of the Sioux Falls, South Dakota relocation to new and expanded offices and a new expanded data center.
- Data processing expense increased $396,000, $100,000, or 10.6% 7.6%, to $4.1 $1.4 million in the first nine months quarter of 2023 2024 from $3.7 $1.3 million in the first nine months quarter of 2022, 2023, reflecting higher transaction volume.
- Printing and supplies expense increased $13,000, decreased $42,000, or 3.8% 29.0%, to $355,000 $103,000 in the first nine months quarter of 2023 2024 from $342,000 $145,000 in the first nine months quarter of 2022. 2023.
- Audit expense increased $148,000, decreased $33,000, or 13.4% 8.4%, to $1.3 million $359,000 in the first nine months quarter of 2023 2024 from $1.1 million $392,000 in the first nine months quarter of 2022. 2023.
- Legal expense decreased $65,000, $137,000, or 2.0% 14.3%, to $3.1 million $821,000 in the first nine months quarter of 2023 2024 from $3.2 million $958,000 in the first nine months quarter of 2022 2023, reflecting decreased a reduction in legal costs fees related to a Civil Investigative Demand from the SEC matters discussed Consumer Financial Protection Bureau as described in "Note Note O — Commitments and Contingencies" to the audited consolidated financial statements in the 2023 Form 10-K for the year ended December 31, 2022. 10-K.
- FDIC insurance expense decreased $93,000, $110,000, or 4.0% 11.5%, to $2.2 million $845,000 for the first nine months quarter of 2023 2024 from $2.3 $955,000 in the first quarter of 2023, reflecting a reduction in the assessed rate.
- Software expense increased $252,000, or 5.9%, to $4.5 million in the first nine months quarter of 2022, primarily as a result of a lower assessment rate. The cost of resolving several recent bank failures may result in future increased premiums, or special assessments, which would serve to increase expense in the period assessed.
- Software expense increased $951,000 or 7.9%, to $13.0 2024 from $4.2 million in the first nine months quarter of 2023 from $12.0 million in the first nine months of 2022. 2023. The increase reflected higher expenditures for information technology infrastructure including those to service the payments businesses. leasing, cybersecurity and cloud computing, which more than offset decreases in financial crimes management related expense.
- Insurance expense increased $243,000 $32,000, or 6.6% 2.5%, to $3.9 $1.3 million in the first nine months quarter of 2023 2024 compared to $3.7 million $1.3 million in the first nine months quarter of 2022, reflecting higher rates, especially on cyber insurance. 2023.
- Telecom and IT network communications expense decreased $75,000, $105,000, or 6.7% 27.9%, to $1.0 million $271,000 in the first nine months quarter of 2023 2024 from $1.1 million $376,000 in the first nine months quarter of 2022. 2023.
- Consulting expense increased $510,000, $256,000, or 56.5% 79.5%, to $1.4 million $578,000 in the first nine months quarter of 2023 2024 from $902,000 $322,000 in the first nine months quarter of 2022. 2023. The increase reflected expenses related to the Company's ongoing efforts of documenting and optimizing operational controls including external risk assessments.

- The $1.3 million of writedowns and other losses on OREO resulted primarily from a pending sale of a movie theater property as described in "Note E — Loans" to the December 31, 2022 consolidated financial statements in the Form 10-K. The property had previously been recorded at appraised value, which was adjusted to the proposed sales price in the first nine months of 2023. The sale closed in October 2023 and a loss of $95,000 was additionally realized. controls.
- Other non-interest expense increased $3.1 million decreased $1.5 million, or 29.8% 29.6%, to $13.6 $3.5 million in the first nine months quarter of 2023 2024 from $10.5 $5.0 million in the first nine months quarter of 2022. 2023. The $3.1 million increase $1.5 million decrease primarily reflected the following increases: decreases: a. regulatory examination assessment fees of $871,000, $280,000 b. OREO expense of $740,000 reflecting additional OREO properties $372,000 c. contributions of $218,000 and c. an increase d. other operating taxes of $306,000 in travel expenses, as travel increased post-pandemic. $163,000.

Income Taxes

Income tax expense was $49.3 $18.5 million for the first nine months quarter of 2023 2024 compared to $31.7 $15.8 million in the first nine months quarter of 2022. 2023. The increase resulted primarily from an increase in income, substantially all of which is subject to income tax. A 24.9% 24.7% effective tax rate in 2023 2024 and a 26.0% 24.3% effective tax rate in 2022 2023 primarily reflected a 21% federal tax rate and the impact of various state income taxes.

Liquidity

Liquidity defines our ability to generate funds at a reasonable cost to support asset growth, meet deposit withdrawals, satisfy borrowing needs and otherwise operate on an ongoing basis. Maintaining an adequate level of liquidity depends on the institution's ability to efficiently meet both expected and unexpected cash flows without adversely affecting daily operations or financial condition. The Company's liquidity management policy requirements include sustaining defined liquidity minimums, concentration monitoring and management, stress testing, contingency planning and related oversight. Based on our sources of funding and liquidity discussed below, we believe we have sufficient liquidity and capital resources available for our needs in the next 12 months and for the foreseeable future. We invest the funds we do not need for daily operations primarily in overnight federal funds or in our interest-bearing account at the Federal Reserve.

Our primary source of funding has been deposits. Average total deposits increased decreased by $174.3 $118.6 million, or 2.9% 1.8%, to $6.29 $6.50 billion for the third first quarter of 2023 2024 compared to the third first quarter of 2022. 2023. The decrease reflected the planned exit of higher cost deposits. Federal Reserve average balances increased to $639.9 $874.1 million in the third first quarter 2023 of 2024 from $267.4 $580.1 million in the third first quarter of 2022. Overnight borrowings are also periodically utilized as a funding source to facilitate cash management, but 2023. The increased reflected lower average balances of SBLOC and IBLOC loans. As a result of the approximate $900 million of securities purchases in April 2024 as discussed under "Asset and Liability Management" in this MD&A, we have generally not been significant. increased the use of FHLB advances to partially fund such purchases, at least temporarily.

One source of contingent liquidity is available-for-sale securities, which amounted to $756.6 $718.2 million at September 30, 2023 March 31, 2024, compared to $766.0 $747.5 million at December 31, 2022 December 31, 2023. The $900 million of securities purchases noted above, will serve to increase these balances. The majority of these securities, including the $900 million of April 2024 purchases, can be pledged to facilitate extensions of credit in addition to loans already pledged against lines of credit, as discussed later in this section. Loan repayments, another source of funds, have historically been exceeded by disbursements associated with new loan originations, a use of funds. However, loan repayments during the third quarter of 2023 exceeded originations, and the excess of repayments over originations provided additional liquidity. As a result of such higher loan repayments, at September 30, 2023 At March 31, 2024, outstanding loans amounted to $5.20 billion $5.46 billion, compared to $5.49 $5.36 billion at the prior year end, an increase of $98.2 million representing a decrease use of $287.9 million. funds. Commercial loans, at fair value, decreased to $379.6 $283.0 million from $589.1 $332.8 million between those respective dates, a decrease of $209.5 $49.8 million, which also provided funding. In 2019 and previous years, these loans were generally originated for securitization and sale, but in 2020 we decided to retain such loans on the balance sheet. While we suspended originating such loans after the first quarter of 2020, we resumed originations, which consist primarily of non-SBA commercial real estate bridge loans, in the third quarter of 2021. Such originations are held for investment and are included in "Loans, net of deferred loan fees and costs" on the balance sheet. Accordingly, commercial loans, at fair value will continue to run off. Our liquidity planning has not previously placed undue reliance on securitizations, and while our future planning excludes the impact of securitizations, other liquidity sources, primarily deposits, are determined to be adequate.

While we do not have a traditional branch system, we believe that our core deposits, which include our demand, interest checking, savings and money market accounts, have similar characteristics to those of a bank with a branch system. The majority of our deposit accounts are obtained with the assistance of third-parties and as a result have historically been classified as brokered by the FDIC. Prior to December 2020, FDIC guidance for classification of deposit accounts as brokered was relatively broad, and generally included accounts which were referred to or "placed" with the institution by other companies. If the Bank ceases to be categorized as "well capitalized" under banking regulations, it will be prohibited from accepting, renewing or rolling over any of its deposits classified as brokered without the consent of the FDIC. In such a case, the FDIC's refusal to grant consent to our accepting, renewing or rolling over brokered deposits could effectively restrict or eliminate the ability of the Bank to operate its business lines as presently conducted. In December 2020, the FDIC issued a new regulation which, in the third quarter of 2021, resulted in the majority of our deposits being reclassified from brokered to non-brokered. AsOf our total deposits of September 30, 2023 $6.89 billion as of March 31, 2024, $551.0 million were classified as brokered and an estimated $576.5 $573.5 million of our total deposit accounts of $6.50 billion were not insured by FDIC insurance, which requires identification of the depositor and is limited to $250,000 per identified depositor. Uninsured accounts may represent a greater liquidity risk than FDIC-insured accounts should large depositors withdraw funds as a result of negative financial developments either at the Bank or in the economy. Significant amounts of our uninsured deposits are

comprised of small balances, such as anonymous gift cards and corporate incentive cards for which there is no identified depositor. We do not believe that such uninsured accounts present a significant liquidity risk.

Certain components of our deposits experience seasonality, creating greater excess liquidity at certain times. The largest deposit inflows occur in the first quarter of the year when certain of our accounts are credited with tax refund payments from the U.S. Treasury.

While consumer deposit accounts, including prepaid and debit card accounts, comprise the vast majority of our funding needs, we maintain secured borrowing lines with the FHLB and the Federal Reserve. Our collateralized line of credit with the Federal Reserve Bank had available accessible capacity of $1.94 $1.95 billion as of September 30, 2023 March 31, 2024 and was collateralized by loans. We have also pledged in excess of $1.10 billion of multi-family multifamily loans to the FHLB. As a result, we have approximately $731.5 million of availability on that line

of credit which we can also access at any time. As of September 30, 2023 March 31, 2024, there were no amounts outstanding on either of these lines of credit. We expect to continue to maintain our facilities with the FHLB and Federal Reserve.

Another source of contingent liquidity is available-for-sale securities, which amounted to $756.6 $718.2 million at September 30, 2023 March 31, 2024, compared to $766.0 $747.5 million at December 31, 2022 December 31, 2023. Approximately $350 million of our available-for-sale securities are U.S. government government-sponsored agency securities which are highly liquid and may be immediately pledged as additional collateral. We actively monitor our positions and contingent funding sources daily.

As a holding company conducting substantially all our business through our subsidiaries, the Company's near-term need for liquidity consists principally of cash for required interest payments on our subordinated debentures, consisting of $13.4 million of debentures bearing interest at SOFR plus 3.51% and maturing in March 2038 (the "2038

Debentures"), Debentures, and senior debt, consisting of $100.0 million senior notes with an interest rate of 4.75% and maturing in August 2025 (the "2025 Senior Notes"). Semi-annual interest payments on the 2025 Senior Notes are approximately $2.4 million, and quarterly interest payments on the 2038 Debentures are approximately $300,000. As of September 30, 2023 March 31, 2024, we had cash reserves of approximately $9.6 $6.2 million at the holding company. During the third first quarter of 2023, $25.0 2024, $50.0 million of common stock repurchases were funded by a dividend from the Bank, as are interest payments on the above debt instruments. Stock repurchases may be terminated at any time. The holding company's sources of liquidity are primarily comprised of dividends paid by the Bank to the Company, and the issuance of debt.

Included in our cash and cash-equivalents at September 30, 2023 March 31, 2024 were $898.5 million $1.24 billion of interest-earning deposits which primarily consisted of deposits with the Federal Reserve.

In 2023, 2024, purchases of $49.0 $7.3 million of securities were exceeded by $55.2 million $36.5 million of redemptions. We had outstanding commitments to fund loans, including unused lines of credit, of $1.80 $1.78 billion and $1.98 $1.79 billion as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The majority of our commitments are variable rate and originate with SBLOC. The recorded amount of such commitments has, for many accounts, been based on the full amount of collateral in a customer's investment account. The funding requirements for such commitments occur on a measured basis over time and would be funded by normal deposit growth. Additionally, these loans are "demand" loans and as such, represent a contingent source of funding.

Capital Resources and Requirements

We must comply with capital adequacy guidelines issued by our regulators. A bank must, in general, have a Tier 1 leverage ratio of 5.00%, a ratio of Tier I capital to risk-weighted assets of 8.0%, a ratio of total capital to risk-weighted assets of 10.0% and a ratio of common equity tier 1 to risk weighted assets of 6.5% to be considered "well capitalized." The Tier I leverage ratio is the ratio of Tier 1 capital to average assets for the quarter. "Tier I capital" includes common shareholders' equity, certain qualifying perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries, less intangibles. At September 30, 2023 March 31, 2024, both the Company and the Bank were "well capitalized" under banking regulations.

The following table sets forth our regulatory capital amounts and ratios for the periods indicated:

	Tier 1 capital to average assets ratio	Tier 1 capital to risk-weighted assets ratio	Total capital to risk-weighted assets ratio	Common equity tier 1 to risk weighted assets	Tier 1 capital to average assets ratio	Tier 1 capital to risk-weighted assets ratio	Total capital to risk-weighted assets ratio	Common equity tier 1 to risk weighted assets
As of September 30, 2023								
As of March 31, 2024								
The Bancorp, Inc.	10.92%	15.53%	16.04%	15.53%	10.87%	15.76%	16.35%	15.76%
The Bancorp Bank, National Association	12.13%	17.26%	17.77%	17.26%	12.05%	17.43%	18.02%	17.43%
"Well capitalized" institution (under federal regulations-Basel III)	5.00%	8.00%	10.00%	6.50%	5.00%	8.00%	10.00%	6.50%
As of December 31, 2022								
As of December 31, 2023								
The Bancorp, Inc.	9.63%	13.40%	13.87%	13.40%	11.19%	15.66%	16.23%	15.66%
The Bancorp Bank, National Association	10.73%	14.95%	15.42%	14.95%	12.37%	17.35%	17.92%	17.35%
"Well capitalized" institution (under federal regulations-Basel III)	5.00%	8.00%	10.00%	6.50%	5.00%	8.00%	10.00%	6.50%

Asset and Liability Management

The management of rate sensitive assets and liabilities is essential to controlling interest rate risk and optimizing interest margins. An interest rate sensitive asset or liability is one that, within a defined time period, either matures or experiences an interest rate change in line with general market rates. Interest rate sensitivity measures the relative volatility of an institution's interest margin resulting from changes in market interest rates. While it is difficult to predict the impact of inflation and responsive Federal Reserve rate changes on our net interest income, the Federal Reserve has historically utilized increases in the overnight federal funds rate as one tool in fighting inflation. As a result of high rates of inflation, the Federal Reserve raised rates in each quarter of 2022 and in the first three quarters of 2023. Our largest funding source, prepaid and debit card deposit accounts, contractually adjusts to only a portion of increases or decreases in rates which are largely determined by such Federal Reserve actions. That pricing has generally supported the maintenance

of a balance sheet for which net interest income tends to increase with increases in rates. While deposits reprice to only a portion of Federal Reserve rate changes, such changes are immediate. Interest-earning assets, comprised primarily of loans and securities, tend to adjust more fully to rate increases at lagged contractual pricing intervals. The majority of our loans and securities are variable rate and generally reprice monthly or quarterly, although some reprice over several years. Additionally, the impact of loan interest rate floors which must be exceeded before rates on certain loans increase, may result in decreases in net interest income with lesser increases in rates. Cumulative 2022 Federal Reserve interest rate increases resulted in contractual rates on loans generally exceeding rate floors beginning in the second quarter of 2022.

We have adopted policies designed to manage net interest income and preserve capital over a broad range of interest rate movements. To effectively administer the policies and to monitor our exposure to fluctuations in interest rates, we maintain an asset/liability committee, consisting of the Bank's Chief Executive Officer, Chief Accounting Officer, Chief Financial Officer, Chief Credit Officer and others. This committee meets quarterly to review our financial results, develop strategies to optimize margins and to respond to market conditions. The primary goal of our policies is to optimize margins and manage interest rate risk, subject to overall policy constraints for prudent management of interest rate risk.

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

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

The following table sets forth the estimated maturity or repricing structure of our interest-earning assets and interest bearing interest-bearing liabilities at September 30, 2023 March 31, 2024. Except as stated below, the amounts of assets or liabilities shown which reprice or mature during a particular period were determined in accordance with the contractual terms of each asset or liability. The majority of transaction and savings balances are assumed to be "core" deposits, or deposits that will generally remain with us regardless of market interest rates. We estimate the repricing characteristics of these deposits based on historical performance, past experience, judgmental predictions and other deposit behavior assumptions. However, we may choose not to reprice liabilities proportionally to changes in market interest rates for competitive or other reasons. Additionally, although non-interest bearing non-interest-bearing transaction accounts are not paid interest, we estimate certain of the balances will reprice as a result of the contractual fees that are paid to the affinity groups which are based upon a rate index, and therefore are included in interest expense. We have adjusted the transaction account balances in the table downward, to better reflect the impact of their partial adjustment to changes in rates. Loans and security balances, which adjust more fully to market rate changes, are based upon actual balances. The table does not assume any prepayment of fixed-rate loans and mortgage-backed securities are scheduled based on their anticipated cash flow, including prepayments based on historical data and current market trends. The table does not necessarily indicate the impact of general interest rate movements on our net interest income because the repricing and related behavior of certain categories of assets and liabilities (for example, prepayments of loans and withdrawal of deposits) is beyond our control. As a result, certain assets and liabilities indicated as repricing within a stated period may in fact reprice at different times and at different

rate levels. For instance, the majority of REBL loans are variable rate with floors, but prepayments may offset the benefit of such floors in decreasing rate environments.

	1-90 Days	91-364 Days	1-3 Years	3-5 Years	Over 5 Years
	(Dollars in thousands)				
Interest earning assets:					
Commercial loans, at fair value	$ 213,299	$ 13,539	$ 16,526	$ 136,239	$ —
Loans, net of deferred loan fees and costs	3,839,366	116,858	362,993	674,938	204,817
Investment securities	402,081	42,335	134,015	80,137	98,068
Interest earning deposits	898,533	—	—	—	—
Total interest earning assets	5,353,279	172,732	513,534	891,314	302,885
Interest bearing liabilities:					
Transaction accounts as adjusted(1)	3,227,522	—	—	—	—
Savings and money market	49,428	—	—	—	—
Securities sold under agreements to repurchase	42	—	—	—	—
Senior debt and subordinated debentures	13,401	—	95,771	—	—
Total interest bearing liabilities	3,290,393	—	95,771	—	—
Gap	$ 2,062,886	$ 172,732	$ 417,763	$ 891,314	$ 302,885
Cumulative gap	$ 2,062,886	$ 2,235,618	$ 2,653,381	$ 3,544,695	$ 3,847,580
Gap to assets ratio	28%	2%	6%	12%	4%
Cumulative gap to assets ratio	28%	30%	36%	48%	52%

	1-90 Days	91-364 Days	1-3 Years	3-5 Years	Over 5 Years
	(Dollars in thousands)				
Interest earning assets:					
Commercial loans, at fair value	$ 96,769	$ 133,609	$ 29,336	$ 21,173	$ 2,111
Loans, net of deferred loan fees and costs	3,343,329	132,648	1,112,611	682,390	188,366
Investment securities	359,651	65,606	117,936	100,170	74,884
Interest earning deposits	1,241,363	—	—	—	—
Total interest earning assets	5,041,112	331,863	1,259,883	803,733	265,361
Interest bearing liabilities:					
Transaction accounts as adjusted(1)	3,414,080	—	—	—	—
Savings and money market	62,597	—	—	—	—
Senior debt and subordinated debentures	13,401	—	95,948	—	—
Total interest bearing liabilities	3,490,078	—	95,948	—	—
Gap	$ 1,551,034	$ 331,863	$ 1,163,935	$ 803,733	$ 265,361
Cumulative gap	$ 1,551,034	$ 1,882,897	$ 3,046,832	$ 3,850,565	$ 4,115,926
Gap to assets ratio	20%	4%	15%	10%	3%
Cumulative gap to assets ratio	20%	24%	39%	49%	52%

(1)Transaction accounts are comprised primarily of demand deposits. While demand deposits are non-interest bearing, non-interest-bearing, related fees paid to affinity groups may reprice according to specified indices.

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

We believe that the assumptions utilized in evaluating our estimated net interest income are reasonable; however, the interest rate sensitivity of our assets, liabilities and off-balance sheet financial instruments, as well as the estimated effect of changes in interest rates on estimated net interest income, could vary substantially if different assumptions are used or actual experience differs from presumed behavior of various deposit and loan categories. The following table shows the effects of interest rate shocks on our net portfolio value described as Market Value of Portfolio Equity ("MVPE") and net interest income. Rate shocks assume that current interest rates change immediately and sustain parallel shifts. For interest rate increases or decreases of 100 and 200 basis points, our policy includes a guideline that our MVPE ratio should not decrease more than 10% and 15%, respectively, and that net interest income should not decrease more than 10% and 15%, respectively. As illustrated in the following table, we complied with our asset/liability policy guidelines at September 30, 2023 March 31, 2024. While our modeling suggests that rate increases of 100 and 200 basis points will have a positive impact on net interest income (as shown in the table below), the actual amount of such increase cannot be determined, and there can be no assurance any increase will be realized. Because the Company has emphasized variable rate instruments in its loan and investment portfolios, it tends to benefit from higher interest rate environments. As a result of the Federal Reserve rate increases in 2022 and 2023, net interest income has increased and exceeded prior period levels. Future Federal Reserve rate reductions may result in a return to lower net interest income levels. In April 2024, the Company began purchasing additional fixed rate commercial and residential mortgage securities of varying maturities to reduce its exposure to lower levels of net interest income should the Federal Reserve begin decreasing rates. Such purchases would also reduce the additional net interest income which would result should the Federal Reserve increase rates. In April 2024, the Company purchased approximately $900 million of such securities, with respective estimated weighted average yields and lives of approximately 5.11% and eight years. While an estimate of the decrease in the Company's sensitivity to changes in rates is subject to the limitations and variables discussed above, and other portfolio changes, such securities purchases and fixed rate loan originations are projected to decrease the changes to net interest income in the table below significantly.

Rate scenario	Net portfolio value at September 30, 2023 Amount	Net portfolio value at September 30, 2023 Percentage change	Net interest income September 30, 2023 Amount	Net interest income September 30, 2023 Percentage change	Net portfolio value at March 31, 2024 Amount	Net portfolio value at March 31, 2024 Percentage change	Net interest income March 31, 2024 Amount	Net interest income March 31, 2024 Percentage change
	(Dollars in thousands)				(Dollars in thousands)			
+200 basis points	$ 1,158,060	7.30%	$ 412,039	12.62%	$ 1,180,023	5.33%	$419,056	10.60%
+100 basis points	1,119,623	3.73%	388,932	6.30%	1,150,990	2.74%	398,973	5.30%
Flat rate	1,079,312	—	365,879	—	1,120,301	—	378,894	—
-100 basis points	1,032,247	(4.36)%	342,300	(6.44)%	1,082,520	(3.37%)	358,225	(5.46%)
-200 basis points	979,141	(9.28)%	318,403	(12.98)%	1,037,520	(7.39%)	337,392	(10.95%)

Financial Condition

General. Our total assets at September 30, 2023 March 31, 2024 were $7.47 $7.92 billion, of which our total loans were $5.20 $5.46 billion, and our commercial loans, at fair value, were $379.6 $283.0 million. At December 31, 2022 December 31, 2023, our total assets were $7.90 $7.71 billion, of which our total loans were

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$5.49 $5.36 billion, and our commercial loans, at fair value were $589.1 $332.8 million. The decrease increase reflected an increase in interest-earning assets at the Federal Reserve Bank, which at least partially resulted from temporary seasonal deposit inflows from consumer tax refund deposits. The increase also reflected loan growth in various loan categories, which offset decreases both in SBLOC and IBLOC loan balances and in commercial loans, at fair value as that portfolio continues to run off.

Interest-earning Deposits

At September 30, 2023 March 31, 2024, we had a total of $898.5 million $1.24 billion of interest-earning deposits compared to $864.1 million $1.03 billion at December 31, 2022 December 31, 2023, an increase of $34.4 $208.1 million. These deposits were comprised primarily of balances at the Federal Reserve.

Investment Portfolio

For detailed information on the composition and maturity distribution of our investment portfolio, see “Note 5. Investment Securities” to the unaudited consolidated financial statements herein. Total investment securities decreased to $756.6 $718.2 million at September 30, 2023 March 31, 2024, a decrease of $9.4 $29.3 million, or 1.2% 3.9%, from December 31, 2022 December 31, 2023.

Under the accounting guidance related to CECL, changes in fair value of securities unrelated to credit losses continue to be recognized through equity. However, credit-related losses are recognized through an allowance, rather than through a reduction in the amortized cost of the security. CECL accounting guidance also permits the reversal of allowances for credit deterioration in future periods based on improvements in credit, which was not included in previous guidance. Generally, a security’s credit-related loss is the difference between its amortized cost basis and the best estimate of its expected future cash flows discounted at the security’s effective yield. That difference is recognized through the income statement, as with prior guidance, but is renamed a provision for credit loss. For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, we recognized no credit-related losses on our portfolio.

Investments in FHLB, ACBB and Federal Reserve Bank stock are recorded at cost and amounted to $20.2 $15.6 million at September 30, 2023 March 31, 2024 and $12.6 million $15.6 million at December 31, 2022 December 31, 2023. Each of these institutions require their correspondent banking institutions to hold stock as a condition of membership. The Bank’s conversion to a national charter required the purchase of $11.0 million of Federal Reserve Bank stock in September 2022. Additionally, in the second quarter of 2023, we joined the FHLB of Des Moines, which required a $9.1 million purchase of stock. While a fixed stock amount is required by each of these institutions, the FHLB stock requirement increases or decreases with the level of borrowing activity.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 no investment securities were encumbered, as lines of credit established for borrowings were collateralized by loans.

The following table shows the contractual maturity distribution and the weighted average yield of our investment portfolio securities as of September 30, 2023 March 31, 2024 (dollars in thousands). The weighted average yield was calculated by dividing the amount of individual securities to total securities in each category, multiplying by the yield of the individual security and adding the results of those individual computations.

Available-for-sale	Zero to one year	Average yield	After one to five years	Average yield	After five to ten years	Average yield	Over ten years	Average yield	Total	Zero to one year	Average yield	After one to five years	Average yield	After five to ten years	Average yield	Over ten years	Average yield	Total
U.S. Government agency securities	$ —	—	$ 9,464	2.69%	$ 14,301	5.04%	$ 9,262	3.90%	$ 33,027	$ 713	2.28%	$ 7,576	2.76%	$ 14,741	4.99%	$ 8,934	3.96%	$ 31,964
Asset-backed securities	4,287	6.94%	—	—	201,639	7.21%	125,572	7.32%	331,498	3,620	6.86%	653	6.85%	184,343	7.10%	116,649	7.22%	305,265
Tax-exempt obligations of states and political subdivisions(1)	—	—	2,789	2.80%	1,190	3.83%	654	3.95%	4,633	994	3.10%	1,831	2.65%	1,981	3.87%	—	—	4,806
Taxable obligations of states and political subdivisions	7,546	2.84%	33,043	3.30%	1,128	4.33%	—	—	41,717	9,966	3.18%	25,962	3.30%	1,159	4.33%	—	—	37,087
Residential mortgage-backed securities	1,432	2.78%	42,872	2.67%	41,686	3.94%	74,051	3.72%	160,041	—	—	43,006	2.66%	55,873	3.82%	64,632	3.98%	163,511
Collateralized mortgage obligation securities	—	—	5,461	2.66%	290	2.25%	29,841	4.09%	35,592	—	—	4,890	2.73%	78	2.27%	27,013	4.05%	31,981
Commercial mortgage-backed securities	10,728	2.55%	32,520	2.65%	27,409	3.53%	73,191	3.00%	143,848	23,339	2.60%	27,994	3.43%	19,019	2.79%	73,281	3.79%	143,633
Corporate debt securities	—	—	—	—	—	—	6,280	—	6,280									
Total	$ 23,993		$ 126,149		$ 287,643		$ 318,851		$ 756,636	$38,632		$111,912		$277,194		$290,509		$718,247
Weighted average yield		3.44%		2.83%		6.25%		4.94%			3.16%		3.03%		6.00%		5.24%	

(1)If adjusted to their taxable equivalents, yields would approximate 3.54% 3.92%, 4.85% 3.35%, and 5.00% 4.90% for zero to one year, one to five years, and five to ten years, and over ten years, respectively, at a federal tax rate of 21%.

Commercial Loans, at Fair Value

Commercial loans, at fair value are comprised of non-SBA commercial real estate loans and SBA loans which had been originated for sale or securitization through first quarter 2020, and which are now being held on the balance sheet. SBA loans are valued on a pooled basis and commercial real estate bridge loans are valued individually. Commercial loans, at fair value decreased to $379.6 $283.0 million at September 30, 2023 March 31, 2024 from $589.1 $332.8 million at December 31, 2022 December 31, 2023, primarily reflecting the impact of loan repayments as this portfolio runs

off. These loans continue to be accounted for at fair value. In the third quarter of 2021 we resumed originating non-SBA commercial real estate loans, after suspending such originations in the first quarter of 2020. These originations reflect lending criteria similar to the existing loan portfolio and are primarily comprised of multi-family multifamily (apartment buildings) collateral. The new originations, which are intended to be held for investment, are accounted for at amortized cost.

Loan Portfolio. Total loans decreased increased to $5.20 $5.46 billion at September 30, 2023 March 31, 2024 from $5.49 $5.36 billion at December 31, 2022 December 31, 2023.

The following table summarizes our loan portfolio, excluding loans held at fair value, by loan category for the periods indicated (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
SBL non-real estate	$ 130,579	$ 108,954	$ 140,956	$ 137,752
SBL commercial mortgage	547,107	474,496	637,926	606,986
SBL construction	19,204	30,864	27,290	22,627
SBLs	696,890	614,314	806,172	767,365
Direct lease financing	670,208	632,160	702,512	685,657
SBLOC / IBLOC(1)	1,720,513	2,332,469	1,550,313	1,627,285
Advisor financing(2)	199,442	172,468	232,206	221,612
Real estate bridge loans	1,848,224	1,669,031	2,101,896	1,999,782
Other loans(3)	55,800	61,679	56,163	50,638
	5,191,077	5,482,121	5,449,262	5,352,339
Unamortized loan fees and costs	7,895	4,732	10,082	8,800
Total loans, including unamortized loan fees and costs	$ 5,198,972	$ 5,486,853	$5,459,344	$5,361,139

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
SBLs, including costs net of deferred fees of $8,900 and $7,327 for September 30, 2023 and December 31, 2022, respectively	$ 705,790	$ 621,641		
SBLs, including costs net of deferred fees of $9,979 and $9,502 for March 31, 2024 and December 31, 2023, respectively			$816,151	$ 776,867
SBLs included in commercial loans, at fair value	126,543	146,717	109,131	119,287
Total SBLs(4)	$ 832,333	$ 768,358	$925,282	$ 896,154

(1)SBLOC are collateralized by marketable securities, while IBLOC, are collateralized by the cash surrender value of insurance policies. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, IBLOC loans amounted to $712.6 $595.6 million and $1.12 billion, $646.9 million, respectively.

(2)In 2020, we began originating loans to investment advisors for purposes of debt refinancing, acquisition of another firm or internal succession. Maximum loan amounts are subject to loan-to-value ("LTV") LTV ratios of 70% of the business enterprise value based on a third party third-party valuation, but may be increased depending upon the debt service coverage ratio. Personal guarantees and blanket business liens are obtained as appropriate.

(3)Includes demand deposit overdrafts reclassified as loan balances totaling $215,000 $239,000 and $2.6 million $1.7 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Estimated overdraft charge-offs and recoveries are reflected in the ACL and are immaterial.

(4)The SBLs held at fair value are comprised of the government guaranteed portion of 7(a) Program loans at the dates indicated.

The following table summarizes our SBL portfolio, including loans held at fair value, by loan category as of September 30, 2023 March 31, 2024 (in thousands):

	Loan principal
U.S. government guaranteed portion of SBA loans(1)	$ 391,301 395,334
PPP loans(1)	2,277 1,936

Commercial mortgage SBA[2]		273,122 311,230
Construction SBA[3]		10,993 13,641
Non-guaranteed portion of U.S. government guaranteed 7(a) Program loans[4]		109,343 114,104
Non-SBA SBLs		34,592 48,831
Other[5]		28,661
Total principal	$	821,628 913,737
Unamortized fees and costs		10,705 11,545
Total SBLs	$	832,333 925,282

[1]Includes the portion of SBA 7(a) Program loans and PPP loans which have been guaranteed by the U.S. government, and therefore are assumed to have no credit risk.

[2]Substantially all these loans are made under the 504 Program, which dictates origination date LTV percentages, generally 50-60%, to which The Bank adheres.

[3]Includes $4.1 million $6.2 million in 504 Program first mortgages with an origination date LTV of 50-60% and $6.9 million $7.4 million in SBA interim loans with an approved SBA post-construction full takeout/payoff.

[4]Includes the unguaranteed portion of 7(a) Program loans which are generally 70% or more guaranteed by the U.S. government. SBA 7(a) Program loans are not made on the basis of real estate LTV; however, they are subject to SBA's "All Available Collateral" rule which mandates that to the extent a borrower or its 20% or greater principals have available collateral (including personal residences), the collateral must be pledged to fully collateralize the loan, after applying SBA-determined liquidation rates. In addition, all 7(a) Program loans and 504 Program loans require the personal guaranty of all 20% or greater owners.

[5] Comprised of $28.7 million of loans sold that do not qualify for true sale accounting.

The following table summarizes our SBL portfolio, excluding the government guaranteed portion of SBA 7(a) Program loans and PPP loans, by loan type as of September 30, 2023 March 31, 2024 (dollars in thousands):

	SBL commercial mortgage[1]	SBL construction[1]	SBL non-real estate	Total	% Total	SBL commercial mortgage[1]	SBL construction[1]	SBL non-real estate	Total	% Total
Hotels (except casino hotels) and motels	$ 73,598	$ 71	$ 18	$ 73,687	17%					
Hotels and motels						$ 75,044	$ 71	$ 17	$ 75,132	15%
Funeral homes and funeral services						40,187	—	43	40,230	8%
Full-service restaurants	24,413	5,532	1,873	31,818	7%	24,473	7,120	1,834	33,427	7%
Funeral homes and funeral services	27,365	—	45	27,410	6%					
Car washes	19,000	—	101	19,101	4%	21,105	264	95	21,464	4%
Child day care services	14,951	1,222	1,351	17,524	4%	16,893	552	1,987	19,432	4%
General line grocery merchant wholesalers						17,346	—	—	17,346	4%
Homes for the elderly						16,010	109	71	16,190	3%
Outpatient mental health and substance abuse centers	15,489	—	118	15,607	4%	15,419	—	112	15,531	3%
Homes for the elderly	13,032	—	73	13,105	3%					
Gasoline stations with convenience stores	12,448	—	152	12,600	3%	11,744	43	147	11,934	2%
Fitness and recreational sports centers	7,790	—	1,764	9,554	2%	7,779	—	2,032	9,811	2%
Lessors of other real estate property	8,806	—	599	9,405	2%					
Offices of lawyers	9,240	—	—	9,240	2%					
Nursing care facilities						9,502	—	—	9,502	2%
Lawyer's offices						9,272	—	—	9,272	2%
Limited-service restaurants						4,765	927	3,158	8,850	2%
All other specialty trade contractors						6,794	—	393	7,187	1%
Caterers						7,014	—	27	7,041	1%
General warehousing and storage	6,629	—	—	6,629	2%	6,488	—	—	6,488	1%
Plumbing, heating, and air-conditioning companies	5,611	—	927	6,538	2%					
Caterers	6,304	—	51	6,355	1%					

	SBL commercial mortgage	SBL construction	SBL non-real estate	Total	% Total	SBL commercial mortgage	SBL construction	SBL non-real estate	Total	% Total
Limited-service restaurants	2,877	927	2,549	6,353	1%					
Specialty trade contractors	4,522	—	471	4,993	1%					
Lessors of residential buildings and dwellings	4,847	—	—	4,847	1%					
Miscellaneous durable goods merchant	4,792	—	—	4,792	1%					
Plumbing, heating, and air-conditioning						4,684	—	886	5,570	1%
Accounting services						5,096	—	454	5,550	1%
Miscellaneous durable goods merchants						4,748	—	—	4,748	1%
Packaged frozen food merchant wholesalers	4,740	—	—	4,740	1%	4,705	—	—	4,705	1%
Technical and trade schools	4,736	—	—	4,736	1%	4,699	—	—	4,699	1%
All other amusement and recreation	4,182	44	269	4,495	1%					
Amusement and recreation						3,929	44	252	4,225	1%
Furniture merchant wholesalers						3,550	—	—	3,550	1%
Offices of dentists	3,110	—	66	3,176	1%	3,463	—	63	3,526	1%
Vocational rehabilitation services	—	3,090	—	3,090	1%					
Other warehousing and storage	3,082	—	—	3,082	1%					
Other[2]	96,517	1,585	27,071	125,173	31%	109,018	6,912	26,466	142,396	31%
Total	$ 378,081	$ 12,471	$ 37,498	$ 428,050	100%	$ 433,727	$ 16,042	$38,037	$487,806	100%

[1]Of the SBL commercial mortgage and SBL construction loans, $106.4 million $124.9 million represents the total of the non-guaranteed portion of SBA 7(a) Program loans and non-SBA loans. The balance of those categories represents SBA 504 Program loans with 50%-60% origination date LTVs. SBL Commercial excludes $28.7 million of loans sold that do not qualify for true sale accounting.

[2]Loan types of less than $3.0 $3.5 million are spread over approximately one hundred different business types.

The following table summarizes our SBL portfolio, excluding the government guaranteed portion of SBA 7(a) Program loans and PPP loans, by state as of September 30, 2023 March 31, 2024 (dollars in thousands):

	SBL commercial mortgage[1]	SBL construction[1]	SBL non-real estate	Total	% Total	SBL commercial mortgage[1]	SBL construction[1]	SBL non-real estate	Total	% Total
California	$ 78,252	$ 4,306	$ 3,193	$ 85,751	20%	$ 102,725	$ 4,579	$ 3,666	$110,970	23%
Florida	69,092	912	3,355	73,359	17%	73,211	1,838	2,991	78,040	16%
North Carolina	38,507	927	1,875	41,309	10%	37,298	927	2,222	40,447	8%
Pennsylvania						34,708	—	854	35,562	7%
New York	24,144	1,297	3,170	28,611	7%	27,823	1,505	2,251	31,579	6%
Texas						19,463	1,415	5,939	26,817	5%
New Jersey	17,370	3,357	3,970	24,697	6%	17,372	3,357	3,174	23,903	5%
Texas	18,819	—	4,435	23,254	5%					
Pennsylvania	20,822	—	802	21,624	5%					
Georgia	18,000	576	1,522	20,098	5%	21,029	709	1,562	23,300	5%
Other States <$15 million	93,075	1,096	15,176	109,347	25%					
Other States						100,098	1,712	15,378	117,188	25%
Total	$ 378,081	$ 12,471	$ 37,498	$ 428,050	100%	$ 433,727	$ 16,042	$38,037	$487,806	100%

[1]Of the SBL commercial mortgage and SBL construction loans, $106.4 $124.9 million represents the total of the non-guaranteed portion of SBA 7(a) Program loans and non-SBA loans. The balance of those categories represents SBA 504 Program loans with 50%-60% origination date LTVs. SBL Commercial excludes $28.7 million of loans sold that do not qualify for true sale accounting.

The following table summarizes the ten largest loans in our SBL portfolio, including loans held at fair value, as of September 30, 2023 March 31, 2024 (in thousands):

Type[1]	State	SBL commercial mortgage
Mental General line grocery merchant wholesaler	California	$ 13,450
Funeral homes and funeral services	Pennsylvania	12,914
Outpatient mental health and substance abuse center	Florida	$ 9,964 9,894
Funeral homes and funeral services	Maine	9,008 8,706
Hotel	Florida	8,454 8,334

Offices of lawyers Lawyer's office	California	8,215 8,086
Hotel	North Carolina	6,722 6,704
General warehousing and storage	Pennsylvania	6,629 6,488
Hotel	Florida	5,781 5,750
Hotel	New York	5,724
Hotel	North Carolina	5,635
Mental health and substance abuse center	New Jersey	5,150 5,659
Total		$ 71,282 85,985

[(1)]The table above does not include loans to the extent that they are U.S. government guaranteed.

Commercial real estate loans, primarily real estate bridge loans and excluding SBA loans, were as follows as of September 30, 2023 March 31, 2024 (dollars in thousands):

	# Loans	Balance	Weighted average origination date LTV	Weighted average interest rate	# Loans	Balance	Weighted average origination date LTV	Weighted average interest rate
Real estate bridge loans (multi-family apartment loans recorded at book value)[(1)]	139	$ 1,848,224	71%	9.30%				
Real estate bridge loans (multifamily apartment loans recorded at amortized cost)[(1)]					156	$2,101,896	70%	9.27%
Non-SBA commercial real estate loans, at fair value:								
Multi-family (apartment bridge loans)[(1)]	11	$ 206,604	76%	8.80%				
Multifamily (apartment bridge loans)[(1)]					8	$ 128,557	77%	9.15%
Hospitality (hotels and lodging)	2	27,392	65%	9.80%	2	27,366	65%	9.82%
Retail	2	12,282	72%	7.30%	2	12,269	72%	8.19%
Other	2	9,486	73%	5.00%	2	9,378	73%	4.97%
	17	255,764	75%	8.69%	14	177,570	74%	8.97%
Fair value adjustment		(2,704)				(3,703)		
Total non-SBA commercial real estate loans, at fair value		253,060				173,867		
Total commercial real estate loans		$ 2,101,284	72%	9.24%		$2,275,763	70%	9.26%

[(1)]In the third quarter of 2021, we resumed the origination of multi-family multifamily apartment loans. These are similar to the multi-family multifamily apartment loans carried at fair value, but at origination are intended to be held on the balance sheet, so they are not accounted for at fair value. In addition to “as is” origination date appraisals, on which the weighted average origination date LTVs are based, third-party appraisers also estimated “as stabilized” values, which represents additional potential collateral value as rehabilitation progresses, and units are re-leased at stabilized rental rates. The weighted average origination date “as stabilized” LTV was estimated at 61%.

The following table summarizes our commercial real estate loans, primarily real estate bridge loans and excluding SBA loans, by state as of September 30, 2023 March 31, 2024 (dollars in thousands):

	Balance	Origination date LTV	Balance	Origination date LTV
Texas	$ 779,935	73%	$ 826,533	72%
Georgia	243,097	69%	250,690	69%
Florida	204,798	70%	244,028	69%
Tennessee	87,846	70%		
Michigan	82,493	71%	131,016	68%
Indiana			104,522	71%
Ohio	72,356	67%	72,535	67%
Indiana	66,432	72%		
Other States each <$65 million	564,327	73%		
New Jersey			68,816	68%
Other States each <$60 million			577,623	71%
Total	$ 2,101,284	72%	$2,275,763	70%

The following table summarizes our fifteen largest commercial real estate loans, primarily real estate bridge loans and excluding SBA loans, as of September 30, 2023 March 31, 2024 (dollars in thousands). All of these loans are multi-family multifamily loans.

	Balance	Origination date LTV	Balance	Origination date LTV
Texas	$ 45,520	75%	$ 46,785	72%
Texas	44,159	72%	45,520	75%
Tennessee	40,000	72%	40,000	72%
Texas	39,400	75%	39,400	75%
Michigan			37,281	62%
Texas	39,345	79%	37,259	80%
Texas	37,259	80%	36,318	67%
Michigan	36,733	62%		
Florida	34,850	72%	34,850	72%
Indiana	33,588	76%	33,588	76%
Texas	32,812	62%	32,812	62%
Texas	32,616	67%		
Michigan	32,500	79%	32,500	79%
Oklahoma	31,153	78%	31,153	78%
Tennessee	30,361	71%		
Georgia	29,290	69%		
Texas			31,050	77%
New Jersey			30,866	62%
Michigan			29,786	66%
15 largest commercial real estate loans	$ 539,586	73%	$539,168	72%

The following table summarizes our institutional banking portfolio by type as of September 30, 2023 March 31, 2024 (dollars in thousands):

Type	Principal	% of total	Principal	% of total
SBLOC	$ 1,007,922	52%	$ 954,751	54%
IBLOC	712,591	37%	595,562	33%
Advisor financing	199,442	11%	232,206	13%
Total	$ 1,919,955	100%	$1,782,519	100%

For SBLOC, we generally lend up to 50% of the value of equities and 80% for investment grade securities. While the value of equities has fallen in excess of 30% in recent years, the reduction in collateral value of brokerage accounts collateralizing SBLOCs generally has been less. This is because many collateral accounts are “balanced” and accordingly, have a component of debt securities, which have either not decreased in value as much as equities, or in some cases may have increased in value. Further, many of these accounts have the benefit of professional investment advisors who provided some protection against market downturns, through diversification and other means. Additionally, borrowers often utilize only a portion of collateral value, which lowers the percentage of principal to the market value of collateral.

The following table summarizes our ten largest SBLOC loans as of September 30, 2023 March 31, 2024 (dollars in thousands):

	Principal amount	% Principal to collateral
	$ 12,232	25%
	9,465	39%
	9,035	44%
	8,715	62%
	8,530	95%
	8,086	77%
	7,906	71%
	7,734	28%
	7,346	75%
	6,827	34%
Total and weighted average	$ 85,876	54%

	Principal amount	% Principal to collateral
	$ 10,782	18%
	9,465	43%
	9,035	38%
	8,058	70%
	7,905	67%
	7,726	24%
	7,328	74%
	7,235	22%
	7,085	42%
	6,997	32%
Total and weighted average	$ 81,616	42%

IBLOC loans are backed by the cash value of life insurance policies which have been assigned to us. We generally lend up to 95% of such cash value. Our underwriting standards require approval of the insurance companies which carry the policies backing these loans. Currently, fifteen insurance companies have been approved and, as of September 30, 2023 March 31, 2024, all were rated A- or better by AM Best.

The following table summarizes our direct lease financing portfolio by type as of September 30, 2023 March 31, 2024 (dollars in thousands):

	Principal balance[1]	% Total	Principal balance[1]	% Total
Government agencies and public institutions[2]			$ 122,389	17%
Construction	$ 118,347	18%	113,986	16%
Waste management and remediation services	91,255	14%	108,029	15%
Government agencies and public institutions[2]	88,547	13%		
Real estate and rental and leasing	58,460	9%	69,924	10%
Manufacturing	41,002	6%		
Health care and social assistance	33,960	5%	28,559	4%
Retail trade	33,917	5%		
Finance and insurance	31,004	5%		
General freight trucking			24,932	4%
Professional, scientific, and technical services	26,648	4%	24,613	4%
Other services (except public administration)			24,426	3%
Wholesale trade	16,069	2%	18,680	3%
Transportation and warehousing	11,168	2%	13,928	2%
Mining, quarrying, and oil and gas extraction	10,712	2%		
Water supply and irrigation systems	8,721	1%		
Other	100,398	14%		
Finance and insurance			11,328	2%
Food manufacturing			8,611	1%
Other and non-classified			133,107	19%
Total	$ 670,208	100%	$ 702,512	100%

[1] Of the total $670.2 million $702.5 million of direct lease financing, $588.2 million $631.3 million consisted of vehicle leases with the remaining balance consisting of equipment leases.

[2] Includes public universities and school districts.

The following table summarizes our direct lease financing portfolio by state as of September 30, 2023 March 31, 2024 (dollars in thousands):

	Principal balance	% Total	Principal balance	% Total
Florida	$ 99,592	15%	$ 100,625	14%
Utah	66,068	10%	67,863	10%
New York			61,274	9%

California	60,145	9%	54,696	8%
Pennsylvania	41,156	6%	41,453	6%
New Jersey	38,488	6%	39,869	6%
New York	34,802	5%		
North Carolina	33,841	5%	36,048	5%
Connecticut			33,724	5%
Maryland			33,342	5%
Texas	31,400	5%	29,037	4%
Maryland	30,563	5%		
Connecticut	28,398	4%		
Idaho	16,559	2%	17,776	3%
Washington	15,439	2%	16,106	2%
Georgia	14,202	2%	14,929	2%
Ohio	12,683	2%	12,274	2%
Alabama	11,165	2%	11,744	2%
Other States	135,707	20%	131,752	17%
Total	$ 670,208	100%	$702,512	100%

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The following table presents loan categories by maturity for the period indicated. Actual repayments historically have, and will likely in the future, differ significantly from contractual maturities because individual borrowers generally have the right to prepay loans, with or without prepayment penalties. See “Asset and Liability Management” in this MD&A for a discussion of interest rate risk.

	September 30, 2023					March 31, 2024				
	Within one year	One to five years	After five but within 15 years	After 15 years	Total	Within one year	One to five years	After five but within 15 years	After 15 years	Total
	(Dollars in thousands)					(Dollars in thousands)				
SBL non-real estate	$ 4,785	$ 30,919	$ 136,060	$ 1,146	$ 172,910	$ 272	$ 29,634	$149,091	$ 1,206	$ 180,203
SBL commercial mortgage	15,930	18,120	161,030	444,974	640,054	14,361	18,285	229,077	455,648	717,371
SBL construction	7,051	—	—	12,318	19,369	7,382	—	—	20,326	27,708
Leasing	124,748	522,862	22,598	—	670,208	118,427	560,154	24,389	—	702,970
SBLOC/IBLOC	1,720,513	—	—	—	1,720,513	1,556,644	—	—	—	1,556,644
Advisor financing	87	51,997	147,358	—	199,442	204	79,333	155,689	—	235,226
Real estate bridge lending	—	1,848,224	—	—	1,848,224	568,331	1,523,829	—	—	2,092,160
Other loans	26,434	4,148	7,438	16,775	54,795	29,762	3,913	7,191	15,324	56,190
Loans at fair value excluding SBL	234,486	18,574	—	—	253,060	153,805	18,367	—	1,698	173,870
	$ 2,134,034	$ 2,494,844	$ 474,484	$ 475,213	$ 5,578,575	$2,449,188	$2,233,515	$565,437	$494,202	$5,742,342
Loan maturities after one year with:										
Fixed rates										
SBL non-real estate		$ 2,277	$ —	$ —	$ 2,277		$ 1,936	$ —	$ —	$ 1,936
Leasing		522,862	22,598	—	545,460		560,154	24,389	—	584,543
Advisor financing		51,997	147,358	—	199,355		79,333	155,689	—	235,022
Real estate bridge lending							531,715	—	—	531,715
Other loans		3,619	470	16,775	20,864		3,542	833	12,577	16,952
Loans at fair value excluding SBL		18,574	—	—	18,574		18,367	—	—	18,367
Total loans at fixed rates		$ 599,329	$ 170,426	$ 16,775	$ 786,530		$1,195,047	$180,911	$ 12,577	$1,388,535
Variable rates										
SBL non-real estate		$ 28,642	$ 136,060	$ 1,146	$ 165,848		$ 27,698	$149,091	$ 1,206	$ 177,995
SBL commercial mortgage		18,120	161,030	444,974	624,124		18,285	229,077	455,648	703,010
SBL construction		—	—	12,318	12,318		—	—	20,326	20,326
Real estate bridge lending		1,848,224	—	—	1,848,224		992,114	—	—	992,114

Other loans	529	6,968	—	7,497	371	6,358	2,747	9,476
Loans at fair value excluding SBL					—	—	1,698	1,698
Total at variable rates	$ 1,895,515	$ 304,058	$ 458,438	$ 2,658,011	$1,038,468	$384,526	$481,625	$1,904,619
Total	$ 2,494,844	$ 474,484	$ 475,213	$ 3,444,541	$2,233,515	$565,437	$494,202	$3,293,154

Allowance for Credit Losses

We review the adequacy of our ACL on at least a quarterly basis to determine a provision for credit losses to maintain our ACL at a level we believe is appropriate to recognize current expected credit losses. Our Chief Credit Officer oversees the loan review department, which measures the adequacy of the ACL independently of loan production officers. For detailed information on the ACL methodology, see "Note 6. Loans" to the unaudited consolidated financial statements herein.

At September 30, 2023 March 31, 2024, the ACL amounted to $24.1 $28.7 million, which represented a $1.8 million $1.4 million increase compared to the $22.4 $27.4 million ACL at December 31, 2022 December 31, 2023. The increase reflected the impact of higher net charge-offs, as total loans outstanding decreased. charge-offs.

A description of loan review coverage targets is set forth below.

The following loan review percentages are performed over periods of eighteen to twenty-four months. At September 30, 2023 March 31, 2024, in excess of 50% of the total loan portfolio was reviewed by the loan review department or, for SBLs, rated internally by that department. In addition to the review of all loans classified as either special mention or substandard, the targeted coverages and scope of the reviews are risk-based and vary according to each portfolio as follows:

SBLOC – The targeted review threshold is 40%, including a sample focusing on the largest 25% of SBLOCs by commitment. A random sample of at least twenty loans will be reviewed each quarter. At September 30, 2023 March 31, 2024, approximately 45% 47% of the SBLOC portfolio had been reviewed.

IBLOC – The targeted review threshold is 40%, including a sample focusing on the largest 25% of IBLOCs by commitment. A random sample of at least twenty loans will be reviewed each quarter. At September 30, 2023 March 31, 2024, approximately 51% 56% of the IBLOC portfolio had been reviewed.

Advisor Financing – The targeted review threshold is 50%. At September 30, 2023 March 31, 2024, approximately 100% 97% of the advisor financing portfolio had been reviewed. The loan balance review threshold is $1.0 million.

SBLs – The targeted review threshold is 60%, to be rated and/or reviewed within 90 days of funding, excluding fully guaranteed loans purchased for CRA purposes, and fully guaranteed PPP loans. The loan balance review threshold is $1.5 million and additionally includes any classified loans. At September 30, 2023 March 31, 2024, approximately 72% 74% of the non-government guaranteed SBL loan portfolio had been reviewed.

Direct Lease Financing – The targeted review threshold is 35%. At September 30, 2023 March 31, 2024, approximately 42% 51% of the leasing portfolio had been reviewed. The loan balance review threshold is $1.5 million.

Commercial Real Estate Bridge Loans, at fair value and Commercial Real Estate Bridge Loans, at amortized cost (floating rate, excluding SBA, which are included in SBLs above) – The targeted review threshold is 60%. Floating rate loans will be reviewed initially within 90 days of funding and will be monitored on an ongoing basis as to payment status. Subsequent reviews will be performed for relationships over $10.0 million. At September 30, 2023 March 31, 2024, approximately 100% of the floating rate, non-SBA commercial real estate bridge loans outstanding for more than 90 days had been reviewed.

Commercial Real Estate Loans, at fair value (fixed rate, excluding SBA, which are included in SBLs above) – The targeted review threshold is 100%. At September 30, 2023 March 31, 2024, approximately 100% of the fixed rate, non-SBA commercial real estate loan portfolio had been reviewed.

Other minor loan categories are reviewed at the discretion of the loan review department.

The following tables present delinquencies by type of loan as of the dates specified (in thousands):

	September 30, 2023							March 31, 2024						
	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total past due	Current	Total loans	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total past due	Current	Total loans
SBL non-real estate	$ 186	$ 389	$ 358	$ 1,256	$ 2,189	$ 128,390	$ 130,579	$ 130	$ 695	$ 157	$ 1,909	$ 2,891	$ 138,065	$ 140,956
SBL commercial mortgage	—	1	—	2,945	2,946	544,161	547,107	273	—	—	3,483	3,756	634,170	637,926
SBL construction	—	—	—	3,385	3,385	15,819	19,204	—	—	—	3,385	3,385	23,905	27,290
Direct lease financing	3,021	1,672	207	3,351	8,251	661,957	670,208	4,133	2,307	3,700	4,847	14,987	687,525	702,512
SBLOC / IBLOC	11,947	2,691	75	475	15,188	1,705,325	1,720,513	19,941	1,861	248	—	22,050	1,528,263	1,550,313
Advisor financing	—	—	—	—	—	199,442	199,442	—	—	—	—	—	232,206	232,206
Real estate bridge loans	—	—	—	—	—	1,848,224	1,848,224	—	9,467	—	39,400	48,867	2,053,029	2,101,896
Other loans	302	40	37	3,688	4,067	51,733	55,800	73	1	3	—	77	56,086	56,163
Unamortized loan fees and costs	—	—	—	—	—	7,895	7,895	—	—	—	—	—	10,082	10,082

	December 31, 2022							December 31, 2023						
	$ 15,456	$ 4,793	$ 677	$ 15,100	$ 36,026	$ 5,162,946	$ 5,198,972	$24,550	$14,331	$ 4,108	$53,024	$96,013	$5,363,331	$5,459,344
	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total past due	Current	Total loans	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total past due	Current	Total loans
SBL non-real estate	$ 1,312	$ 543	$ 346	$ 1,249	$ 3,450	$ 105,504	$ 108,954	$ 84	$ 333	$ 336	$ 1,842	$ 2,595	$ 135,157	$ 137,752
SBL commercial mortgage	1,853	5	297	1,423	3,578	470,918	474,496	2,183	—	—	2,381	4,564	602,422	606,986
SBL construction	—	—	—	3,386	3,386	27,478	30,864	—	—	—	3,385	3,385	19,242	22,627
Direct lease financing	4,035	2,053	539	3,550	10,177	621,983	632,160	5,163	1,209	485	3,785	10,642	675,015	685,657
SBLOC / IBLOC	14,782	343	2,869	—	17,994	2,314,475	2,332,469	21,934	3,607	745	—	26,286	1,600,999	1,627,285
Advisor financing	—	—	—	—	—	172,468	172,468	—	—	—	—	—	221,612	221,612
Real estate bridge loans	—	—	—	—	—	1,669,031	1,669,031	—	—	—	—	—	1,999,782	1,999,782
Other loans	330	90	3,724	748	4,892	56,787	61,679	853	76	178	132	1,239	49,399	50,638
Unamortized loan fees and costs	—	—	—	—	—	4,732	4,732	—	—	—	—	—	8,800	8,800
	$ 22,312	$ 3,034	$ 7,775	$ 10,356	$ 43,477	$ 5,443,376	$ 5,486,853	$30,217	$5,225	$ 1,744	$11,525	$48,711	$5,312,428	$5,361,139

Although we consider our ACL to be adequate based on information currently available, future additions to the ACL may be necessary due to changes in economic conditions, our ongoing loss experience and that of our peers, changes in management's assumptions as to future delinquencies, recoveries and losses, deterioration of specific credits and management's intent with regard to the disposition of loans and leases.

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The following table summarizes select asset quality ratios for each of the periods indicated:

	For the nine months ended or as of September 30,		For the year ended or as of December 31,	For the three months ended or as of March 31,		For the year ended or as of December 31,
	2023	2022	2022	2024	2023	2023
Ratio of:						
ACL to total loans	0.46%	0.37%	0.41%	0.53%	0.44%	0.51%
ACL to non-performing loans(1)	153.04%	237.93%	123.40%	50.31%	172.28%	206.33%
Non-performing loans to total loans(1)	0.30%	0.16%	0.33%	1.05%	0.26%	0.25%
Non-performing assets to total assets(1)	0.46%	0.35%	0.50%	0.97%	0.46%	0.39%
Net charge-offs to average loans	0.05%	0.02%	0.03%	0.02%	0.01%	0.07%

(1)Includes loans 90 days past due still accruing interest.

The ratio of the ACL to total loans increased to 0.46% 0.53% as of September 30, 2023 March 31, 2024 from 0.37% 0.44% at September 30, 2022. The increase resulted from a decrease in total loans while March 31, 2023 as the ACL increased. The increased proportionately more that total loans. Approximately $1.6 million of the increase in the ACL reflected $970,000 of resulted from increased reserves on specific distressed credits, in addition credits. Additionally, approximately $1.0 million was added to the reserve in fourth quarter for a qualitative factor for an increasing trend in substandard real estate bridge loans. Additionally, while reserves for SBLOC and IBLOC loans were reduced as a result of lower loan balances, the related reserve impact was more than offset by growth in other loan categories with higher ACL allocations. The lower reserve allocations for SBLOC and IBLOC reflect their respective marketable securities and cash value of higher net charge-offs and higher qualitative components related to increased risk levels for economic factors and for collateral risks related to leasing. See "Note 6. Loans" to the unaudited consolidated financial statements herein.

insurance collateral. The ratio of the ACL to non-performing loans decreased to 153.04% 50.31% at September 30, 2023 March 31, 2024, from 237.93% 172.28% at September 30, 2022 March 31, 2023, primarily as a result of the increase in non-performing loans which proportionately exceeded the increase in the ACL. The majority of the increase in non-performing loans resulted from a $39.4 million apartment building rehabilitation bridge loan that was transferred to nonaccrual status. As a result of the increase in non-performing loans, the ratio of non-performing loans to total loans also increased to 0.30% 1.05% at September 30, 2023 March 31, 2024 from 0.16% 0.26% at September 30, 2022 March 31, 2023.

The ratio of non-performing assets to total assets increased to 0.97% at March 31, 2024 from 0.46% at September 30, 2023 from 0.35% at September 30, 2022 March 31, 2023, again reflecting the increase in non-performing loans.

The ratio of net charge-offs to average loans was 0.05% for the nine months ended September 30, 2023 and 0.02% for the nine three months ended September 30, 2022 March 31, 2024 and 0.01% for the three months ended March 31, 2023. While The increase reflected an increase in SBA non-real estate net charge-offs increased between those periods, increases in average loans partially offset the impact of such increases. charge-offs.

Net Charge-offs

Net charge-offs were $2.6 million $1.0 million for the nine three months ended September 30, 2023 March 31, 2024, an increase of $1.6 million $222,000 from net charge-offs of $1.0 million $778,000 during the nine three months ended September 30, 2022 March 31, 2023. Charge-offs in both periods resulted primarily from non-real estate SBL and leasing charge-offs. SBL charge-offs resulted primarily from the non-government guaranteed portion of SBA loans.

The following tables reflect the relationship of year-to-date average loans outstanding, based upon quarter end balances, averages, and net charge-offs by loan category (dollars in thousands):

	September 30, 2023								March 31, 2024							
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Other loans	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Other loans
Charge-offs	$ 871	$ —	$ —	$ 2,804	$ —	$ —	$ —	$ 3	$ 111	$ —	$ —	$ 919	$ —	$ —	$ —	$ 6
Recoveries	(446)	(75)	—	(220)	—	—	—	(299)	(4)	—	—	(32)	—	—	—	—
Net charge-offs	$ 425	$ (75)	$ —	$ 2,584	$ —	$ —	$ —	$ (296)	$ 107	$ —	$ —	$ 887	$ —	$ —	$ —	$ 6
Average loan balance	$ 120,845	$ 518,304	$ 28,264	$ 660,022	$ 1,885,857	$ 187,414	$ 1,808,924	$ 57,218	$139,354	$ 622,456	$ 24,959	$694,085	$1,588,799	$226,909	$2,050,839	$53,401
Ratio of net charge-offs during the period to average loans during the period	0.35%	(0.01)%	—	0.39%	—	—	—	(0.51)%	0.08%	—	—	0.13%	—	—	—	0.01%

	September 30, 2022								March 31, 2023							
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Other loans	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Other loans
Charge-offs	$ 861	$ —	$ —	$ 312	$ —	$ —	$ —	$ —	$ 214	$ —	$ —	$ 905	$ —	$ —	$ —	$ 3
Recoveries	(57)	—	—	(108)	—	—	—	—	(202)	(75)	—	(67)	—	—	—	—
Net charge-offs	$ 804	$ —	$ —	$ 204	$ —	$ —	$ —	$ —	$ 12	$ (75)	$ —	$ 838	$ —	$ —	$ —	$ 3
Average loan balance	$ 124,761	$ 400,454	$ 28,129	$ 563,128	$ 2,160,044	$ 146,506	$ 1,005,043	$ 48,651	$111,644	$ 483,647	$ 31,990	$642,351	$2,192,960	$180,947	$1,710,677	$60,945
Ratio of net charge-offs during the period to average loans during the period	0.64%	—	—	0.04%	—	—	—	—	0.01%	(0.02%)	—	0.13%	—	—	—	—

We review charge-offs at least quarterly in loan surveillance meetings which include the chief credit officer, the loan review department and other senior credit officers in a process which includes identifying any trends or other factors impacting portfolio management. In recent periods charge-offs have been primarily comprised of the non-guaranteed portion of SBA 7a loans and leases. The charge-offs have resulted from individual borrower or business circumstances as opposed to overall trends or other factors.

Non-accrual Loans, Loans 90 Days Delinquent and Still Accruing, OREO and Modified Loans and Troubled Debt Restructurings. Loans.

Loans are considered to be non-performing if they are on a non-accrual basis or they are past due 90 days or more and still accruing interest. A loan which is past due 90 days or more and still accruing interest remains on accrual status only when it is both adequately secured as to principal and interest, and is in the process of collection. We had $18.8 $19.6 million of OREO at September 30, 2023 March 31, 2024 and $21.2 $16.9 million of OREO at December 31, 2022 December 31, 2023. The following tables summarize our non-performing loans, OREO, and loans past due 90 days or more still accruing interest.

	March 31, 2024	December 31, 2023
	(Dollars in thousands)	
Non-accrual loans		
SBL non-real estate	$ 1,909	$ 1,842
SBL commercial mortgage	3,483	2,381

SBL construction	3,385	3,385
Direct leasing	4,847	3,785
Real estate bridge loans(1)	39,400	—
Other loans	—	132
Total non-accrual loans	53,024	11,525
Loans past due 90 days or more and still accruing(2)	4,108	1,744
Total non-performing loans	57,132	13,269
OREO(3)	19,559	16,949
Total non-performing assets	$ 76,691	$ 30,218

(1) In the first quarter of 2024, a $39.4 million apartment building rehabilitation bridge loan was transferred to nonaccrual status. On April 2, 2024, the same loan was transferred from nonaccrual status to other real estate owned. We intend to continue to manage the capital improvements on the underlying apartment complex. As the units become available for lease, the property manager will be tasked with leasing these units at market rents. The Company intends to explore a potential sale of the asset prior to stabilization. The $39.4 million loan balance compares to a September 2023 third party "as is" appraisal of $47.8 million, or an 82% "as is" loan to value ("LTV"), with additional potential collateral value as construction progresses, and units are re-leased at stabilized rental rates. The $39.4 million loan as well as the other non-accrual balances in this table as of March 31, 2024 are reflected in the substandard loan totals in Note 6 to the financial statements.

(2) The vast majority of the increase in Loans past due 90 days or more and still accruing resulted from vehicle leases to governmental entities and municipalities, the payments for which are sometimes subject to administrative delays.

(3) The increase in OREO reflected the addition of a $2.6 million hotel securing an SBA loan. Should a loss be realized on the sale of this property, we believe that any such loss will be offset by a 75% SBA Guarantee, consistent with other such reimbursements from the SBA.

For the three months ended March 31, 2024 and the year ended December 31, 2023, loans modified and related information are as follows (dollars in thousands):

	March 31, 2024				December 31, 2023			
	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Payment delay and term extension	Total	Percent of total loan category
SBL non-real estate	$ 2,224	$ —	$ 2,224	1.58%	$ 651	$ —	$ 651	0.47%
SBL commercial mortgage	3,328	—	3,328	0.52%	—	—	—	—
Direct lease financing	—	—	—	—	—	127	127	0.02%
Real estate bridge lending(1)	26,923	32,500	59,423	2.83%	—	12,300	12,300	0.62%
Total	$ 32,475	$ 32,500	$ 64,975	1.19%	$ 651	$ 12,427	$ 13,078	0.24%

(1) For the period ended March 31, 2024, the "as is" weighted average LTV of the real estate bridge lending balances was less than 72.5%, and the "as stabilized" LTV was approximately 68% based upon recent appraisals. "As stabilized" LTVs reflect the third-party appraiser's estimated value after the rehabilitation is complete. For the period ended December 31, 2023, the weighted average loan to value was less than 70%, based on recent "as is" appraised value. On each property reflected in the balances, apartment improvements and renovations continue, utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of March 31, 2024.

The following table shows an analysis of loans that were modified during the three months ended March 31, 2024 and the year ended December 31, 2023 presented by loan classification (dollars in thousands):

	September 30, 2023	December 31, 2022
	(Dollars in thousands)	
Non-accrual loans		
SBL non-real estate	$ 1,256	$ 1,249
SBL commercial mortgage	2,945	1,423
SBL construction	3,385	3,386
Direct leasing	3,351	3,550
IBLOC	475	—
Legacy commercial real estate and Other loans	3,688	692
Consumer - home equity	—	56
Total non-accrual loans	15,100	10,356
Loans past due 90 days or more and still accruing	677	7,775
Total non-performing loans	15,777	18,131

OREO	18,756	21,210
Total non-performing assets	$ 34,533	$ 39,341

	March 31, 2024						
	Payment Status (Amortized Cost Basis)						
	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total delinquent	Current	Total
SBL non-real estate	$ —	$ —	$ —	$ 790	$ 790	$ 1,434	$ 2,224
SBL commercial mortgage	—	—	—	—	—	3,328	3,328
Real estate bridge lending(1)	—	—	—	—	—	59,423	59,423
	$ —	$ —	$ —	$ 790	$ 790	$ 64,185	$ 64,975
	December 31, 2023						
	Payment Status (Amortized Cost Basis)						
	30-59 Days past due	60-89 Days past due	90+ Days still accruing	Non-accrual	Total delinquent	Current	Total
SBL non-real estate	$ —	$ —	$ —	$ 156	$ 156	$ 495	$ 651
Direct lease financing	—	—	—	127	127	—	127
Real estate bridge lending(1)	—	—	—	—	—	12,300	12,300
	$ —	$ —	$ —	$ 283	$ 283	$ 12,795	$ 13,078

(1) For the period ended March 31, 2024, the "as is" weighted average LTV of the real estate bridge lending balances was less than 72.5%, and the "as stabilized" LTV was approximately 68% based upon recent appraisals. "As stabilized" LTVs reflect the third-party appraiser's estimated value after the rehabilitation is complete. For the period ended December 31, 2023, the weighted average loan to value was less than 70%, based on recent "as is" appraised value. On each property reflected in the balances, apartment improvements and renovations continue, utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of March 31, 2024.

There were $65.0 million and $13.1 million of loans modified in the year-to-date March 31, 2024 and for the twelve months ended December 31, 2023, respectively, with specific reserves of $10,000 and $127,000 as of March 31, 2024 and December 31, 2023, respectively. Substantially all of the reserves at March 31, 2024 related to the non-guaranteed portion of SBA loans.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty as of March 31, 2024 and December 31, 2023 (dollars in thousands):

	March 31, 2024			December 31, 2023		
	Combined Rate and Maturity			Combined Rate and Maturity		
	Weighted average interest reduction	Weighted average term extension (in months)	More-Than-Insignificant-Payment Delay(2)	Weighted average interest reduction	Weighted average term extension (in months)	More-Than-Insignificant-Payment Delay(2)
SBL non-real estate	—	—	1.58%	—	—	0.47%
SBL commercial mortgage	—	—	0.52%	—	—	—
Direct lease financing	—	—	—	—	3	—
Real estate bridge lending(1)	1.68%	—	1.28%	—	12	—

(1) For the period ended March 31, 2024, the "as is" weighted average LTV of the real estate bridge lending balances was less than 72.5%, and the "as stabilized" LTV was approximately 68% based upon recent appraisals. "As stabilized" LTVs reflect the third-party appraiser's estimated value after the rehabilitation is complete. For the period ended December 31, 2023, the weighted average loan modifications to borrowers experiencing financial difficulty are required to be disclosed value was less than 70%, based on recent "as is" appraised value. On each property reflected in the balances, apartment improvements and renovations continue, utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of March 31, 2024.

(2) Percentage represents the principal of loans deferred divided by type the principal of the total loan portfolio.

There were no loans that received a term extension modification that had a payment default during the period and by type of loan. Prior accounting guidance classified loans which were modified as troubled debt restructurings only if the modification reflected a concession from the lender in the form of a below market interest rate or other concession in addition to borrower financial difficulty. Under the new guidance, loans with modifications will be reported whether a concession is made or not. Loans previously classified as troubled debt restructurings will continue to be reported in "Note 6. Loans" twelve months before default.
to the unaudited consolidated financial statements herein.

We had no commitments to extend additional credit to loans classified as either modified or troubled debt restructurings as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

The following table provides information about credit deteriorated loans at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	September 30, 2023					March 31, 2024				
	Recorded investment	Unpaid principal balance	Related ACL	Average recorded investment	Interest income recognized	Recorded investment	Unpaid principal balance	Related ACL	Average recorded investment	Interest income recognized
Without an ACL recorded										
SBL non-real estate	$ 419	$ 1,895	$ —	$ 344	$ —	$ 1,054	$ 2,356	$ —	$ 788	$ —
SBL commercial mortgage	2,034	2,034	—	899	—	3,301	3,301	—	2,424	—
Direct lease financing	115	285	—	55	—	170	176	—	169	—
Legacy commercial real estate	—	—	—	2,664	—					
Other loans						—	—	—	66	—
Real estate bridge loans						39,400	39,400	—	19,700	—
Consumer - home equity	231	231	—	262	7	227	227	—	228	3
With an ACL recorded										
SBL non-real estate	918	918	(566)	915	2	929	929	(618)	1,163	1
SBL commercial mortgage	911	911	(419)	1,732	—	182	182	(41)	508	—
SBL construction	3,385	3,385	(44)	3,385	—	3,385	3,385	(44)	3,385	—
Direct lease financing	3,236	3,236	(774)	2,612	—	4,677	4,902	(2,618)	4,147	—
IBLOC	475	475	(17)	119	—					
Legacy commercial real estate and Other loans	3,688	3,688	(11)	1,336	—					
Total										
SBL non-real estate	1,337	2,813	(566)	1,259	2	1,983	3,285	(618)	1,951	1
SBL commercial mortgage	2,945	2,945	(419)	2,631	—	3,483	3,483	(41)	2,932	—
SBL construction	3,385	3,385	(44)	3,385	—	3,385	3,385	(44)	3,385	—
Direct lease financing	3,351	3,521	(774)	2,667	—	4,847	5,078	(2,618)	4,316	—
IBLOC	475	475	(17)	119	—					
Legacy commercial real estate and Other loans	3,688	3,688	(11)	4,000	—					
Other loans						—	—	—	66	—
Real estate bridge loans						39,400	39,400	—	19,700	—
Consumer - home equity	231	231	—	262	7	227	227	—	228	3
	$ 15,412	$ 17,058	$ (1,831)	$ 14,323	$ 9	$ 53,325	$54,858	$(3,321)	$ 32,578	$ 4

	December 31, 2022					December 31, 2023				
	Recorded investment	Unpaid principal balance	Related ACL	Average recorded investment	Interest income recognized	Recorded investment	Unpaid principal balance	Related ACL	Average recorded investment	Interest income recognized
Without an ACL recorded										
SBL non-real estate	$ 400	$ 2,762	$ —	$ 388	$ —	$ 522	$ 1,714	$ —	$ 380	$ —
SBL commercial mortgage	—	—	—	45	—	1,546	1,546	—	1,028	—
Direct lease financing	—	—	—	52	—	167	167	—	78	—
Legacy commercial real estate	3,552	3,552	—	1,421	150	—	—	—	2,131	—
Consumer - home equity	295	295	—	306	9	230	230	—	255	8
With an ACL recorded										
SBL non-real estate	974	974	(525)	1,237	7	1,397	1,397	(670)	1,011	3
SBL commercial mortgage	1,423	1,423	(441)	1,090	—	835	835	(343)	1,553	—
SBL construction	3,386	3,386	(153)	1,245	—	3,385	3,385	(44)	3,385	—
Direct lease financing	3,550	3,550	(933)	710	—	3,618	3,804	(1,827)	2,814	—
IBLOC						—	—	—	95	—
Legacy commercial real estate						—	—	—	710	
Other loans	692	692	(15)	1,923	—	132	132	(4)	384	—
Total										
SBL non-real estate	1,374	3,736	(525)	1,625	7	1,919	3,111	(670)	1,391	3
						2,381	2,381	(343)	2,581	—

SBL commercial mortgage	[illegible]	[illegible]	[illegible]	[illegible]	—	3,385	3,385	(44)	3,385	—
Direct lease financing	3,550	3,550	(933)	762	—	3,785	3,971	(1,827)	2,892	—
IBLOC						—	—	—	95	—
Legacy commercial real estate and Other loans	4,244	4,244	(15)	3,344	150	132	132	(4)	3,225	—
Consumer - home equity	295	295	—	306	9	230	230	—	255	8
	$ 14,272	$ 16,634	$ (2,067)	$ 8,417	$ 166	$ 11,832	$13,210	$(2,888)	$ 13,824	$ 11

We had $15.1 $53.0 million of non-accrual loans at September 30, 2023 March 31, 2024, compared to $10.4 $11.5 million of non-accrual loans at December 31, 2022 December 31, 2023. The $4.7 million $41.5 million increase in non-accrual loans was primarily due to $12.0 million $46.4 million of loans placed on non-accrual status, additions partially offset by $3.3 million $2.6 million transferred to OREO, $941,000 of charge-offs, $707,000 transferred to repossessed vehicle inventory, $2.3 million of charge-offs, $1.3 million $498,000 of payments, and $400,000 $129,000 returned to accrual status. Loans past due 90 days or more still accruing interest amounted to $677,000 $4.1 million at September 30, 2023 March 31, 2024 and $7.8 million $1.7 million at December 31, 2022 December 31, 2023. The $7.1 $2.4 million decrease increase reflected $1.8 million $3.9 million of additions partially offset by $4.3 million $1.5 million of loan payments $3.6 million and $24,000 transferred to non-accrual loans, $737,000 transferred to OREO, and $207,000 of charge-offs. loans.

We had $18.8 $19.6 million of OREO at September 30, 2023 March 31, 2024 and $21.2 $16.9 million of OREO at December 31, 2022 December 31, 2023. The change in balance reflected $737,000 $2.6 million transferred from loans past due 90 days or more still accruing interest, $2.0 million of sales and $1.2 million of charge-offs. The balance at both dates included $15 million for a Florida mall property, for which a developer, who is working to develop the property, has made a deposit. non-accrual The property was reappraised in May 2023 and the appraised value continues to exceed the $15 million carrying value. loans.

We evaluate loans under an internal loan risk rating system as a means of identifying problem loans. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, classified loans were segregated by year of origination and are shown in "Note 6. Loans" to the unaudited consolidated financial statements herein.

Premises and Equipment, Net

Premises and equipment amounted to $29.0 $27.5 million at September 30, 2023 March 31, 2024, compared to $18.4 $27.5 million at December 31, 2022 December 31, 2023. The increase reflected the acquisition of equipment for a new data center and the buildout of the newly leased space for the relocation of the Sioux Falls, South Dakota.

Other assets

Other assets amounted to $127.1 million $109.7 million at September 30, 2023 March 31, 2024 compared to $89.2 million $133.1 million at December 31, 2022 December 31, 2023. The higher balance at the prior year-end reflected a $14.8 million loan payoff, made prior to quarter end, for which the funds were received from the loan servicer after quarter-end. tax adjustments.

Deposits

Our primary source of funding is deposit acquisition. We offer a variety of deposit accounts with a range of interest rates and terms, including demand, checking and money market accounts. accounts, through and with the assistance of affinity groups. The majority of our deposits are generated through prepaid card and debit card and other payments related deposit accounts. One of our strategic focuses is growing these accounts through affinity groups. At September 30, 2023 March 31, 2024, we had total deposits of $6.50 $6.89 billion compared to $7.03 $6.68 billion at December 31, 2022 December 31, 2023, a decrease which reflected an increase of $525.6 $209.8 million, or 7.5% 3.1%. The change primarily reflected a $330.0 million decrease in short-term time Daily deposit balances are subject to variability, and deposits which matured averaged $6.50 billion in the first quarter of 2024. Savings and money market balances were reduced, as we swept deposits off our balance sheet to other institutions. Such sweeps are utilized to optimize diversity within our funding structure by managing the percentage of individual client deposits to total deposits. A diversified group of prepaid and debit card accounts, which have an established history of stability and lower cost than certain other types of funding, comprise the majority of our deposits. Our product mix includes prepaid card accounts for salary, medical spending, commercial, general purpose reloadable, corporate and other incentive, gift, government payments and transaction accounts accessed by debit cards. Balances are subject to daily fluctuations, which may comprise a significant component of variances between dates. Our funding is comprised primarily of millions of small transaction-based consumer balances, the vast majority of which are FDIC-insured. We have multi-year, contractual relationships with affinity groups which sponsor such accounts and with whom we have had long-term relationships (see Item 1. "Business—Our Strategies" in our Annual Report on Form 10-K for the year ended December 31, 2023). Those long-term relationships comprise the majority of our deposits while we continue to grow and add new client relationships. Of our deposits at March 31, 2024, the top three affinity groups accounted for approximately $2.62 billion, the next three largest $1.49 billion, and the four subsequent largest $858.8 million. Of our deposits at year-end 2023, the top three affinity groups accounted for approximately $2.33 billion, the next three largest $1.46 billion, and the four subsequent largest $852.1 million. While certain of these relationships may have changed their ranking in the top ten, the affinity groups themselves were generally identical at both dates, with one exception as the ninth largest at the prior period was replaced by a new entity, which was also the ninth largest at the end of the current period. We believe that payroll, debit, and government-based accounts such as child support are comparable to traditional consumer checking accounts. Such balances in the top ten relationships at March 31, 2024 totaled $3.32 billion while balances related to consumer and business payment companies, including companies sponsoring incentive payments, amounted to $1.66 billion. Such balances in the top ten relationships at year-end 2023, totaled $2.91 billion while balances related to consumer and business payment companies, including companies sponsoring incentive and gift card payments, amounted to $1.72 billion We pay interest directly to consumer account holders for an immaterial amount of deposit balances, while the vast majority of interest expense results from fees paid to affinity groups. The vast majority of such payments are variable rate and equate to varying contractual percentages tied to the effective federal funds rate, which results from Federal Reserve rate hikes and reductions. The effective federal funds rate also reflects a market rate which might be required to replace lower cost deposits, or fund loan growth in excess of deposit growth, at least in the short-term. Because underlying balances have generally exhibited stability, so too have trends in the cost of funds. The more consequential impact to cost of funds are market changes and the effective federal funds rate, specifically the impact of Federal Reserve rate hikes and reductions. We model significant fee-based relationships in our net interest income sensitivity modeling (see “Asset and Liability Management”). The following discussion is applicable to our transaction accounts, comprising the majority of our deposits, in the 100 and 200 basis point rate increase and decrease scenarios as presented in the applicable table in that Asset and Liability Management section. The impact of the Federal Reserve rate hikes or reductions, which respectively increase or decrease interest expense, has approximated the ratio of our cost of funds divided by the effective federal funds rate, all else equal. However, there can be no assurance that such ratios could not change significantly given the other variables discussed in the Asset and Liability Management section. In first quarter 2024, our demand and interest checking balances averaged $6.45 billion, compared to $6.41 billion in first quarter 2023. The growth primarily reflected increases in payment company balances. Average savings and money market balances decreased to $51.0 million the first quarter of 2024, compared to $132.3 million in the first quarter of 2023 as we swept deposits off our balance sheet to other institutions. Such sweeps are utilized to optimize diversity within our funding structure by managing the percentage of individual client deposits to total deposits. Short-term time deposits have been used minimally to provide liquidity cushions, for instance when short-term loan origination exceeds short-term deposit growth, as was the case in 2022. In 2023, we did not use short-term time deposits after the first quarter of the year. Short-term time deposits are generated through established intermediaries such as banks and other financial companies. These deposits generally originate with investment or trust companies or banks, which offer those deposits at market rates to FDIC-insured institutions, such that the balances are fully FDIC-insured. These deposits are generally classified as brokered. While affinity groups may decide to pay interest

or other remuneration to account holders, they do not currently do so for the vast majority of balances. The following table presents the average balance and rates paid on deposits for the periods indicated (in thousands):

The following table presents the average balance and rates paid on deposits for the periods indicated (dollars in thousands):

	For the nine months ended September 30, 2023		For the year ended December 31, 2022	
	Average balance	Average rate	Average balance	Average rate
Demand and interest checking[(1)]	$ 6,343,711	2.25%	$ 5,670,818	0.70%
Savings and money market	88,738	3.70%	510,370	1.67%
Time	27,802	4.11%	86,907	3.15%
Total deposits	$ 6,460,251	2.28%	$ 6,268,095	0.82%

	For the three months ended March 31, 2024		For the year ended December 31, 2023	
	Average balance	Average rate	Average balance	Average rate
Demand and interest checking[(1)]	$ 6,453,866	2.40%	$ 6,308,509	2.30%
Savings and money market	50,970	3.51%	78,074	3.66%
Time	—	—	20,794	4.13%
Total deposits	$ 6,504,836	2.41%	$ 6,407,377	2.32%

[(1)]Non-interest bearing demand accounts are notOf the amounts shown for 2024 and 2023, $155.6 million and $177.0 million, respectively, represented balances on which the Bank paid interest. The amount shown as interest remaining balance for each period reflects the amounts subject to fees paid to affinity groups, third parties, which are based upon a contractual percentage applied to a rate index, generally the effective federal funds rate, and therefore classified as interest expense.

Short-term Borrowings

Short-term borrowings consist of amounts borrowed on our lines of credit with the Federal Reserve Bank or FHLB. There were no borrowings on either line at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. We generally utilize overnight borrowings to manage our daily reserve requirements at the Federal Reserve. Period-end and year-to-date information for the dates shown is as follows.

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(Dollars in thousands)		(Dollars in thousands)	
Short-term borrowings				
Balance at period end	$ —	$ —	$ —	$ —

Average for the three months ended September 30, 2023	—	N/A		
Average for the three months ended March 31, 2024			1,373	N/A
Average during the year	6,758	60,312	1,373	5,739
Maximum month-end balance	450,000	495,000	125,000	450,000
Weighted average rate during the period	4.62%	2.55%	5.54%	4.72%
Rate at period end	—	—	—	—

Senior Debt

On August 13, 2020, we issued $100.0 million of the 2025 Senior Notes, with a maturity date of August 15, 2025, and a 4.75% interest rate, with interest paid semi-annually on March 15 and September 15. The 2025 Senior Notes are the Company's direct, unsecured and unsubordinated obligations and rank equal in priority with all our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all our existing and future subordinated indebtedness. In lieu of repayment of debt from dividends paid by the Bank to the Company, industry practice includes the issuance of new debt to repay maturing debt.

Borrowings

At September 30, 2023 March 31, 2024, we had other long-term borrowings of $9.9 $38.4 million compared to $10.0 $38.6 million at December 31, 2022 December 31, 2023. The borrowings consisted of sold loans which were accounted for as a secured borrowing because they did not qualify for true sale accounting. We do not have any policy prohibiting us from incurring debt.

The 2038 Debentures, which total $13.4 million, mature in March 2038 and bear interest at SOFR plus 3.51%, are grandfathered to qualify as tier 1 capital at the Bank.

Other Liabilities

Other liabilities amounted to $68.5 $60.6 million at September 30, 2023 March 31, 2024, compared to $56.3 $69.6 million at December 31, 2022 December 31, 2023.

Shareholders' Equity

As a means of returning capital to shareholders, the Company implemented stock repurchase programs which totaled $40.0 million, $60.0 million and $100.0 million, respectively, in 2021, 2022 and 2023, with $250 million currently planned for 2024. For 2024, the repurchases amounted to $50 million in the first quarter, currently planned purchases of $100 million in the second quarter and $50 million in the remaining quarters. The planned amounts of such repurchases are generally determined in the fourth quarter of the

preceding year by assessing the impact of budgetary earnings projections on regulatory capital requirements. The excess of projected earnings over amounts required to maintain capital requirements is the maximum available for capital return to shareholders, barring any need to retain capital for other purposes. A significant portion of such excess earnings has been utilized for stock repurchases in the amounts noted above, while cash dividends have not been paid. In determining whether capital is returned through stock repurchases or cash dividends, the Company calculates a maximum share repurchase price, based upon comparisons with what it concludes to be other exemplar peer share price valuations, with further consideration of internal growth projections. As these share prices, which are updated at least annually, have not been reached, capital return has consisted solely of stock repurchases. Exemplar share price comparisons are based upon multiples of earnings per share over time, with further consideration of returns on equity and assets. While repurchase amounts are planned in the fourth quarter of the preceding year, repurchases may be modified or terminated at any time, should capital need to be conserved.

Off-balance sheet arrangements

There were no off-balance sheet arrangements during the nine three months ended September 30, 2023 March 31, 2024 that have or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our interests.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information about market risk for the quarter ended September 30, 2023 March 31, 2024 is included under "Asset and Liability Management" in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q. Except for such information, there has been no material change to our assessment of our sensitivity to market risk as discussed in the 2022 2023 Form 10-K.

As noted under "Asset and Liability Management," the Company's exposure to interest rate risk is managed through the use of guidelines which limit interest rate exposure to higher interest rates. Because the Company has emphasized variable rate instruments in its loan and investment portfolios, it tends to benefit from higher interest rate environments. As a result of the Federal Reserve rate increases in 2022 and 2023, net interest income has increased and exceeded prior period levels. Future Federal Reserve rate reductions may result in a return to lower net interest income levels. In addition to the aforementioned guidelines which the Company uses to manage interest rate risk, the Company utilizes an asset liability committee to provide oversight by multiple departments and senior officers.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as appropriate, to allow timely decisions regarding required disclosure. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Under the supervision of our Chief Executive Officer and Chief Financial Officer, our management carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable level of assurance as of September 30, 2023 March 31, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of our material pending legal proceedings, see "Note 14. Legal" to the unaudited consolidated financial statements in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

Our business, financial condition, operating results and cash flows are subject to various risks and uncertainties, including those described in Part I, Item 1A. "Risk Factors" in the 2022 2023 Form 10-K and additionally by 10-K. There have been no material changes from the following risk factor.

Recent developments factors disclosed in the banking industry related to specific problem banks could have a negative impact on the industry as a whole and may negatively impact stock prices and result in additional regulations that could increase our expenses and otherwise affect our operations.

Recent high-profile bank failures have generated market volatility among publicly traded bank holding companies, unrelated to the Company, and industry commentary through social media and other outlets has negatively impacted confidence in depository institutions and created uncertainty with respect to the health of the U.S. banking system. If such levels of financial market volatility continue, or if rumored or actual events occur which further erode the actual or perceived stability of the banking system and financial markets, this could trigger additional regulatory scrutiny, increased FDIC insurance premiums or assessments, and new or amended regulations which may adversely affect the Company. While the underlying causes of these recent market events are not apparent within the Company or the Bank, these recent events and regulatory agency responses, including increased FDIC insurance premiums or assessments, could have a material impact on our business. 2023 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Stock Repurchases

On October 26, 2023, the Board approved the 2024 Repurchase Program, which authorizes the Company to repurchase $50.0 million in value of the Company's common stock per fiscal quarter in 2024, for a maximum amount of $200.0 million. The Company increased its share repurchase authorization for the second quarter of 2024 from $50.0 million to $100.0 million, which increased the maximum amount under the 2024 Repurchase Program to $250.0 million. Under the 2024 Repurchase Program, the Company intends to repurchase shares through open market purchases, privately-negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Exchange Act. The 2024 Repurchase Program may be modified or terminated at any time. With respect to further repurchases in subsequent quarters under this program, the Company cannot predict if, or when, it will repurchase any shares of common stock and the timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors.

The following table sets forth information regarding the Company's repurchases of its common stock during the quarter ended September 30, 2023 March 31, 2024:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs(1)	Approximate dollar value of shares that may yet be purchased under the plans or programs(2)
	(Dollars in thousands, except per share data)			
July 1, 2023 - July 31, 2023	272,227	$ 36.21	272,227	$ 40,143
August 1, 2023 - August 31, 2023	245,200	37.32	245,200	30,992
September 1, 2023 - September 30, 2023	168,051	35.66	168,051	25,000
Total	685,478	36.47	685,478	25,000

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs(1)	Approximate dollar value of shares that may yet be purchased under the plans or programs(2)

	(Dollars in thousands, except per share data)				
January 1, 2024 - January 31, 2024	445,691	$ 39.98	445,691	$	182,181
February 1, 2024 - February 29, 2024	365,573	43.38	365,573		166,325
March 1, 2024 - March 31, 2024	450,948	36.20	450,948		150,000
Total	1,262,212	39.61	1,262,212		150,000

(1)During the third first quarter of 2023, 2024, all shares of common stock were repurchased pursuant to the 2023 2024 Repurchase Program, which was approved by the Board on October 26, 2022 October 26, 2023 and publicly announced on October 27, 2022 October 26, 2023. Under the 2023 2024 Repurchase Program, the Company is authorized to repurchase shares of its common stock totaling up to $25.0 $50.0 million per quarter,, for a maximum amount of $100.0 $200.0 million in 2023. 2024. The Company may repurchase shares through open market purchases, including through written trading plans under Rule 10b5-1 under the Exchange Act, privately-negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 under the Exchange Act.

(2)The 2023 2024 Repurchase Program may be suspended, amended or discontinued at any time and has had an expiration date of December 31, 2023 December 31, 2024. With respect to further repurchases, the Company cannot predict if, or when, it will repurchase any shares of common stock, and the timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors.

Item 6. Exhibits

Exhibit No.	Description
3.1.1	Certificate of Incorporation filed July 20, 1999, amended July 27, 1999, amended June 7, 2001, and amended October 8, 2002 (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4 filed July 15, 2004)
3.1.2	Amendment to Certificate of Incorporation filed July 30, 2009 (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed November 9, 2016)
3.1.3	Amendment to Certificate of Incorporation filed May 18, 2016 (incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q filed November 9, 2016)
3.2	Amended and Restated Bylaws(incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K filed March 16, 2017)
31.1	Rule 13a-14(a)/15d-14(a) Certifications*
31.2	Rule 13a-14(a)/15d-14(a) Certifications*
32.1	Section 1350 Certifications*
32.2	Section 1350 Certifications*
101.INS	Inline XBRL Instance Document ** Document**
101.SCH	Inline XBRL Taxonomy Extension Schema Document * Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document * Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document * Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document * Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document * Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*
*	Filed herewith
**	The Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	THE BANCORP, INC.
	(Registrant)
November 9, 2023 May 10, 2024	/S/ DAMIAN KOZLOWSKI
Date	Damian Kozlowski
	Chief Executive Officer
November 9, 2023 May 10, 2024	/S/ PAUL FRENKIEL

Date

Paul Frenkiel

Chief Financial Officer and Secretary

Exhibit 31.1

CERTIFICATIONI, Damian Kozlowski, certify that:1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 of The Bancorp, Inc. (the “Registrant”);2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have: (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles; (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent function): (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2023 May 10, 2024

/S/ DAMIAN KOZLOWSKI

Damian Kozlowski

Chief Executive Officer

Exhibit 31.2

CERTIFICATIONI, Paul Frenkiel, certify that:1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 of The Bancorp, Inc. (the “Registrant”);2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have: (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles; (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and 5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent function): (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 9, 2023 May 10, 2024	/S/ PAUL FRENKIEL
	Paul Frenkiel
	Chief Financial Officer and Secretary

Exhibit 32.1CERTIFICATION PURSUANT TO18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002In connection with the Quarterly Report of The Bancorp, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Damian Kozlowski, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2023 May 10, 2024	/S/ DAMIAN KOZLOWSKI
	Damian Kozlowski
	Chief Executive Officer

Exhibit 32.2CERTIFICATION PURSUANT TO18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002In connection with the Quarterly Report of The Bancorp, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Frenkiel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2023 May 10, 2024	/S/ PAUL FRENKIEL
	Paul Frenkiel
	Chief Financial Officer and Secretary

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