REFINITIV

DELTA REPORT

10-Q

TBBK - BANCORP, INC.

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	4328
CHANGES	450
DELETIONS	1923
ADDITIONS	1955

REFINITIV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2024 September 30, 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 July 29, 2024 October 28, 2024, there were 48,959,023 47,932,103 outstanding shares of common stock, $1.00 par value.

THE BANCORP, INC

Form 10-Q Index

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

THE BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
(in thousands, except share data)	(unaudited)			
(Dollars in thousands, except share data)			(unaudited)	
ASSETS				
Cash and cash equivalents				
Cash and due from banks	$ 5,741	$ 4,820	$ 8,660	$ 4,820
Interest-earning deposits at Federal Reserve Bank	399,853	1,033,270	47,105	1,033,270
Total cash and cash equivalents	405,594	1,038,090	55,765	1,038,090
Investment securities, available-for-sale, at fair value, net of $10.0 million allowance for credit loss effective December 31, 2023	1,581,006	747,534	1,588,289	747,534
Commercial loans, at fair value	265,193	332,766	252,004	332,766
Loans, net of deferred loan fees and costs	5,605,727	5,361,139	5,906,616	5,361,139
Allowance for credit losses	(28,575)	(27,378)	(31,004)	(27,378)
Loans, net	5,577,152	5,333,761	5,875,612	5,333,761
Stock in Federal Reserve, Federal Home Loan and Atlantic Central Bankers Banks	15,642	15,591	21,717	15,591
Premises and equipment, net	28,038	27,474	28,091	27,474
Accrued interest receivable	43,720	37,534	42,915	37,534
Intangible assets, net	1,452	1,651	1,353	1,651
Other real estate owned	57,861	16,949	61,739	16,949
Deferred tax asset, net	20,556	21,219	9,604	21,219
Other assets	149,187	133,126	157,501	133,126
Total assets	$ 8,145,401	$ 7,705,695	$ 8,094,590	$7,705,695
LIABILITIES				
Deposits				
Demand and interest checking	$ 7,095,391	$ 6,630,251	$ 6,844,128	$6,630,251

Savings and money market	60,297	50,659	81,624	50,659
Total deposits	7,155,688	6,680,910	6,925,752	6,680,910
Securities sold under agreements to repurchase	—	42	—	42
Short-term borrowings			135,000	—
Senior debt	96,037	95,859	96,125	95,859
Subordinated debentures	13,401	13,401	13,401	13,401
Other long-term borrowings	38,283	38,561	38,157	38,561
Other liabilities	65,001	69,641	70,829	69,641
Total liabilities	7,368,410	6,898,414	7,279,264	6,898,414
SHAREHOLDERS' EQUITY				
Common stock - authorized, 75,000,000 shares of $1.00 par value; 49,267,403 and 53,202,630 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	49,268	53,203		
Common stock - authorized, 75,000,000 shares of $1.00 par value; 48,230,334 and 53,202,630 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively			48,231	53,203
Additional paid-in capital	72,171	212,431	26,573	212,431
Retained earnings	671,730	561,615	723,247	561,615
Accumulated other comprehensive loss	(16,178)	(19,968)		
Accumulated other comprehensive income (loss)			17,275	(19,968)
Total shareholders' equity	776,991	807,281	815,326	807,281
Total liabilities and shareholders' equity	$ 8,145,401	$ 7,705,695	$ 8,094,590	$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 June 30,		For the six months ended June 30,		For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
	(Dollars in thousands, except per share data)				(Dollars in thousands, except per share data)			
Interest income								
Loans, including fees	$ 115,062	$ 107,378	$ 229,314	$ 213,637	$ 116,483	$ 110,592	$ 345,797	$ 324,229
Investment securities:								
Taxable interest	17,520	9,873	27,154	19,173	19,767	9,647	46,921	28,820
Tax-exempt interest	40	42	79	74	43	40	122	114
Interest-earning deposits	4,677	8,997	16,561	15,582	3,387	8,689	19,948	24,271
	137,299	126,290	273,108	248,466	139,680	128,968	412,788	377,434
Interest expense								
Deposits	39,999	37,416	79,160	71,876	42,698	38,431	121,858	110,307
Short-term borrowings	1,295	—	1,314	234	1,030	—	2,344	234
Long-term borrowings	685	128	1,371	254	689	128	2,060	382
Senior debt	1,234	1,280	2,467	2,559	1,234	1,234	3,701	3,793
Subordinated debentures	291	271	583	532	297	293	880	825
	43,504	39,095	84,895	75,455	45,948	40,086	130,843	115,541
Net interest income	93,795	87,195	188,213	173,011	93,732	88,882	281,945	261,893
Provision for credit losses on loans	1,477	428	3,840	2,626	3,476	1,783	7,316	4,409

Provision reversal for unfunded commitments	(225)	(67)	(419)	(362)				
Provision (reversal) for unfunded commitments					79	(31)	(340)	(393)
Net interest income after provision for credit losses and provision reversal for unfunded commitments	92,543	86,834	184,792	170,747	90,177	87,130	274,969	257,877
Non-interest income								
Fintech fees								
ACH, card and other payment processing fees	3,000	2,429	5,964	4,600	3,892	2,553	9,856	7,153
Prepaid, debit card and related fees	24,755	22,177	49,041	45,500	23,907	21,513	72,948	67,013
Consumer credit fintech fees					1,600	—	1,740	—
Total fintech fees					29,399	24,066	84,544	74,166
Net realized and unrealized gains on commercial loans, at fair value	503	1,921	1,599	3,646	606	525	2,205	4,171
Leasing related income	1,429	1,511	1,817	3,001	1,072	1,767	2,889	4,768
Consumer credit fintech fees	140	—	140	—				
Other	895	1,298	1,543	1,578	1,031	422	2,574	2,000
Total non-interest income	30,722	29,336	60,104	58,325	32,108	26,780	92,212	85,105
Non-interest expense								
Salaries and employee benefits	33,863	33,167	64,143	62,952	33,821	30,475	97,964	93,427
Depreciation and amortization	1,027	681	1,976	1,402				
Depreciation					1,047	644	3,023	2,046
Rent and related occupancy cost	1,686	1,361	3,326	2,755	1,734	1,510	5,060	4,265
Data processing expense	1,423	1,398	2,844	2,719	1,408	1,404	4,252	4,123
Printing and supplies	59	128	162	273				
Audit expense	319	417	678	809	403	446	1,081	1,255
Legal expense	633	949	1,454	1,907	1,055	1,203	2,509	3,110
Amortization of intangible assets	100	100	199	199				
FDIC insurance	869	472	1,714	1,427	904	806	2,618	2,233
Software	4,637	4,317	9,126	8,554	4,561	4,427	13,687	12,981
Insurance	1,282	1,308	2,620	2,614	1,246	1,321	3,866	3,935
Telecom and IT network communications	354	363	625	739	283	305	908	1,044
Consulting	562	642	1,140	964	418	448	1,558	1,412
Write-downs and other losses on other real estate owned	—	165	—	1,184	—	131	—	1,315
Other	4,632	4,475	8,151	9,475	6,375	4,339	14,887	14,286
Total non-interest expense	51,446	49,943	98,158	97,973	53,255	47,459	151,413	145,432
Income before income taxes	71,819	66,227	146,738	131,099	69,030	66,451	215,768	197,550
Income tax expense	18,133	17,218	36,623	32,968	17,513	16,314	54,136	49,282
Net income	$ 53,686	$ 49,009	$ 110,115	$ 98,131	$ 51,517	$ 50,137	$ 161,632	$ 148,268
Net income per share - basic	$ 1.05	$ 0.89	$ 2.12	$ 1.78	$ 1.06	$ 0.93	$ 3.18	$ 2.70
Net income per share - diluted	$ 1.05	$ 0.89	$ 2.10	$ 1.76	$ 1.04	$ 0.92	$ 3.15	$ 2.68
Weighted average shares - basic	50,937,055	54,871,681	51,842,097	55,160,642	48,759,369	54,175,184	50,807,021	54,828,547
Weighted average shares - diluted	51,337,491	55,269,640	52,327,122	55,653,950	49,478,236	54,738,610	51,361,104	55,336,354

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 June 30,		For the six months ended June 30,		For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
	(Dollars in thousands)				(Dollars in thousands)			
Net income	$ 53,686	$ 49,009	$ 110,115	$ 98,131	$51,517	$50,137	$161,632	$148,268
Other comprehensive income, net of reclassifications into net income:								
Other comprehensive income (loss)								
Securities available-for-sale:								
Change in net unrealized gains (losses)	4,898	(3,429)	5,024	1,800	44,404	(4,310)	49,428	(2,510)
Reclassification adjustments for losses included in income	—	—	2	4	—	—	2	4
Other comprehensive income (loss)	4,898	(3,429)	5,026	1,804	44,404	(4,310)	49,430	(2,506)
Income tax expense related to items of other comprehensive income								
Income tax expense (benefit) related to items of other comprehensive income								
Securities available-for-sale:								
Change in net unrealized gains (losses)	1,209	(926)	1,236	486	10,951	(1,164)	12,187	(678)
Reclassification adjustments for losses included in income	—	—	—	1	—	—	—	1
Income tax expense (benefit) related to items of other comprehensive income	1,209	(926)	1,236	487	10,951	(1,164)	12,187	(677)
Other comprehensive income (loss), net of tax and reclassifications into net income	3,689	(2,503)	3,790	1,317	33,453	(3,146)	37,243	(1,829)
Comprehensive income	$ 57,375	$ 46,506	$ 113,905	$ 99,448	$84,970	$46,991	$198,875	$146,439

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 six months ended June 30, 2024

For the three and nine months ended September 30, 2024

For the three and nine months ended September 30, 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, 2024	53,202,630	$ 53,203	$ 212,431	$ 561,615	$ (19,968)	$ 807,281	53,202,630	$53,203	$212,431	$561,615	$ (19,968)	$ 807,281
Net income	—	—	—	56,429	—	56,429	—	—	—	56,429	—	56,429
Common stock issued from restricted units,												
net of tax benefits	312,619	312	(312)	—	—	—	312,619	312	(312)	—	—	—
Stock-based compensation	—	—	3,317	—	—	3,317	—	—	3,317	—	—	3,317

Common stock repurchases and excise tax	(1,262,212)	(1,262)	(49,101)	—	—	(50,363)	(1,262,212)	(1,262)	(49,101)	—	—	(50,363)
Other comprehensive income net of reclassification adjustments and tax	—	—	—	—	101	101	—	—	—	—	101	101
Balance at March 31, 2024	52,253,037	$ 52,253	$ 166,335	$ 618,044	$ (19,867)	$ 816,765	52,253,037	$52,253	$166,335	$618,044	$ (19,867)	$ 816,765
Net income	—	$ —	$ —	$ 53,686	$ —	$ 53,686	—	$ —	$ —	$ 53,686	$ —	$ 53,686
Common stock issued from restricted units, net of tax benefits	32,771	33	(33)	—	—	—	32,771	33	(33)	—	—	—
Stock-based compensation	—	—	3,841	—	—	3,841	—	—	3,841	—	—	3,841
Common stock repurchases and excise tax	(3,018,405)	(3,018)	(97,972)	—	—	(100,990)	(3,018,405)	(3,018)	(97,972)	—	—	(100,990)
Other comprehensive income net of reclassification adjustments and tax	—	—	—	—	3,689	3,689	—	—	—	—	3,689	3,689
Balance at June 30, 2024	49,267,403	$ 49,268	$ 72,171	$ 671,730	$ (16,178)	$ 776,991	49,267,403	$49,268	$ 72,171	$671,730	$ (16,178)	$ 776,991
Net income							—	$ —	$ —	$ 51,517	$ —	$ 51,517
Common stock issued from restricted units, net of tax benefits							—	—	—	—	—	—
Stock-based compensation							—	—	3,864	—	—	3,864
Common stock repurchases and excise tax							(1,037,069)	(1,037)	(49,462)	—	—	(50,499)
Other comprehensive income net of reclassification adjustments and tax							—	—	—	—	33,453	33,453
Balance at September 30, 2024							48,230,334	$48,231	$ 26,573	$723,247	$ 17,275	$ 815,326

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 six months ended June 30, 2023

For the three and nine months ended September 30, 2023

(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	55,689,627	$55,690	$299,279	$369,319	$ (30,257)	$694,031

Net income	—	—	—	49,122	—	49,122	—	—	—	49,122	—	49,122
Common stock issued from option exercises, net of tax benefits	13,158	13	92	—	—	105	13,158	13	92	—	—	105
Common stock issued from restricted units, net of tax benefits	405,286	405	(405)	—	—	—	405,286	405	(405)	—	—	—
Stock-based compensation	—	—	3,169	—	—	3,169	—	—	3,169	—	—	3,169
Common stock repurchases and excise tax	(778,442)	(778)	(24,321)	—	—	(25,099)	(778,442)	(778)	(24,321)	—	—	(25,099)
Other comprehensive income net of reclassification adjustments and tax	—	—	—	—	3,820	3,820	—	—	—	—	3,820	3,820
Balance at March 31, 2023	55,329,629	$ 55,330	$ 277,814	$ 418,441	$ (26,437)	$ 725,148	55,329,629	$ 55,330	$ 277,814	$ 418,441	$ (26,437)	$ 725,148
Net income	—	$ —	$ —	$ 49,009	$ —	$ 49,009	—	$ —	$ —	$ 49,009	$ —	$ 49,009
Common stock issued from option exercises, net of tax benefits							—	—	—	—	—	—
Common stock issued from restricted units, net of tax benefits	41,382	41	(41)	—	—	—	41,382	41	(41)	—	—	—
Stock-based compensation	—	—	2,750	—	—	2,750	—	—	2,750	—	—	2,750
Common stock repurchases and excise tax	(828,727)	(829)	(24,408)	—	—	(25,237)	(828,727)	(829)	(24,408)	—	—	(25,237)
Other comprehensive loss net of reclassification adjustments and tax	—	—	—	—	(2,503)	(2,503)	—	—	—	—	(2,503)	(2,503)
Balance at June 30, 2023	54,542,284	$ 54,542	$ 256,115	$ 467,450	$ (28,940)	$ 749,167	54,542,284	$ 54,542	$ 256,115	$ 467,450	$ (28,940)	$ 749,167
Net income							$ —	$ —	$ —	$ 50,137	$ —	$ 50,137
Common stock issued from option exercises, net of tax benefits							—	—	—	—	—	—
Common stock issued from restricted units, net of tax benefits							10,323	10	(10)	—	—	—
Stock-based compensation							—	—	2,775	—	—	2,775
Common stock repurchases and excise tax							(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

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

THE BANCORP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six months ended June 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands)		(Dollars in thousands)	
Operating activities				
Net income	$ 110,115	$ 98,131	$ 161,632	$ 148,268
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	2,175	1,601		
Depreciation			3,023	2,046
Provision for credit losses on loans	3,840	2,626	7,316	4,409
Provision reversal for unfunded commitments	(419)	(362)	(340)	(393)
Net amortization of investment securities discounts/premiums	(458)	374	(1,505)	703
Stock-based compensation expense	7,158	5,919	11,022	8,694
Realized gains on commercial loans, at fair value	(1,883)	(4,955)	(2,489)	(5,852)
Gain on sale of fixed assets	(14)	—	(53)	—
Write-down of other real estate owned	—	995	—	1,147
Change in fair value of commercial loans, at fair value	—	1,323	—	1,700
Change in fair value of derivatives	284	(14)	284	(19)
Loss on sales of investment securities	2	4		
Loss on sales/calls of investment securities			2	4
Increase in accrued interest receivable	(7,355)	(2,057)	(5,381)	(2,154)
Increase in other assets	(16,106)	(26,041)	(31,120)	(44,804)
Decrease in other liabilities	(5,213)	(5,025)		
Increase in other liabilities			956	12,009
Net cash provided by operating activities	92,126	72,519	143,347	125,758
Investing activities				
Purchase of investment securities available-for-sale	(913,050)	(48,989)	(969,436)	(48,989)
Proceeds from redemptions and prepayments of securities available-for-sale	85,238	39,927	179,880	55,151
Proceeds from sale of other real estate owned			—	2,044
Capitalized investment in other real estate owned			(926)	—
Sale of repossessed assets	7,030	4,903	8,924	6,671
Net (increase) decrease in loans	(292,510)	213,034	(599,161)	277,980
Proceeds from sale of fixed assets	70	—	133	—
Commercial loans, at fair value drawn during the period	—	(70,058)	—	(105,192)
Payments on commercial loans, at fair value	68,460	250,722	81,333	317,980
Purchases of premises and equipment	(3,243)	(9,471)	(4,367)	(12,369)
Net cash (used in) provided by investing activities	(1,048,005)	380,068	(1,303,620)	493,276
Financing activities				
Net increase (decrease) in deposits	474,778	(407,062)	244,842	(525,642)
Net decrease in securities sold under agreements to repurchase	(42)	—	(42)	—
Proceeds from short-term borrowings			135,000	—
Redemption of senior debt	—	(3,273)	—	(3,273)
Proceeds from the issuance of common stock	—	105	—	105
Repurchases of common stock and excise tax	(151,353)	(50,000)	(201,852)	(74,999)

Net cash provided by (used in) financing activities	323,383	(460,230)	177,948	(603,809)
Net decrease in cash and cash equivalents	(632,496)	(7,643)		
Net (decrease) increase in cash and cash equivalents			(982,325)	15,225
Cash and cash equivalents, beginning of period	1,038,090	888,189	1,038,090	888,189
Cash and cash equivalents, end of period	$ 405,594	$ 880,546	$ 55,765	$ 903,414
Supplemental disclosure:				
Interest paid	$ 84,880	$ 76,232	$ 131,336	$ 117,473
Taxes paid	$ 51,428	$ 53,703	$ 62,158	$ 67,985
Non-cash investing and financing activities				
Transfers to other real estate owned from commercial loans, at fair value, and loans, net	$ 40,912	$ 737	$ 43,864	$ 737
Leased vehicles transferred to repossessed assets	$ 6,151	$ 4,953	$ 8,291	$ 7,009

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

THE BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Nature of Operations

The Bancorp, Inc. (“the Company” (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”). 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, bank, 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” SBLOCs”), cash value of insurance-backed lines of credit (“IBLOC” IBLOCs”) and investment advisor financing; leases (direct lease financing); small business loans (“SBLs”), consisting primarily of Small Business Administration (“SBA”) loans; and non-SBA commercial real estate bridge loans (“REBL” REBLs”). Consumer fintech lending is reflected in the payments segment.

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, affinity group banking, deposit accounts to investment advisors’ customers, card payments and other payment processing services. Payments segment deposits fund the majority of the Company’s loans and securities and may 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 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 June 30, 2024 September 30, 2024 and for the three-and-six three and nine month periods ended June 30, 2024 September 30, 2024 and 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, 2023 (the "2023 Form 10-K"). The results of operations for the six-month nine-month period ended June 30, 2024 September 30, 2024 may not necessarily be indicative of the results of operations for the full year ending December 31, 2024.

There have been no significant changes as of June 30, 2024 September 30, 2024 from the Company's significant accounting policies as described in the 2023 Form 10-K.

Note 3. Stock-based Compensation

The Company recognizes compensation expense for stock options and restricted stock units ("RSU" RSUs") in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification 718 *Stock Compensation* ("ASC 718"). The 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 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 June 30, 2024 September 30, 2024, the Company had three active stock-based compensation plans.

During the six nine months ended June 30, 2024 September 30, 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 six nine months ended June 30, 2023 September 30, 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. There were no common stock options exercised in the six-month nine-month period ended June 30, 2024 September 30, 2024. There were 13,158 stock options exercised in the six-month nine-month period ended June September 30, 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, 2024	622,677	$ 15.35	6.90	$ 14,453,641	622,677	$ 15.35	6.90	$14,453,641
Granted	45,616	43.89	9.62	—	45,616	43.89	9.37	—
Exercised	—	—	—	—	—	—	—	—
Expired	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—
Outstanding at June 30, 2024	668,293	$ 17.30	6.62	$ 13,955,500				
Exercisable at June 30, 2024	504,497	$ 12.00	6.08	$ 12,997,914				
Outstanding at September 30, 2024					668,293	$ 17.30	6.37	$24,194,806
Exercisable at September 30, 2024					504,497	$ 12.00	5.83	$20,938,696

The Company granted 390,305 RSUs in the first six nine months of 2024, of which 355,965 have a vesting period of three years and 34,340 have a vesting period of one year. At issuance, the 390,305 RSUs granted in the first six nine months of 2024 had a weighted average fair value of $42.87 per unit. The Company granted 547,556 RSUs in the first six nine months of 2023, of which 514,785 have had a vesting period of three years and 32,771 have had a vesting period of one year. At issuance, the 547,556 RSUs granted in the first six nine months of 2023 had a weighted average fair value of $35.00 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, 2024	752,255	$ 32.53	1.66	752,255	$ 32.53	1.66
Granted	390,305	42.87	2.46	390,305	42.87	2.21
Vested	(345,390)	30.39	—	(345,390)	30.39	—
Forfeited	—	—	—	—	—	—
Outstanding at June 30, 2024	797,170	$ 38.27	1.94			
Outstanding at September 30, 2024				797,170	$ 38.27	1.68

As of June September 30, 2024, there was a total of $27.1 million $23.2 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 1.7 1.5 years. Related compensation expense for the three months ended June 30, 2024 September 30, 2024 and 2023 was $3.8 $3.9 million and $2.7 $2.8 million, respectively. Related compensation expense for the six nine months ended June September 30, 2024 and 2023 was $7.1 million $11.0 million and $5.9 $8.7 million, respectively. The total issuance date fair value of RSUs vested and options exercised during the six nine months ended June September 30, 2024 and 2023, was $10.3 $10.5 million and $6.2 $6.4 million, respectively. The total intrinsic value of the options exercised and RSUs vested in those respective periods was $14.6 $14.8 million and $16.4 $16.8 million, respectively.

For the six-month nine-month periods ended June September 30, 2024 and 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:

	June 30,		September 30,	
	2024	2023	2024	2023
Risk-free interest rate	4.17%	3.67%	4.17%	3.67%
Expected dividend yield	—	—	—	—
Expected volatility	44.76%	45.21%	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 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- based compensation expense for the period ended June 30, 2024 September 30, 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.

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	For the three months ended

	June 30, 2024			September 30, 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	$ 53,686	50,937,055	$ 1.05	$ 51,517	48,759,369	$ 1.06
Effect of dilutive securities						
Common stock options and RSUs	—	400,436	—	—	718,867	(0.02)
Diluted earnings per share						
Net earnings available to common shareholders	$ 53,686	51,337,491	$ 1.05	$ 51,517	49,478,236	$ 1.04

Stock options for 465,104 622,677 shares, exercisable at prices between $6.87 and $18.81 $35.17 per share, were outstanding at June 30, 2024 September 30, 2024, and included in the diluted earnings per share computation because their exercise price per share was less than the average market price for the three-month three month period ended June 30, 2024 September 30, 2024. Stock options for 203,189 45,616 shares were anti-dilutive and not included in the earnings per share calculation.

	For the six months ended June 30, 2024			For the nine months ended September 30, 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	$ 110,115	51,842,097	$ 2.12	$ 161,632	50,807,021	$ 3.18
Effect of dilutive securities						
Common stock options and RSUs	—	485,025	(0.02)	—	554,083	(0.03)
Diluted earnings per share						
Net earnings available to common shareholders	$ 110,115	52,327,122	$ 2.10	$ 161,632	51,361,104	$ 3.15

Stock options for 465,104 565,104 shares, exercisable at prices between $6.87 and $18.81 $30.32 per share, were outstanding at June 30, 2024 September 30, 2024, and included in the diluted earnings per share computation because their exercise price per share was less than the average market price for the six-month nine-month period ended June 30, 2024 September 30, 2024. Stock options for 203,189 103,189 shares were anti-dilutive and not included in the earnings per share calculation.

	For the three months ended June 30, 2023			For the three months ended September 30, 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	$ 49,009	54,871,681	$ 0.89	$ 50,137	54,175,184	$ 0.93
Effect of dilutive securities						
Common stock options and RSUs	—	397,959	—	—	563,426	(0.01)
Diluted earnings per share						
Net earnings available to common shareholders	$ 49,009	55,269,640	$ 0.89	$ 50,137	54,738,610	$ 0.92

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

	For the six months ended June 30, 2023				
	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	$	98,131	55,160,642	$	1.78
Effect of dilutive securities					
Common stock options and RSUs		—	493,308		(0.02)
Diluted earnings per share					
Net earnings available to common shareholders	$	98,131	55,653,950	$	1.76

	For the nine months ended September 30, 2023				
	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	$	148,268	54,828,547	$	2.70
Effect of dilutive securities					
Common stock options and RSUs		—	507,807		(0.02)
Diluted earnings per share					
Net earnings available to common shareholders	$	148,268	55,336,354	$	2.68

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

Note 5. Investment Securities

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 amortized cost, gross unrealized gains and losses, and fair values of the Company's investment securities classified as available-for-sale at June 30, 2024 September 30, 2024 and December 31, 2023 are summarized as follows (in (dollars in thousands):

Available-for-sale	June 30, 2024					September 30, 2024				
	Amortized	Gross unrealized	Gross unrealized	Allowance for	Fair	Amortized	Gross unrealized	Gross unrealized	Allowance for	Fair

	June 30, 2024					September 30, 2024				
	cost	gains	losses	Credit Losses	value	cost	gains	losses	Credit Losses	value
U.S. Government agency securities	$ 33,036	$ 6	$ (1,685)	$ —	$ 31,357	$ 31,622	$ 114	$ (718)	$ —	$ 31,018
Asset-backed securities(1)	274,643	404	(35)	—	275,012	236,794	157	(27)	—	236,924
Tax-exempt obligations of states and political subdivisions	4,860	—	(78)	—	4,782	7,860	97	(26)	—	7,931
Taxable obligations of states and political subdivisions	38,045	9	(935)	—	37,119	35,366	12	(371)	—	35,007
Residential mortgage-backed securities	461,132	2,308	(5,927)	—	457,513	448,761	18,536	(3,689)	—	463,608
Collateralized mortgage obligation securities	31,427	—	(1,494)	—	29,933	29,433	—	(940)	—	28,493
Commercial mortgage-backed securities	759,206	3,402	(17,318)	—	745,290	775,393	21,544	(11,629)	—	785,308
Corporate debt securities	10,000	—	—	(10,000)	—	10,000	—	—	(10,000)	—
	$ 1,612,349	$ 6,129	$ (27,472)	$ (10,000)	$ 1,581,006	$1,575,229	$ 40,460	$ (17,400)	$ (10,000)	$1,588,289

	June 30, 2024				September 30, 2024			
		Gross	Gross			Gross	Gross	
	Amortized	unrealized	unrealized	Fair	Amortized	unrealized	unrealized	Fair
(1)Asset-backed securities as shown above	cost	gains	losses	value	cost	gains	losses	value
Federally insured student loan securities	$ 3,191	$ —	$ (8)	$ 3,183	$ 2,754	$ —	$ (6)	$ 2,748
Collateralized loan obligation securities	271,452	404	(27)	271,829	234,040	157	(21)	234,176
	$ 274,643	$ 404	$ (35)	$ 275,012	$236,794	$ 157	$ (27)	$236,924

Available-for-sale	December 31, 2023				
		Gross	Gross	Allowance	
	Amortized	unrealized	unrealized	for	Fair
	cost	gains	losses	Credit Losses	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			
		Gross	Gross	
	Amortized	unrealized	unrealized	Fair
(1)Asset-backed securities as shown above	cost	gains	losses	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 $21.7 million at June 30, 2024 September 30, 2024, and $15.6 million at December 31, 2023. At each of those dates, ACBB stock amounted to $40,000. T The he 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 June 30, 2024 September 30, 2024, by contractual maturity, are shown below (in (dollars 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		Available-for-sale	
	Amortized cost	Fair value	Amortized cost	Fair value
Due before one year	$ 51,024	$ 50,392	$ 61,915	$ 61,234
Due after one year through five years	137,243	132,982	131,811	130,897
Due after five years through ten years	711,253	708,587	724,661	740,659
Due after ten years	712,829	689,045	656,842	655,499
	$ 1,612,349	$ 1,581,006	$1,575,229	$1,588,289

The Company pledges loans to collateralize it's its line of credit with the FHLB, as described in "Note 6. Loans." The Company had no securities pledged against that line at June 30, 2024 September 30, 2024, and December 31, 2023. There were no gross realized gains on sales of securities for the three and six nine months ended June September 30, 2024 and June September 30, 2023. There were no realized losses on securities sales for the three months ended June September 30, 2024 and June September 30, 2023. Realized losses on securities sales sales/calls were $2,000 and $4,000, respectively, for the six nine months ended June September 30, 2024 and June September 30, 2023.

The table below indicates the length of time individual securities had been in a continuous unrealized loss position at June 30, 2024 September 30, 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	
	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
Description of Securities														
U.S. Government agency securities	16	$ 4,599	$ (78)	$ 25,724	$ (1,607)	$ 30,323	$ (1,685)	13	$ 17	$ —	$ 15,171	$ (718)	$ 15,188	$ (718)
Asset-backed securities	15	3,731	(1)	56,157	(34)	59,888	(35)	16	43,265	(8)	34,734	(19)	77,999	(27)
Tax-exempt obligations of states and political subdivisions	6	1,954	(11)	2,828	(67)	4,782	(78)	1	—	—	1,134	(26)	1,134	(26)
Taxable obligations of states and political subdivisions	23	—	—	33,055	(935)	33,055	(935)	19	—	—	29,331	(371)	29,331	(371)
Residential mortgage-backed securities	118	117,072	(613)	49,028	(5,314)	166,100	(5,927)	100	536	(1)	40,110	(3,688)	40,646	(3,689)
Collateralized mortgage obligation securities	19	—	—	29,933	(1,494)	29,933	(1,494)	19	—	—	28,493	(940)	28,493	(940)
Commercial mortgage-backed securities	63	110,120	(295)	220,780	(17,023)	330,900	(17,318)	54	35,020	(152)	189,928	(11,477)	224,948	(11,629)
Total unrealized loss position														

investment securities	260	$	237,476	$	(998)	$	417,505	$	(26,474)	$	654,981	$	(27,472)	222 $78,838 $ (161)$338,901 $ (17,239)$417,739 $ (17,400)

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 trust preferred security, issued by an insurance company, which was purchased in 2006, and owns no other such security or similar security. At June 30, 2024 September 30, 2024, this security had a cost basis of $10.0 million, and comprises the balance of the corporate debt securities classification in the tables above. The Bank provided for a potential loss for the full amount of the $10.0 million par value of the trust preferred security through a provision for credit loss of $10.0 million in the fourth quarter of 2023. Interest payments on the trust preferred security have been deferred, as permitted by its terms for periods up to five years. 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. The Company has evaluated the securities in the above tables as of June 30, 2024 September 30, 2024 and has concluded that, except for the trust preferred security discussed above, none of these securities required an allowance for credit loss (“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. With the exception of the trust preferred security discussed above and the CRE-2 security discussed in “Note 6. Loans,” 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 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. The Company intends to hold its investment securities to maturity, and it is likely that it will not be required to sell the securities prior to their anticipated recovery.

Note 6. Loans

The Company has several lending lines of business including: small business loans (“SBLs”), 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. In 2024, the Company began making consumer fintech loans which consist of short-term extensions of credit including secured credit card loans made in conjunction with marketers and servicers. 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 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 June 30, 2024 September 30, 2024, such loans comprised $161.1 million $158.1

million of the $265.2 $252.0 million of commercial loans, 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 $265.2 million $252.0 million commercial loans at fair value was $268.9 $255.7 million. Included in net realized and unrealized gains (losses) on commercial loans, at fair value in the consolidated statements of operations are changes in the estimated fair value of such loans. For the six nine months ended June 30, 2024 September 30, 2024, there were no related net unrealized losses or gains recognized for changes in fair value. For the six nine months ended June 30, 2023 September 30, 2023, related net unrealized losses recognized for changes in fair value were $1.3 million $1.7 million, $365,000 of which reflected losses 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

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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 maintained are consistent with the Bank's liquidity policy which maximizes potential liquidity. At June 30, 2024 September 30, 2024, $2.40 billion $2.46 billion of loans were pledged to the Federal Reserve Bank and $2.07 $2.21 billion of loans were pledged to the FHLB against lines of credit which provide a source of liquidity to the Bank. There were no amounts was $135.0 million drawn against these lines the FHLB line at June 30, 2024 September 30, 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, which is included in the commercial mortgage backed mortgage-backed securities classification in investment securities. As of June 30, 2024 September 30, 2024, the principal balance of the Bank's CRE-2-issued security was $12.6 million. As a result of the reduced excess of appraised value over the Bank's principal and accruing interest based on new appraisals, the $12.6 million principal was placed in nonaccrual status and $1.3 million was reversed from securities interest in the second quarter of 2024.While 2024. While the appraised values allocable to the Bank's security exceed the principal and unpaid interest, there can be no assurance as to the amounts received upon the servicer's disposition of these properties, which will reflect additional servicing fees, actual disposition prices and other disposition costs.

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. Of the total $70.1 million $280.1 million of consumer fintech loans at June 30, 2024 September 30, 2024, $53.3 million $111.0 million consisted of secured credit card loans, which the Bank makes with the marketing and servicing assistance balance consisting of third parties. other short-term extensions of credit. Consumers do not pay interest on the majority of consumer fintech loan balances, including secured credit card loans. The majority of the income on those loans is reflected in non-interest income under "Consumer credit fintech fees" and originate with the marketers and servicers for those loans. The secured credit card balances were collateralized with deposits at the Bank, with related income statement impact reflected both in a lower cost of funds and fee income. The lower cost of funds results from balances required to be maintained to collateralize related card use. Related fee income is reflected in the "Consumer credit fintech fees" line of the income statement.

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

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
SBL non-real estate	$ 171,893	$ 137,752	$ 179,915	$ 137,752
SBL commercial mortgage	647,894	606,986	665,608	606,986
SBL construction	30,881	22,627	30,158	22,627
SBLs	850,668	767,365	875,681	767,365
Direct lease financing	711,403	685,657	711,836	685,657
SBLOC / IBLOC[1]	1,558,095	1,627,285	1,543,215	1,627,285
Advisor financing[2]	238,831	221,612	248,422	221,612
Real estate bridge loans	2,119,324	1,999,782	2,189,761	1,999,782
Consumer fintech[3]	70,081	—	280,092	—
Other loans[4]	46,592	50,638	46,586	50,638
	5,594,994	5,352,339	5,895,593	5,352,339
Unamortized loan fees and costs	10,733	8,800	11,023	8,800
Total loans, including unamortized loan fees and costs	$ 5,605,727	$ 5,361,139	$5,906,616	$5,361,139

	June 30, 2024	December 31, 2023
SBLs, including costs net of deferred fees of $9,558 and $9,502 for June 30, 2024 and December 31, 2023, respectively	$ 860,226	$ 776,867
SBLs included in commercial loans, at fair value	104,146	119,287
Total SBLs[5]	$ 964,372	$ 896,154

	September 30, 2024	December 31, 2023
SBLs, including costs net of deferred fees of $9,582 and $9,502 for September 30, 2024 and December 31, 2023, respectively	$ 885,263	$ 776,867
SBLs included in commercial loans, at fair value	93,888	119,287
Total SBLs[5]	$ 979,151	$ 896,154

[1] SBLOC are collateralized by marketable securities, while IBLOC are collateralized by the cash surrender value of insurance policies. At June 30, 2024 September 30, 2024 and December 31, 2023, IBLOC loans amounted to $582.8 $554.0 million and $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] Consumer fintech loans consist primarily included $111.0 million of secured credit card loans. loans, with the balance consisting of other short-term extensions of credit.

[4] Includes demand deposit overdrafts reclassified as loan balances totaling $279,000 $960,000 and $1.7 million at June September 30, 2024 and December 31, 2023, respectively. Estimated overdraft charge-offs and recoveries are reflected in the ACL and are immaterial.

[5] 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 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 (dollars in thousands):

	June 30, 2024			December 31, 2023	September 30, 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	Related ACL	Non-accrual loans without a related ACL	Total non-accrual loans	Total non-accrual loans
SBL non-real estate	$ 1,350	$ 1,098	$ 2,448	$ 1,842	$2,236	$ 524	$ 811	$ 3,047	$ 1,842
SBL commercial mortgage	1,814	3,397	5,211	2,381	1,814	931	3,084	4,898	2,381
SBL construction	3,385	—	3,385	3,385	1,585	118	—	1,585	3,385
Direct leasing	3,458	412	3,870	3,785	3,211	1,867	708	3,919	3,785
Real estate bridge loans					—	—	12,300	12,300	—
Other loans	—	—	—	132	—	—	—	—	132
	$ 10,007	$ 4,907	$ 14,914	$ 11,525	$8,846	$ 3,440	$16,903	$25,749	$ 11,525

The Company had $57.9 $61.7 million of other real estate owned ("OREO") at June 30, 2024 September 30, 2024, and $16.9 million of OREO at December 31, 2023. The following table summarizes the Company's non-accrual loans, loans past due 90 days or more, and OREO at June 30, 2024 September 30, 2024 and December 31, 2023, respectively:

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
	(Dollars in thousands)		(Dollars in thousands)	
Non-accrual loans				
SBL non-real estate	$ 2,448	$ 1,842	$ 3,047	$ 1,842
SBL commercial mortgage	5,211	2,381	4,898	2,381
SBL construction	3,385	3,385	1,585	3,385
Direct leasing	3,870	3,785	3,919	3,785
Real estate bridge loans			12,300	—
Other loans	—	132	—	132
Total non-accrual loans	14,914	11,525	25,749	11,525
Loans past due 90 days or more and still accruing[(1)]	4,276	1,744	4,737	1,744
Total non-performing loans	19,190	13,269	30,486	13,269
OREO[(2)]	57,861	16,949	61,739	16,949
Total non-performing assets	$ 77,051	$ 30,218	$ 92,225	$ 30,218

(1) The 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.

(2) 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 OREO, and comprised the majority of our OREO at June 30, 2024 September 30, 2024, with a balance at that date of $40.3 million. 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 $39.4 million $40.3 million balance compares to a September 2023 third party "as is" appraisal of $47.8 million, or an 82% 84% "as is" loan to value ("LTV"), with additional potential collateral value as construction progresses, and units are re-leased at stabilized rental rates. The Company entered into a purchase and sale agreement for that apartment property acquired by the Bank through foreclosure. The purchaser has made an earnest money deposit deposits of $125,000 in July 2024, $375,000, with additional required deposits projected to total $500,000 prior to the December 31, 2024 closing deadline. The sales price is expected to cover the Company's current OREO balance plus the forecasted cost of improvements to the property. There can be no assurance that the purchaser will

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consummate the sale of the property, but if not consummated, earnest money deposits are expected to accrue to the Company. The nonaccrual balances in this table as of June 30, 2024 September 30, 2024, are also reflected in the substandard loan totals.

Interest which would have been earned on loans classified as non-accrual for the six nine months ended June 30, 2024 September 30, 2024 and 2023, was $497,000 $886,000 and $399,000, $621,000, respectively. No income on non-accrual loans was recognized during the six nine months ended June 30, 2024 September 30, 2024. During the six nine months ended June 30, 2024 September 30, 2024, $222,000 1.0 million of REBL, $63,000 $69,000 of direct leasing, $109,000 $130,000 of SBL commercial real estate, and $33,000 of SBL non-real estate were reversed from interest income, which represented interest accrued on loans placed into non-accrual status during the period. During the six nine months ended June 30, 2023 September 30, 2023, $89,000 of legacy commercial real estate, $89,000

$89,000 of SBL commercial real estate, $3,000 $10,000 of SBL non-real estate, $13,000 of IBLOC, and $50,000 $71,000 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 prior year non-accrual interest reversals are charged to the ACL, but such amounts were not material during either the six nine months ended June 30, 2024 September 30, 2024 or 2023. In the third quarter of 2024 $815,000 of interest was reversed from interest income as a result of REBL loan modifications.

Loans which are experiencing financial stress are reviewed by the loan review department, which is independent of the lending lines. The review includes an analysis for a potential specific reserve allocation in the ACL. For REBLs, updated appraisals are generally obtained in conjunction with modifications.

During the three month and year-to-date periods ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023, loans modified and related information are as follows (dollars in thousands):

	Three months ended June 30, 2024					Three months ended June 30, 2023			Three months ended September 30, 2024					Three months ended September 30, 2023		
	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Term extension	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Term extension	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Total	Percent of total loan category
SBL non-real estate	$ —	$ —	$ —	$ —	—	$ 156	$ 156	0.13%	$ 819	$ —	$ —	$ 819	0.46%	$ —	$ —	—
SBL commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Direct lease financing	—	—	2,551	2,551	0.36%	—	—	—	—	—	—	—	—	—	—	—
Real estate bridge loans	—	—	—	—	—	—	—	—	—	55,336	—	55,336	2.53%	—	—	—
Total	$ —	$ —	$ 2,551	$ 2,551	0.05%	$ 156	$ 156	—	$ 819	$ 55,336	$ —	$ 56,155	0.95%	$ —	$ —	—

	Six months ended June 30, 2024					Six months ended June 30, 2023			Nine months ended September 30, 2024					Nine months ended September 30, 2023		
	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Term extension	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Term extension	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Total	Percent of total loan category

SBL non-real estate	$ 1,726	$ —	$ —	$ 1,726	1.00%	$ 156	$ 156	0.13%	$ 2,484	$ —	$ —	$ 2,484	1.38%	$ 156	$156	0.12%
SBL commercial mortgage	3,320	—	—	3,320	0.51%	—	—	—	3,271	—	—	3,271	0.49%	—	—	—
Direct lease financing	—	—	2,551	2,551	0.36%	—	—	—	—	—	2,521	2,521	0.35%	—	—	—
Real estate bridge loans[1]	26,923	32,500	—	59,423	2.80%	—	—	—	—	87,836	—	87,836	4.01%	—	—	—
Total	$ 31,969	$ 32,500	$ 2,551	$ 67,020	1.20%	$ 156	$ 156	—	$ 5,755	$87,836	$ 2,521	$96,112	1.63%	$ 156	$156	—

[1] For the period nine months ended June 30, 2024 September 30, 2024, the "as is" weighted average LTV of the real estate bridge lending balances was less than 72.5% approximately 73%, and the "as stabilized" LTV was approximately 68% 66% based upon recent appraisals. appraisals performed within the past twelve months. "As stabilized" LTVs reflect the third-party appraiser's estimated value after the rehabilitation is complete. On each property reflected in the balances, apartment complete and units are released at stabilized rates. Apartment improvements and renovations continue, sometimes utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of June 30, 2024 September 30, 2024.

The following table shows an analysis of loans that were modified during the three month and year-to-date periods ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023 presented by loan classification (dollars in thousands):

	Three months ended June 30, 2024							Three months ended September 30, 2024						
	Payment Status (Amortized Cost Basis)							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	30-59 days past due	60-89 days past due	90+ days still accruing	Non-accrual	Total delinquent	Current	Total
SBL non-real estate	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 321	$ 321	$ 498	$ 819
SBL commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Direct lease financing	—	2,551	—	—	2,551	—	2,551	—	—	—	—	—	—	—
Real estate bridge loans	—	—	—	—	—	—	—	—	—	—	—	—	55,336	55,336
	$ —	$ 2,551	$ —	$ —	$ 2,551	$ —	$ 2,551	$ —	$ —	$ —	$ 321	$ 321	$55,834	$56,155

	Three months ended June 30, 2023							Three months ended September 30, 2023						
	Payment Status (Amortized Cost Basis)							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	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								—	—	—	—	—	—	—
Direct lease financing								—	—	—	—	—	—	—
Real estate bridge lending								—	—	—	—	—	—	—
	$ —	$ —	$ —	$ —	$ —	$ 156	$ 156	$ —	$ —	$ —	$ —	$ —	$ —	—

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	Six months ended June 30, 2024	Nine months ended September 30, 2024
	Payment Status (Amortized Cost Basis)	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	30-59 days past due	60-89 days past due	90+ days still accruing	Non-accrual	Total delinquent	Current	Total
SBL non-real estate	$ —	$ —	$ —	$ 757	$ 757	$ 969	$ 1,726	$ —	$ —	$ —	$1,046	$ 1,046	$ 1,438	$ 2,484
SBL commercial mortgage	—	—	—	—	—	3,320	3,320	—	—	—	—	—	3,271	3,271
Direct lease financing	—	2,551	—	—	2,551	—	2,551	—	2,521	—	—	2,521	—	2,521
Real estate bridge loans[1]	—	—	—	—	—	59,423	59,423	—	—	—	—	—	87,836	87,836
	$ —	$ 2,551	$ —	$ 757	$ 3,308	$ 63,712	$ 67,020	$ —	$2,521	$ —	$1,046	$ 3,567	$92,545	$96,112

	Six months ended June 30, 2023							Nine months ended September 30, 2023						
	Payment Status (Amortized Cost Basis)							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	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	$ —	$ —	$ —	$ —	$ —	$ 156	$ 156
SBL commercial mortgage								—	—	—	—	—	—	—
Direct lease financing								—	—	—	—	—	—	—
Real estate bridge lending								—	—	—	—	—	—	—
	$ —	$ —	$ —	$ —	$ —	$ 156	$ 156	$ —	$ —	$ —	$ —	$ —	$ 156	$ 156

[1] For the period nine months ended June 30, 2024 September 30, 2024, the “as is” weighted average LTV of the real estate bridge lending balances was less than 72.5% approximately 73%, and the “as stabilized” LTV was approximately 68% 66% based upon recent appraisals. appraisals performed within the past twelve months. “As stabilized” LTVs reflect the third-party appraiser’s estimated value after the rehabilitation is complete. On each property reflected in the balances, apartment complete and units are released at stabilized rates. Apartment improvements and renovations continue, sometimes utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of June 30, 2024 September 30, 2024.

The following table describes the financial effect of the modifications made during the three month and year-to-date periods ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023 (dollars in thousands):

	Three months ended June 30, 2024 September 30, 2024			Three months ended June 30, 2023 September 30, 2023		
	Combined Rate and Maturity			Combined Rate and Maturity		
	Weighted average interest reduction	Weighted average term extension (in months)	More-Than-Insignificant-Payment Delay More-than-insignificant-payment delay[2]	Weighted average interest reduction	Weighted average term extension (in months)	More-Than-Insignificant-Payment Delay More-than-insignificant-payment delay[2]
SBL non-real estate	—	—	— 0.46%	—	—	0.13% —
SBL commercial mortgage	—	—	—	—	—	—
Direct lease financing	—	12.0 —	—	—	—	—
Real estate bridge loans	— 1.27%	—	—	—	—	—

Six months ended June 30, 2024	Six months ended June 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Combined Rate and Maturity	Combined Rate and Maturity	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]	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	—	—	1.00%	—	—	0.13%	—	—	1.38%	—	—	0.12%
SBL commercial mortgage	—	—	0.51%	—	—	—	—	—	0.49%	—	—	—
Direct lease financing	—	12.0	—	—	—	—	—	12.0	—	—	—	—
Real estate bridge loans[1]	1.68%	—	1.27%	—	—	—	1.42%	—	1.23%	—	—	—

[1] For the period nine months ended June 30, 2024 September 30, 2024, the “as is” weighted average LTV of the real estate bridge lending balances was less than 72.5% approximately 73%, and the “as stabilized” LTV was approximately 68% 66% based upon recent appraisals. appraisals performed within the past twelve months. “As stabilized” LTVs reflect the third-party appraiser’s estimated value after the rehabilitation is complete. On each property reflected in the balances, apartment complete and units are released at stabilized rates. Apartment improvements and renovations continue, sometimes utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of June 30, 2024 September 30, 2024.

[2] Percentage represents the principal of loans deferred divided by the principal of the total loan portfolio.

While borrowers for a $12.3 million apartment property loan which had a six month payment deferral granted in the fourth quarter of 2023 have not resumed payments, the related “as is” and “as stabilized” LTV based on a May 2024 appraisal were 72% and 56%, respectively. That balance comprises the balance of REBL nonaccrual loans as of September 30, 2024. The “as stabilized” loan to value LTV measures the apartment property’s value after renovations have been completed and units have generally been released. re-leased.

There were no loans that received a term extension modification which had a payment default during the period and were modified in the twelve months before default.

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The Company had no commitments to extend additional credit to loans classified as modified for the periods ended June 30, 2024 September 30, 2024 or December 31, 2023.

18 Of the $84.4 million special mention and $155.4 million substandard REBL loans at September 30, 2024, $55.3 million were modified in the third quarter of 2024 and received reductions in interest rates and payment deferrals. Included in the $155.4 million was $26.9 million which had been modified in first quarter 2024 with a six month payment deferral. The third quarter additional modification was for an additional three month payment deferral and a partial nine month payment deferral.

Not included in the $55.3 million of REBL loans were (i) $19.3 million which was recapitalized with a new borrower, who negotiated a partial interest deferral and rate reduction, and (ii) $37.3 million which is accounted for at fair value, and as such, not reflected in modification totals. While payment deferrals have generally been for three to twelve months, that loan was granted a 15 month payment deferral, followed by a nine month partial payment deferral, in addition to an interest rate reduction. Going forward, the Company will not be accruing interest on this loan. The weighted average “as is” and “as stabilized” LTVs for the $19.3 million balance were 72% and 68%, respectively, while those LTVs for the $37.3 million were 73% and 65%, respectively.

There were $2.6 million $56.2 million and $67.0 million $96.1 million of total loans classified as modified for the three month and year-to-date periods ended September 30, 2024, respectively, with specific reserves of zero and $5,000, for the three month and year-to-date periods ended September 30, 2024, respectively. There were zero and $156,000 of loans classified as modified for the three month and year-to-date periods ended June 30, 2024, respectively, with specific reserves of zero and $7,000, for the three month and year-to-date periods ended June 30, 2024,respectively. There were $156,000 of loans classified as modified for each of the three month and year-to-date periods ended June 30, 2023 September 30, 2023. Substantially all of the reserves at June 30, 2024 September 30, 2024 related to the non-guaranteed portion of SBA loans.

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. review. With the exception of SBLOC and IBLOC, which utilize probability of default/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 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 *de minimus* losses have been incurred, probability of default/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 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 June 30, 2024, the ACL amounted to $28.6 million of which $11.4 million of allowances resulted from the Company's historical charge-off ratios, $3.4 million from reserves on specific loans, with the balance comprised of the qualitative components. The $11.4 million resulted primarily from SBA non-real estate lending and leasing charge-offs. The proportion of qualitative reserves compared to charge-off history related reserves reflects the general absence of charge-offs in the Company's largest loan portfolios consisting of SBLOC and IBLOC and real estate bridge lending which results, at least in part, from the nature of related collateral. Such collateral respectively consists 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. 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, 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

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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. In the second quarter of 2024, the provision for credit losses was reduced by $1.4 million to reflect reduced average lives for small business non-real estate loans.

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 had not, prior to the fourth quarter of 2023, increased the economic factor for 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. 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 factor, 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 experienced 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 multifamily housing. 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 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 June 30, 2024 September 30, 2024 and December 31, 2023 are as follows (in (dollars in thousands):

As of June 30, 2024 September 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving loans at amortized cost	Total
SBL non real estate								
Non-rated Pass	$ 782 28,815	$ 78,143	$ 29,382	$ 19,517	$ 5,969	$ 5,880	$ —$	—$—$—$—$—$782

Pass	18,560	76,234	30,454	20,459	7,533	6,714	—	159,954 167,706
Special mention	—	—	—	667	219 215	347 149	—	1,233 1,031
Substandard	— 443	595 964	1,085 1,995	1,145 1,438	412 451	1,036 1,141	—	4,273 6,432
Total SBL non-real estate	19,342 29,258	76,829 79,107	31,539 31,377	22,271 21,622	8,164 6,635	8,097 7,170	—	166,242 175,169
SBL commercial mortgage								
Pass	71,875 100,153	111,770 96,812	134,508 133,887	83,820 78,897	66,916 64,899	154,147 151,737	—	623,036 626,385
Special mention	—	—	534	1,112 1,108	—	2,423 2,413	—	4,069 4,055
Substandard	—	375 13,285	1,380	10,210 12,233	542 254	3,610 3,606	—	16,117 30,758
Total SBL commercial mortgage	71,875 100,153	112,145 110,097	136,422 135,801	95,142 92,238	67,458 65,153	160,180 157,756	—	643,222 661,198
SBL construction								
Pass	4,882 8,829	9,006 12,363	2,226 2,394	5,523 3,625	927	1,842 —	—	24,406 28,138
Substandard	—	—	—	5,765 1,310	—	710	—	6,475 2,020
Total SBL construction	4,882 8,829	9,006 12,363	2,226 2,394	11,288 4,935	927	2,552 710	—	30,881 30,158
Direct lease financing								
Non-rated	4,106 3,413	—	—	—	—	—	—	4,106 3,413
Pass	164,735 226,080	248,536 218,088	174,326 151,653	65,647 53,905	25,316 20,283	11,756 7,295	—	690,316 677,304
Special mention	13 2,079	1,338 2,403	2,991 2,837	2,099 1,922	238 136	178 113	—	6,857 9,490
Substandard	— 3,987	3,926 7,144	4,253 7,593	1,629 2,633	158 172	158 100	—	10,124 21,629
Total direct lease financing	168,854 235,559	253,800 227,635	181,570 162,083	69,375 58,460	25,712 20,591	12,092 7,508	—	711,403 711,836
SBLOC								
Non-rated	—	—	—	—	—	—	672 3,991	672 3,991
Pass	—	—	—	—	—	—	974,581 985,272	974,581 985,272
Total SBLOC	—	—	—	—	—	—	975,253 989,263	975,253 989,263
IBLOC								
Non-rated	—	—	—	—	—	—	52	52
Pass	—	—	—	—	—	—	582,292 553,351	582,292 553,351
Special mention	—	—	—	—	—	—	550 46	550 46
Substandard	—	—	—	—	—	—	503	503
Total IBLOC	—	—	—	—	—	—	582,842 553,952	582,842 553,952
Advisor financing								
Pass	29,197 54,214	90,245 86,674	58,614 55,480	27,906 23,241	22,371 18,511	—	—	228,333 238,120
Special mention	—	—	1,053 1,031	8,571 8,431	874 840	—	—	10,498 10,302
Total advisor financing	29,197 54,214	90,245 86,674	59,667 56,511	36,477 31,672	23,245 19,351	—	—	238,831 248,422

Real estate bridge loans								
Pass	173,926 353,084	424,409 421,321	952,091 807,514	392,496 368,011	—	—	—	1,942,922 1,949,930
Special mention(1)	16,913	—	36,318	42,781 31,153	—	—	—	96,012 84,384
Substandard(1)	8,667 27,644	—	59,423 103,875	12,300 23,928	—	—	—	80,390 155,447
Total real estate bridge loans	199,506 397,641	424,409 421,321	1,047,832 947,707	447,577 423,092	—	—	—	2,119,324 2,189,761
Other loans								
Non-rated	70,698 281,052	—	—	—	—	11,059 10,320	—	81,757 291,372
Pass	241 727	164 163	258 257	355 353	2,607	39,809 38,612	1,507 1,445	44,941 44,164
Special mention	—	—	—	—	—	298	—	298
Total other loans(2)	70,939 281,779	164 163	258 257	355 353	2,607	51,166 49,230	1,507 1,445	126,996 335,834
	$564,595 1,107,433	$966,598 937,360	$1,459,514 1,336,130	$682,485 632,372	$128,113 115,264	$234,087 222,374	$1,559,602 1,544,660	$5,594,994 5,895,593
Unamortized loan fees and costs	—	—	—	—	—	—	—	10,733 11,023
Total								$5,605,727 5,906,616

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(1) For the special mention and substandard real estate bridge loans, recent appraisals reflect a respective weighted average "as is" LTV of 78% 77% and a further estimated 69% 68% "as stabilized" LTV. The "as stabilized" LTV reflects the third-party appraiser's estimate of value after rehabilitation is complete. The special mention and substandard real estate bridge loans shown in 2024 reflected loans to new borrowers with greater financial capacity, with their original financing in the 2021 and 2022 vintages.

(2) Included in Other loans are $10.3 $9.2 million of SBA loans purchased for Community Reinvestment Act ("CRA") purposes as of June 30, 2024 September 30, 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, 2023	2023	2022	2021	2020	2019	Prior	Revolving loans at amortized cost	Total
SBL non real estate								
Non-rated	$ 507	$ —	$ —	$ —	$ —	$ —	$ —	$ 507
Pass	47,066	32,512	26,919	9,662	4,334	5,357	—	125,850
Special mention	460	—	258	1,101	119	337	—	2,275
Substandard	—	495	632	564	250	562	—	2,503
Total SBL non-real estate	48,033	33,007	27,809	11,327	4,703	6,256	—	131,135
SBL commercial mortgage								
Pass	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	—	—	—	452	1,853	1,928	—	4,233
Total SBL commercial mortgage	128,750	138,281	104,163	68,087	60,998	101,995	—	602,274
SBL construction								
Pass	2,848	5,966	1,877	927	4,534	—	—	16,152
Special mention	—	—	3,090	—	—	—	—	3,090

Substandard	—	—	2,675	—	—	710	—	3,385
Total SBL construction	2,848	5,966	7,642	927	4,534	710	—	22,627
	.							
Direct lease financing								
Non-rated	1,273	—	—	—	—	—	—	1,273
Pass	302,362	221,768	92,945	37,664	17,469	4,349	—	676,557
Special mention	—	666	202	125	146	—	—	1,139
Substandard	135	3,898	1,998	372	184	101	—	6,688
Total direct lease financing	303,770	226,332	95,145	38,161	17,799	4,450	—	685,657
SBLOC								
Non-rated	—	—	—	—	—	—	3,261	3,261
Pass	—	—	—	—	—	—	977,158	977,158
Total SBLOC	—	—	—	—	—	—	980,419	980,419
IBLOC								
Pass	—	—	—	—	—	—	646,230	646,230
Substandard	—	—	—	—	—	—	636	636
Total IBLOC	—	—	—	—	—	—	646,866	646,866
Advisor financing								
Pass	92,273	63,083	40,994	24,321	—	—	—	220,671
Special mention	—	—	—	941	—	—	—	941
Total advisor financing	92,273	63,083	40,994	25,262	—	—	—	221,612
Real estate bridge loans								
Pass	397,073	1,013,199	461,474	—	—	—	—	1,871,746
Special mention	—	59,423	16,913	—	—	—	—	76,336
Substandard	—	—	51,700	—	—	—	—	51,700
Total real estate bridge loans	397,073	1,072,622	530,087	—	—	—	—	1,999,782
Other loans								
Non-rated	2,555	—	—	—	—	11,513	—	14,068
Pass	165	260	363	2,609	2,314	40,101	1,593	47,405
Special mention	—	—	—	—	—	362	—	362
Substandard	—	—	—	—	—	132	—	132
Total other loans(1)	2,720	260	363	2,609	2,314	52,108	1,593	61,967
Total	$ 975,467	$ 1,539,551	$ 806,203	$ 146,373	$ 90,348	$ 165,519	$ 1,628,878	$ 5,352,339
Unamortized loan fees and costs	—	—	—	—	—	—	—	8,800
Total								$ 5,361,139

(1) Included in Other loans are $11.3 million of SBA loans purchased for CRA purposes as of 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 $1.6 million remaining to be reimbursed as of September 30, 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 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. 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 charge-offs have generally not been experienced for 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 classified loan balances, changes in economic conditions and underlying collateral and portfolio performance. In the third quarter of 2024, as a result of increased levels of loans classified as special mention or substandard, a new qualitative factor related to the level of such classified loans was added.

Consumer fintech loans. Consumer fintech loans consist of short-term extensions of credit including secured credit card loans made in conjunction with marketers and servicers. The majority of secured credit card balances are collateralized with deposits at the Bank, with related income statement impact reflected both in a lower cost of funds and fee income. The lower cost of funds results from balances required to be maintained to collateralize related card use. Fee income for consumer fintech loans is reflected in the "Consumer credit fintech fees" line of the income statement.

Other loans. Other loans include commercial and 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, 2024 and as of December 31, 2023 was $2.3 million and $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, 2024										
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	Other loans	Deferred fees and costs	Total
Beginning 1/1/2024	$ 6,059	$ 2,820	$ 285	$ 10,454	$ 813	$ 1,662	$ 4,740	$ —	$ 545	$ —	$ 27,378
Charge-offs	(431)	—	—	(3,625)	—	—	—	—	(16)	—	(4,072)
Recoveries	102	—	—	279	—	—	—	—	1	—	382
Provision (credit)	(757)	252	26	5,404	(41)	201	2,387	—	(156)	—	7,316
Ending balance	$ 4,973	$ 3,072	$ 311	$ 12,512	$ 772	$ 1,863	$ 7,127	$ —	$ 374	$ —	$ 31,004
Ending balance: Individually evaluated for expected credit loss	$ 585	$ 931	$ 117	$ 1,867	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,500
Ending balance: Collectively evaluated for expected credit loss	$ 4,388	$ 2,141	$ 194	$ 10,645	$ 772	$ 1,863	$ 7,127	$ —	$ 374	$ —	$ 27,504
Loans:											
Ending balance	$ 179,915	$ 665,608	$ 30,158	$ 711,836	$ 1,543,215	$ 248,422	$ 2,189,761	$ 280,092	$ 46,586	$ 11,023	$ 5,906,616
Ending balance: Individually evaluated for expected credit loss	$ 3,113	$ 4,898	$ 1,585	$ 3,919	$ —	$ —	$ 12,300	$ —	$ 222	$ —	$ 26,037
Ending balance: Collectively evaluated for expected credit loss	$ 176,802	$ 660,710	$ 28,573	$ 707,917	$ 1,543,215	$ 248,422	$ 2,177,461	$ 280,092	$ 46,364	$ 11,023	$ 5,880,579

December 31, 2023

	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	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
Charge-offs	(871)	(76)	—	(3,666)	(24)	—	—	—	(3)	—	(4,640)
Recoveries	475	75	—	330	—	—	—	—	299	—	1,179
Provision (credit)	1,427	236	(280)	5,818	(330)	369	1,619	—	(394)	—	8,465
Ending balance	$ 6,059	$ 2,820	$ 285	$ 10,454	$ 813	$ 1,662	$ 4,740	$ —	$ 545	$ —	$ 27,378
Ending balance: Individually evaluated for expected credit loss	$ 670	$ 343	$ 44	$ 1,827	$ —	$ —	$ —	$ —	$ 4	$ —	$ 2,888
Ending balance: Collectively evaluated for expected credit loss	$ 5,389	$ 2,477	$ 241	$ 8,627	$ 813	$ 1,662	$ 4,740	$ —	$ 541	$ —	$ 24,490
Loans:											
Ending balance	$ 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	$ 1,919	$ 2,381	$ 3,385	$ 3,785	$ —	$ —	$ —	$ —	$ 362	$ —	$ 11,832
Ending balance: Collectively evaluated for expected credit loss	$ 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, 2023										
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	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
Charge-offs	(871)	—	—	(2,804)	—	—	—	—	(3)	—	(3,678)
Recoveries	446	75	—	220	—	—	—	—	299	—	1,040
Provision (credit)	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

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

As of September 30, 2024	2024	2023	2022	2021	2020	Prior	Total
SBL non-real estate							
Current period charge-offs	$ (14)	$ (53)	$ —	$ (101)	$ (192)	$ (71)	$ (431)
Current period recoveries	—	7	—	—	—	95	102
Current period SBL non-real estate net charge-offs	(14)	(46)	—	(101)	(192)	24	(329)
SBL commercial mortgage							
Current period charge-offs	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	—	—
Current period SBL commercial mortgage net charge-offs	—	—	—	—	—	—	—
SBL construction							
Current period charge-offs	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	—	—
Current period SBL construction net charge-offs	—	—	—	—	—	—	—
Direct lease financing							
Current period charge-offs	(3)	(478)	(2,274)	(810)	(46)	(14)	(3,625)
Current period recoveries	—	39	155	67	8	10	279
Current period direct lease financing net charge-offs	(3)	(439)	(2,119)	(743)	(38)	(4)	(3,346)
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)	—	—	—	(10)	(16)
Current period recoveries	—	—	—	—	—	1	1
Current period other loans net recoveries	—	(6)	—	—	—	(9)	(15)
Total							
Current period charge-offs	(17)	(537)	(2,274)	(911)	(238)	(95)	(4,072)
Current period recoveries	—	46	155	67	8	106	382
Current period net charge-offs	$ (17)	$ (491)	$ (2,119)	$ (844)	$ (230)	$ 11	$ (3,690)

As of December 31, 2023	2023	2022	2021	2020	2019	Prior	Total
SBL non-real estate							
Current period charge-offs	$ —	$ —	$ —	$ —	$ —	$ (871)	$ (871)
Current period recoveries	—	—	—	—	—	475	475
Current period SBL non-real estate net charge-offs	—	—	—	—	—	(396)	(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	(138)	(2,138)	(1,117)	(234)	(39)	—	(3,666)
Current period recoveries	—	48	168	96	—	18	330
Current period direct lease financing net charge-offs	(138)	(2,090)	(949)	(138)	(39)	18	(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	—	—	—	—	—	299	299
Current period other loans net charge-offs	—	—	—	—	—	296	296
Total							
Current period charge-offs	(138)	(2,150)	(1,129)	(234)	(39)	(950)	(4,640)
Current period recoveries	—	48	168	96	—	867	1,179
Current period net charge-offs	$ (138)	$ (2,102)	$ (961)	$ (138)	$ (39)	$ (83)	$ (3,461)

The Company did not have loans acquired with deteriorated credit quality at either September 30, 2024 or December 31, 2023. In the first nine months of 2024, the Company purchased $35.9 million of SBLs, none of which were credit deteriorated. Additionally, in the first nine months of 2024, the Company participated in SBLs with other institutions in the amount of $7.5 million.

The non-accrual 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 months ended September 30, 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 apartmentbuildings, 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 (dollars in thousands):

	September 30, 2024						
	30-59 days past due	60-89 days past due	90+ days still accruing	Non-accrual	Total past due and non-accrual	Current	Total loans
SBL non-real estate	$ 72	$ 322	$ 758	$ 3,047	$ 4,199	$ 175,716	$ 179,915
SBL commercial mortgage	—	—	336	4,898	5,234	660,374	665,608
SBL construction	—	—	—	1,585	1,585	28,573	30,158
Direct lease financing	5,791	12,883	1,260	3,919	23,853	687,983	711,836
SBLOC / IBLOC	10,251	2,014	2,383	—	14,648	1,528,567	1,543,215
Advisor financing	—	—	—	—	—	248,422	248,422
Real estate bridge loans[1]	—	—	—	12,300	12,300	2,177,461	2,189,761
Consumer fintech	4,021	4	—	—	4,025	276,067	280,092
Other loans	—	—	—	—	—	46,586	46,586
Unamortized loan fees and costs	—	—	—	—	—	11,023	11,023
	$ 20,135	$ 15,223	$ 4,737	$ 25,749	$ 65,844	$ 5,840,772	$ 5,906,616

	December 31, 2023						
	30-59 days past due	60-89 days past due	90+ days still accruing	Non-accrual	Total past due and non-accrual	Current	Total loans
SBL non-real estate	$ 84	$ 333	$ 336	$ 1,842	$ 2,595	$ 135,157	$ 137,752
SBL commercial mortgage	2,183	—	—	2,381	4,564	602,422	606,986
SBL construction	—	—	—	3,385	3,385	19,242	22,627
Direct lease financing	5,163	1,209	485	3,785	10,642	675,015	685,657
SBLOC / IBLOC	21,934	3,607	745	—	26,286	1,600,999	1,627,285
Advisor financing	—	—	—	—	—	221,612	221,612
Real estate bridge loans	—	—	—	—	—	1,999,782	1,999,782
Consumer fintech	—	—	—	—	—	—	—
Other loans	853	76	178	132	1,239	49,399	50,638
Unamortized loan fees and costs	—	—	—	—	—	8,800	8,800
	$ 30,217	$ 5,225	$ 1,744	$ 11,525	$ 48,711	$ 5,312,428	$ 5,361,139

[1] The $12.3 million shown in the non-accrual column for real estate bridge loans is collateralized by apartment building property with respective 72% and 56% "as is" and "as stabilized" LTVs, respectively, based upon a May 2024 appraisal. "As stabilized" LTVs represent additional potential collateral value as rehabilitation progresses, and units are re-leased at stabilized rental rates. The table above does not include an $11.2 million loan accounted for at fair value, and, as such, not reflected in delinquency tables. In third quarter 2024, the borrower notified the Company that he would no longer be making payments on the loan, which is collateralized by a vacant retail property. Based upon a July 2024 appraisal, the "as is" LTV is 84% and the "as stabilized" LTV is 62%. Since 2021, real estate bridge lending originations have consisted of apartment buildings, while this loan was originated previously.

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

Remaining 2024	$ 64,912
2025	195,067
2026	169,273
2027	96,674
2028	49,469
2029 and thereafter	15,845
Total undiscounted cash flows	591,240
Residual value[1]	224,392
Difference between undiscounted cash flows and discounted cash flows	(103,796)
Present value of lease payments recorded as lease receivables	$ 711,836

[1] Of the $224,392,000, $49,856,000 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, 2024 and 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, 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 $5.2 million at September 30, 2024 and $5.7 million at 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 $4,800 and $164,000 for legal services for the nine months ended September 30, 2024 and 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 $55.8 million and $1.04 billion as of September 30, 2024 and December 31, 2023, respectively, which approximated fair values.

The estimated Level 2 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 quarter of 2024 and 2023, there were no transfers between the three levels.

Federal Reserve, FHLB, and ACBB stock, are held as required by those respective institutions and are carried at cost. Each of these institutions require their 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 varying levels of borrowing 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.

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 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 (dollars in thousands) as of the dates indicated:

	September 30, 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)
Investment securities, available-for-sale	$ 1,588,289	$ 1,588,289	$ —	$ 1,576,972	$ 11,317
Federal Reserve, FHLB and ACBB stock	21,717	21,717	—	—	21,717
Commercial loans, at fair value	252,004	252,004	—	—	252,004
Loans, net of deferred loan fees and costs	5,906,616	5,807,267	—	—	5,807,267
Demand and interest checking	6,844,128	6,844,128	—	6,844,128	—
Savings and money market	81,624	81,624	—	81,624	—
Senior debt	96,125	93,726	—	93,726	—
Subordinated debentures	13,401	10,991	—	—	10,991
Other long-term borrowings	38,157	38,157	—	38,157	—
Short-term borrowings	135,000	135,000	135,000	—	—

	December 31, 2023		
	Quoted prices in	Significant other	Significant

	Carrying amount	Estimated fair value	active markets for identical assets (Level 1)	observable inputs (Level 2)	unobservable inputs (Level 3)
Investment securities, available-for-sale	$ 747,534	$ 747,534	$ —	$ 735,463	$ 12,071
Federal Reserve, FHLB and ACBB stock	15,591	15,591	—	—	15,591
Commercial loans, at fair value	332,766	332,766	—	—	332,766
Loans, net of deferred loan fees and costs	5,361,139	5,329,436	—	—	5,329,436
Interest rate swaps, asset	285	285	—	285	—
Demand and interest checking	6,630,251	6,630,251	—	6,630,251	—
Savings and money market	50,659	50,659	—	50,659	—
Senior debt	95,859	96,539	—	96,539	—
Subordinated debentures	13,401	11,470	—	—	11,470
Other long-term borrowings	38,561	38,561	—	38,561	—
Securities sold under agreements to repurchase	42	42	42	—	—

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

		Fair Value Measurements at Reporting Date Using		
	Fair value September 30, 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	$ 31,018	$ —	$ 31,018	$ —
Asset-backed securities	236,924	—	236,924	—
Obligations of states and political subdivisions	42,938	—	42,938	—
Residential mortgage-backed securities	463,608	—	463,608	—
Collateralized mortgage obligation securities	28,493	—	28,493	—
Commercial mortgage-backed securities	785,308	—	773,991	11,317
Total investment securities, available-for-sale	1,588,289	—	1,576,972	11,317
Commercial loans, at fair value	252,004	—	—	252,004
	$ 1,840,293	$ —	$ 1,576,972	$ 263,321

		Fair Value Measurements at Reporting Date Using		
	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	$ 33,886	$ —	$ 33,886	$ —
Asset-backed securities	325,353	—	325,353	—
Obligations of states and political subdivisions	47,237	—	47,237	—
Residential mortgage-backed securities	160,767	—	160,767	—
Collateralized mortgage obligation securities	34,038	—	34,038	—
Commercial mortgage-backed securities	146,253	—	134,182	12,071

Total investment securities, available-for-sale	747,534	—	735,463	12,071
Commercial loans, at fair value	332,766	—	—	332,766
Interest rate swaps, asset	285	—	285	—
	$ 1,080,585	$ —	$ 735,748	$ 344,837

The Company’s year-to-date Level 3 asset activity for the categories shown are summarized below (dollars in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Available-for-sale securities		Commercial loans, at fair value	
	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Beginning balance	$ 12,071	$ 20,023	$ 332,766	$ 589,143
Transfers to OREO	—	—	(1,744)	(2,686)
Total net (losses) or gains (realized/unrealized)				
Included in earnings	—	—	2,489	3,869
Included in earnings (included in credit loss)	—	(10,000)	—	—
Included in other comprehensive income (loss)	(754)	2,048	—	—
Purchases, advances, sales and settlements				
Advances	—	—	—	134,256
Settlements	—	—	(81,507)	(391,816)
Ending balance	$ 11,317	$ 12,071	$ 252,004	$ 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 year-to-date OREO activity is summarized below (dollars in thousands) as of the dates indicated:

	September 30, 2024	December 31, 2023
Beginning balance	$ 16,949	$ 21,210
Transfer from loans, net	42,120	—
Transfer from commercial loans, at fair value	1,744	2,686
Advances	926	—
Write-downs	—	(1,147)
Sales	—	(5,800)
Ending balance	$ 61,739	$ 16,949

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, 2024	Valuation techniques	Unobservable inputs	Range at September 30, 2024	Weighted average at September 30, 2024
Commercial mortgage-backed investment security[(1)]	$ 11,317	Discounted cash flow	Discount rate	15.00%	15.00%
Commercial - SBA[(2)]	93,888	Discounted cash flow	Discount rate	7.10%	7.10%
Non-SBA commercial real estate - fixed[(3)]	146,701	Discounted cash flow	Discount rate	7.00%-10.80%	8.82%

Non-SBA commercial real estate - floating[4]	11,415	Discounted cash flow	Discount rate	9.20%-16.20%	12.02%
Commercial loans, at fair value	252,004				
OREO[5]	61,739	Appraised value	N/A	N/A	N/A

	Level 3 instruments only				
	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	$ 12,071	Discounted cash flow	Discount rate	14.00%	14.00%
Commercial - SBA	119,287	Discounted cash flow	Discount rate	7.46%	7.46%
Non-SBA commercial real estate - fixed	162,674	Discounted cash flow and appraisal	Discount rate	8.00%-12.30%	8.76%
Non-SBA commercial real estate - floating	50,805	Discounted cash flow	Discount rate	9.30%-16.50%	14.19%
Commercial loans, at fair value	332,766				
OREO	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, 2024 table.

[1]Commercial mortgage-backed investment security, consisting of a single 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 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, which was transferred to nonaccrual status in the third quarter of 2024, see “Note 6. Loans.”

[2] 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.

[3] Non-SBA commercial real estate – fixed are fixed rate non-SBA commercial real estate mortgages. These loans are fair valued by a 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.

[4] Non-SBA commercial real estate – floating are floating rate non-SBA loans, the majority of which are secured by 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, 2024, these loans were fair valued by a third-party, based upon discounting at market rates for similar loans.

[5] For OREO, fair value is based upon appraisals of the underlying collateral by 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 (dollars in thousands). The non-accrual 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.

		Fair Value Measurements at Reporting Date Using		
Description	Fair value September 30, 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 with specific reserves[1]	$ 5,410	$ —	$ —	$ 5,410
OREO	61,739	—	—	61,739
	$ 67,149	$ —	$ —	$ 67,149

		Fair Value Measurements at Reporting Date Using		
Description	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 with specific reserves[1]	$ 8,944	$ —	$ —	$ 8,944
OREO	16,949	—	—	16,949
	$ 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.

At September 30, 2024, principal on collateral dependent loans, which is accounted for on the basis of the value of underlying collateral, is shown at an estimated fair value of $5.4 million. To arrive at that fair value, related loan principal of $8.9 million was reduced by specific reserves of $3.5 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. Valuation techniques consistent with the market and/or cost approach were used to measure fair value and primarily included observable inputs for the individual loans being evaluated such as recent sales of similar 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.

Note 9. 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 ($539,000 over the next three years). The gross carrying amount of the customer list intangible is $3.4 million, and as of September 30, 2024, and December 31, 2023, respectively, the accumulated amortization expense was $2.9 million and $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 $273,000 at September 30, 2024 and $230,000 at 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, 2024 and December 31, 2023 are presented below:

	September 30, 2024		December 31, 2023	
	Gross Carrying	Accumulated	Gross Carrying	Accumulated

	Amount	Amortization	Amount	Amortization
	(Dollars in thousands)			
Customer list intangibles	$ 4,093	$ 3,138	$ 4,093	$ 2,840
Goodwill	263	—	263	—
Trade Name	135	—	135	—
Total	$ 4,491	$ 3,138	$ 4,491	$ 2,840

Note 10. Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures.*

ASU 2023-07 enhances segment level disclosures, for both annual and quarterly reporting periods and is effective with the December 31, 2024 financial statements. As a result of the enhancements, segment disclosures will include greater detail surrounding the nature of expenses now reported as a single line item in the segment income statements. In addition to disclosing the chief operational decision maker by title and position, an explanation of how the segment information is used by that decision maker will be summarized.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes(Topic 740), Improvements to Income Tax Disclosures.* ASU 2023-09, effective January 1, 2025, adds annual disclosures for the amount of income taxes paid, net of refunds, shown separately for federal, state and foreign taxes. Total tax paid, net of refunds, for any jurisdictions which exceed 5% of total net taxes paid, will also be shown separately. The Company is currently evaluating these disclosures.

Note 11. Shareholders' Equity

On October 20, 2021, the Board of Directors (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"). Under the 2023 Repurchase Program, the Company repurchased $25.0 million in value of the Company's common stock in each quarter of 2023.

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. 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 Securities Exchange Act of 1934, as amended (the "Exchange Act"). The 2024 Repurchase Program may be modified or terminated at any time. During the three and nine months ended September 30, 2024, the Company repurchased 1,037,069 shares and 5,317,686 shares of its common stock in the open market under the 2024 Repurchase Program at an average price of $48.22 per share and $37.61 per share, respectively.

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, with $50 million

in repurchases planned for each remaining quarter of 2024. 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.

Note 12. Regulatory Matters

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

Various federal and state statutory provisions limit the amount of dividends that subsidiary banks can pay to their holding companies without regulatory approval. 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.

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 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
As of September 30, 2024				
The Bancorp, Inc.	9.86%	13.62%	14.19%	13.62%
The Bancorp Bank, National Association	10.94%	15.11%	15.67%	15.11%
"Well capitalized" institution (under federal regulations-Basel III)	5.00%	8.00%	10.00%	6.50%
As of December 31, 2023				
The Bancorp, Inc.	11.19%	15.66%	16.23%	15.66%
The Bancorp Bank, National Association	12.37%	17.35%	17.92%	17.35%
"Well capitalized" institution (under federal regulations-Basel III)	5.00%	8.00%	10.00%	6.50%

Note 13. 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*. 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 September 14, 2021, Cachet Financial Services ("Cachet") filed an adversary proceeding against the Bank in the U.S. Bankruptcy Court for the Central District of California, titled *Cachet Financial Services, Plaintiff v. The Bancorp Bank, et al., 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; 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 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. On September 12, 2024, the Bank's partial motion to dismiss, seeking to dispose of the majority of Cachet's claims was denied on procedural grounds and without reaching the issues the Bank raised in its partial motion to dismiss. On October 31, 2024, Cachet filed its Second Amended Complaint, which as related to the Bank, is substantially similar to the First Amended Complaint; however, the Second Amended Complaint seeks only "damages in amount to be proven at trial" whereas the First Amended Complaint sought "damages in amount to be proven but in no event less than $150 million." The Bank will defend against the Second Amended Complaint and respond to the Second Amended Complaint in compliance with applicable deadlines, as may be amended. 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 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 is vigorously defending against the claims. On May 6, 2024, TBBK Card filed a motion to quash service of summons as to TBBK Card for lack of personal jurisdiction, which is still pending. 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 14. Segment Financials

The Company's operations can be classified under three segments: payments, specialty finance and corporate. The chief operating decision maker for these segments is the Chief Executive Officer. The payments segment includes the deposit balances and non-interest income generated by prepaid, debit and other card accessed accounts, ACH proccessing and other payments related processing. It also includes loan balances and interest and non-interest income from credit products generated through payment relationships. Specialty finance includes: (i) REBL (real estate bridge lending) comprised primarily of apartment building rehabilitation loans (ii) institutional banking comprised primarily of security-backed lines of credit, cash value insurance policy-backed lines of credit and advisor financing and (iii) commercial loans comprised primarily of SBA loans and direct lease financing. It also includes deposits generated by those business lines. Corporate includes the Company's investment securities, corporate overhead and expenses which have not been allocated to segments. Expenses not allocated include certain management, board oversight, administrative, legal, IT and technology infrastructure, human resouces, audit, regulatory and CRA, finance and accounting, marketing and other corporate expenses.

In the segment reporting below, a non-GAAP subtotal is shown, captioned "Income before non-interest expense allocation". That subtotal presents an income subotal before consideration of allocated corporate expenses which might be fixed, semi-fixed or otherwise resist changes without regard to a particular line of business. It also reflects a market-based allocation of interest expense to financing segments which utilize funding from deposits generated by the payments segment, which earns offsetting interest income. That allocation is shown in the "Interest allocation" line item. The rate utilized for the allocation corresponds to an estimated average of the three year FHLB rate. The payments segment interest expense line item consists of interest expense actually incurred to generate its deposits, which is the Company's actual cost of funds. That actual cost is allocated to the corporate segment which requires funding for the Company's investment securities portfolio.

The more significant non-interest expense categories correspond to the Company's consolidated statements of operations and include salaries and employee benefits, data processing and software expenses that are incurred directly by those segments. Expenses incurred by departments which provide support services to the segments also include those categories of expense and others which are allocated to segments based on estimated usage. Those support department allocations are reflected in the “Risk, financial crimes and compliance” and “Information technology and operations” line items. Other expenses not shown separately are monitored for purposes of expense management, but, unless atypically high, are ordinarily of lesser significance than the categories noted above.

For the payments segment, deposit growth and the cost thereof and non-interest income growth, are factors in the decision making process and are respectively reported in the consolidated statemens of operations. For specialty finance, loan growth and related yields are factors in decision making. Comparative loan balance information measuring loan growth is presented in Note-E Loans. In addition to consideration of the above profitability and growth aspects of its operations, decision making is focused on the management of current and future potential risks. Such risks include, but are not limited to, credit, interest rate, liquidity, regulatory, and reputation. The loan committee provides support and oversight for credit risk, while the asset liability committee provides support and oversight over pricing, duration and liquidity. The risk committee provides further oversight over those areas in addition to regulatory, reputation and other risks.

The following tables provide segment information for the periods indicated (dollars in thousands):

	For the three months ended September 30, 2024					
	Payments	REBL	Institutional Banking	Commercial	Corporate	Total
Interest income	$ 32	$ 51,994	$ 30,765	$ 32,278	$ 24,611	$ 139,680
Interest allocation	61,532	(23,193)	(16,223)	(16,521)	(5,595)	—
Interest expense	40,932	—	906	14	4,096	45,948
Net interest income	20,632	28,801	13,636	15,743	14,920	93,732
Provision for credit losses	—	2,245	93	1,218	(1)	3,555
Non-interest income	29,431	782	214	1,656	25	32,108
Direct non-interest expense						
Salaries and employee benefits	3,803	921	2,195	4,819	22,083	33,821
Data processing expense	388	43	576	2	399	1,408
Software	122	26	741	435	3,237	4,561
Other	2,318	1,062	538	1,905	7,642	13,465
Income before non-interest expense allocations	43,432	25,286	9,707	9,020	(18,415)	69,030
Non-interest expense allocations						
Risk, financial crimes, and compliance	6,719	536	748	1,215	(9,218)	—
Information technology and operations	3,420	191	1,498	1,876	(6,985)	—
Other allocated expenses	4,000	752	1,656	1,793	(8,201)	—
Total non-interest expense allocations	14,139	1,479	3,902	4,884	(24,404)	—
Income before taxes	29,293	23,807	5,805	4,136	5,989	69,030
Income tax expense	7,432	6,040	1,473	1,049	1,519	17,513
Net income	$ 21,861	$ 17,767	$ 4,332	$ 3,087	$ 4,470	$ 51,517

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	For the three months ended September 30, 2023					
	Payments	REBL	Institutional Banking	Commercial	Corporate	Total
Interest income	$ 54	$ 49,945	$ 33,543	$ 26,240	$ 19,186	$ 128,968
Interest allocation	72,304	(26,664)	(22,363)	(19,077)	(4,200)	—
Interest expense	37,186	127	990	—	1,783	40,086
Net interest income	35,172	23,154	10,190	7,163	13,203	88,882
Provision for credit losses	—	8	132	1,874	(262)	1,752
Non-interest income	24,101	1,040	—	1,998	(359)	26,780
Direct non-interest expense						
Salaries and employee benefits	3,332	924	2,230	4,038	19,951	30,475
Data processing expense	328	42	609	1	424	1,404

	Payments	REBL	Institutional Banking	Commercial	Corporate	Total
Software	143	25	706	331	3,222	4,427
Other	2,512	734	540	2,173	5,194	11,153
Income before non-interest expense allocations	52,958	22,461	5,973	744	(15,685)	66,451
Non-interest expense allocations						
Risk, financial crimes, and compliance	6,567	318	471	660	(8,016)	—
Information technology and operations	3,248	214	1,701	1,643	(6,806)	—
Other allocated expenses	2,903	573	1,489	1,558	(6,523)	—
Total non-interest expense allocations	12,718	1,105	3,661	3,861	(21,345)	—
Income before taxes	40,240	21,356	2,312	(3,117)	5,660	66,451
Income tax expense (benefit)	9,879	5,243	568	(765)	1,389	16,314
Net income (loss)	$ 30,361	$ 16,113	$ 1,744	$ (2,352)	$ 4,271	$ 50,137

	For the nine months ended September 30, 2024					
	Payments	REBL	Institutional Banking	Commercial	Corporate	Total
Interest income	$ 33	$ 157,010	$ 91,987	$ 92,316	$ 71,442	$ 412,788
Interest allocation	196,251	(73,570)	(53,111)	(52,499)	(17,071)	—
Interest expense	117,884	—	2,607	25	10,327	130,843
Net interest income	78,400	83,440	36,269	39,792	44,044	281,945
Provision for credit losses	—	2,555	166	4,427	(172)	6,976
Non-interest income	84,639	2,646	214	4,251	462	92,212
Direct non-interest expense						
Salaries and employee benefits	11,433	2,917	6,784	13,653	63,177	97,964
Data processing expense	1,155	125	1,771	5	1,196	4,252
Software	364	78	2,253	1,343	9,649	13,687
Other	6,728	2,601	1,663	5,836	18,682	35,510
Income before non-interest expense allocations	143,359	77,810	23,846	18,779	(48,026)	215,768
Non-interest expense allocations						
Risk, financial crimes, and compliance	20,150	1,621	2,248	3,665	(27,684)	—
Information technology and operations	10,151	539	4,449	5,533	(20,672)	—
Other allocated expenses	11,830	2,244	4,904	5,266	(24,244)	—
Total non-interest expense allocations	42,131	4,404	11,601	14,464	(72,600)	—
Income before taxes	101,228	73,406	12,245	4,315	24,574	215,768
Income tax expense	25,398	18,418	3,072	1,083	6,165	54,136
Net income	$ 75,830	$ 54,988	$ 9,173	$ 3,232	$ 18,409	$ 161,632

	For the nine months ended September 30, 2023					
	Payments	REBL	Institutional Banking	Commercial	Corporate	Total
Interest income	$ 94	$ 142,846	$ 104,203	$ 74,659	$ 55,632	$ 377,434
Interest allocation	202,076	(74,141)	(66,700)	(51,813)	(9,422)	—
Interest expense	102,353	382	3,520	—	9,286	115,541
Net interest income	99,817	68,323	33,983	22,846	36,924	261,893
Provision for credit losses	—	216	(146)	4,313	(367)	4,016
Non-interest income	74,269	5,824	521	5,178	(687)	85,105
Direct non-interest expense						
Salaries and employee benefits	10,077	2,796	7,764	12,570	60,220	93,427

Data processing expense	987	122	1,767	5	1,242	4,123
Software	422	74	2,057	1,028	9,400	12,981
Other	7,218	2,875	1,396	5,949	17,463	34,901
Income before non-interest expense allocations	155,382	68,064	21,666	4,159	(51,721)	197,550
Non-interest expense allocations						
Risk, financial crimes, and compliance	19,520	910	1,292	1,832	(23,554)	—
Information technology and operations	9,575	610	5,238	4,735	(20,158)	—
Other allocated expenses	8,540	1,728	4,425	4,356	(19,049)	—
Total non-interest expense allocations	37,635	3,248	10,955	10,923	(62,761)	—
Income (loss) before taxes	117,747	64,816	10,711	(6,764)	11,040	197,550
Income tax expense (benefit)	29,374	16,169	2,672	(1,687)	2,754	49,282
Net income (loss)	$ 88,373	$ 48,647	$ 8,039	$ (5,077)	$ 8,286	$ 148,268

	September 30, 2024					
	Payments	REBL	Institutional Banking	Commercial	Corporate	Total
Total assets	$ 327,349	$ 2,340,542	$ 1,815,344	$ 1,659,299	$ 1,952,056	$ 8,094,590
Total liabilities	$ 6,370,558	$ 2,476	$ 197,605	$ 12,782	$ 695,843	$ 7,279,264

	December 31, 2023					
	Payments	REBL	Institutional Banking	Commercial	Corporate	Total
Total assets	$ 42,769	$ 2,208,030	$ 1,867,702	$ 1,468,654	$ 2,118,540	$ 7,705,695
Total liabilities	$ 6,412,911	$ 3,258	$ 186,503	$ 9,718	$ 286,024	$ 6,898,414

Note 15. Subsequent Events

The Company evaluated its September 30, 2024 consolidated financial statements for subsequent events through the date the consolidated financial statements were issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

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 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, statements regarding The Bancorp's business, that are not historical facts, are "forward-looking statements." These statements may be identified by the use of forward-looking terminology, including, but not limited to the words "intend," "may," "believe," "will," "expect," "look," "anticipate," "plan," "estimate," "continue," or similar words. Forward-looking statements include but are not limited to, statements regarding our annual fiscal 2024 results, profitability, and increased volumes, and relate to our current assumptions, projections, and expectations about our business and future events, including current expectations about important economic, political, and technological factors, among other factors, and are subject to risks and uncertainties, which could cause the actual results, events, or achievements to differ materially from those set forth in or implied by the forward-looking statements and related assumptions. Factors that could cause results to differ from those expressed in the forward-looking statements also include, but are not limited to, the risks and uncertainties referenced or described in The Bancorp's filings with the Securities and Exchange Commission, including the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and other documents that the Company files from time to time with the Securities and Exchange Commission 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, or are otherwise regulated, including as a result of the implementation or adoption of pending regulatory change;*
- *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;*
- *our entry into consumer fintech lending and its future potential impact on our operations and financial condition;*
- *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

As previously disclosed in our Form 10-Q for the quarter ended June 30, 2024, the Company entered into a purchase and sale agreement for an apartment property acquired by our wholly-owned subsidiary, The Bancorp Bank, National Association, through foreclosure in connection with a real estate bridge lending ("REBL") loan. At September 30, 2024, the related $40.3 million balance, comprised the majority of our OREO. Subsequent to the previously reported $125,000 earnest money deposit in July 2024, the purchaser has made additional earnest money deposits of $250,000 bringing the total of such deposits to $375,000 in 2024. Additional required deposits are projected to total $500,000 prior to the December 31, 2024 closing deadline. The sales price is expected to cover the Company's current OREO balance plus the forecasted cost of improvements to the property. There can be no assurance that the purchaser will consummate the sale of the property, but if not consummated, earnest money deposits would accrue to the Company.

While real estate bridge loans classified as either special mention or substandard increased during the quarter, we believe that such classifications are at or near their peak. That conclusion is based, at least in part, on an independent review of a significant portion of the REBL portfolio performed during the third quarter by a firm specializing in such analysis. Additionally, the 50 basis point Federal Reserve rate reduction may provide immediate cash flow benefits to borrowers, while the further declining forward yield curve should support further liquidity benefits, as fixed rates decline. Moreover, respective weighted average "as is" and "as stabilized" LTVs of 77% and 68%, respectively, based upon appraisals in the past twelve months, continue to provide significant protection against loss. Underlying property values as supported by such independent LTVs, continue to facilitate the recapitalization of certain loans from borrowers experiencing cash flow issues, to borrowers with greater financial capacity. At September 30, 2024, real estate bridge loans classified as special mention and substandard respectively amounted to $84.4 million and $155.4 million compared to $96.0 million and $80.4 million at June 30, 2024. Each classified loan was evaluated for a potential increase in the allowance for credit losses ("ACL") on the basis of a third-party appraisals of apartment building collateral. On the basis of "as is" and "as stabilized" LTVs, increases to the allowance were not required. The current allowance for credit losses for REBL, is primarily based upon historical industry losses for multi-family loans, in the absence of significant charge-offs within the Company's REBL portfolio. As a result of increasing amounts of loans classified as special mention and substandard, the Company evaluated potential related sensitivity for REBL in the third quarter. Such evaluation is inherently subjective as it requires material estimatesthat may be susceptible to change as more information becomes available. As a result, the Company added a new qualitative factor to its ACL with a cumulative after-tax impact of approximately $1.5 million ($2.0 million pre-tax), as described in "Note 6. Loans."

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 collateralized by marketable securities and the cash value of life insurance, respectively, while SBA loans are either SBA 7(a) loans that come with significant government-related guarantees, or SBA 504 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 the Company’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. 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 in our national specialty finance segment:

- SBLOC, IBLOC, and investment advisor financing;
- leasing (direct lease financing);
- SBLs, consisting primarily of SBA loans;
- non-SBA commercial real estate bridge loans; and
- beginning in 2024, consumer fintech lending.

SBLOCs and IBLOCs are loans 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 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 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.”

In the second quarter of 2024, we initiated our measured entry into consumer fintech lending, by which we make consumer loans with the marketing and servicing assistance of existing and planned new fintech relationships. While the $280.1 million of such loans at September 30, 2024 did not significantly impact income during the quarter, such lending is expected to meaningfully impact both the balance sheet and income in the future. We expect that impact will be reflected in a lower cost of funds for related deposits and increased transaction fees.

The majority of our deposits and non-interest income are generated in our payments segment, or Fintech Solutions Group, which consists of consumer transaction accounts accessed by Bank-issued prepaid or debit cards and payment companies that process their clients’ corporate and consumer payments, automated clearing house (“ACH”) accounts, the collection of card payments on behalf of merchants and other payments through our Bank. The card-accessed deposit accounts are comprised of debit and prepaid card accounts that are generated by companies that market directly to end users. Our card-accessed 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 payment accounts and others. Our ACH accounts facilitate bill payments and our acquiring accounts provide clearing and settlement services for payments made to merchants which must be settled through associations such as Visa or Mastercard. Consumer transaction account banking services are provided to organizations with a pre-existing customer base tailored to support or complement the services provided by these organizations to their customers, which we refer to as “affinity or private label 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 $51.5 million for the third quarter of 2024, from $50.1 million for the third quarter of 2023. Our cost of funds rose slightly to 2.54% in the third quarter of 2024 from 2.50% in the third quarter of 2023. 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 quarter of 2024 increased $3.7 million over the comparable 2023 period.

There was a $3.5 million provision for credit losses in the third quarter of 2024, compared to a provision for credit losses of $1.8 million in the third quarter of 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.

Results of KPIs

In the third quarter of 2024, return on assets and return on equity amounted to 2.55% and 25.74% (annualized), respectively, compared to 2.71% and 26.12% (annualized) in the third quarter of 2023. For the nine-month period ended September 30, 2024, return on assets, and return on equity amounted to 2.76% and 26.61% (annualized), respectively, compared to 2.66% and 27.01% (annualized) for the nine-month period ended September 30, 2023.

At September 30, 2024, the ratio of equity to assets was 10.07%, compared to 10.36% at September 30, 2023, reflecting an increase in equity capital from retained earnings and an increase in unrealized income on securities partially offset by share repurchases. The ratio fell slightly as a result of the increase in period end assets.

Net interest margin was 4.78% in the third quarter of 2024, versus 5.07% in the third quarter of 2023. Net interest margin for third quarter 2024 was reduced by the reversal of $1.6 million ($1.2 million, net of tax) of prior period interest related to both real estate bridge loans transferred to non-accrual status during the quarter and loan modifications with retroactive rate reductions.

Average loans and leases increased to $6.02 billion in the third quarter of 2024 compared to $5.61 billion in the third quarter of 2023. The provision for credit losses was $3.5 million in the third quarter of 2024 compared to a provision for credit losses of $1.8 million in the third 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, 2024, remain unchanged from those presented in the 2023 Form 10-K under Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Results of Operations

Comparison of third quarter 2024 to third quarter 2023

Net Income

Net income for the third quarter of 2024 was $51.5 million, or $1.04 per diluted share, compared to $50.1 million, or $0.92 per diluted share, for the third quarter of 2023. Income before income taxes was $69.0 million in the third quarter of 2024 compared to $66.5 million in the third quarter of 2023. Income increased between those respective periods primarily as a result of higher net interest income, which resulted primarily from higher loan and investment securities balances and higher fintech related payment and credit fees.

Net Interest Income

Our net interest income for the third quarter of 2024 increased $4.9 million, or 5.5%, to $93.7 million from $88.9 million in the third quarter of 2023. Our interest income for the third quarter of 2024 increased to $139.7 million, an increase of $10.7 million, or 8.3%, from $129.0 million for the third quarter of 2023. The increase in interest income resulted primarily from higher investment securities and loan balances as our average loans and leases increased to $6.02 billion for the third quarter of 2024 from $5.61 billion for the third quarter of 2023, an increase of $415.0 million, or 7.4%. Related interest income increased $5.9 million on a tax equivalent basis. SBLOC and IBLOC balances at September 30, 2024 were approximately 1% lower than those at June 30, 2024, after having shown larger decreases in prior periods. At September 30, 2024, the respective balances of SBLOC and IBLOC loans were $989.3 million and $554.0 million, respectively, compared to $1.01 billion and $712.6 million at September 30, 2023. Loans in other categories with higher yields more than offset the impact of the SBLOC and IBLOC decreases, which also contributed to the higher net interest income. Of the total $5.9 million increase in loan interest income on a tax equivalent basis, the largest increases were $2.2 million for all real estate bridge loans, $3.3 million for small business lending, $2.8 million for leasing and $1.3 million for investment advisor financing, while total SBLOC and IBLOC decreased $4.1 million.

Our average investment securities of $1.58 billion for the third quarter of 2024 increased $806.6 million from $771.4 million for the third quarter of 2023. Related tax equivalent interest income increased $10.1 million, primarily reflecting an increase in balances.

Our net interest margin (calculated by dividing net interest income by average interest-earning assets) for the third quarter of 2024 was 4.78% compared to 5.07% for the third quarter of 2023, a decrease of 29 basis points. While the yield on interest-earning assets decreased 23 basis points, the cost of deposits and interest-bearing liabilities increased 4 basis points, or a net change of 27 basis points. Average interest-earning deposits at the Federal Reserve Bank decreased $392.6 million, or 61.3%, to $247.3 million in the third quarter of 2024 from $639.9 million in the third quarter of 2023, reflecting the impact of the purchase of approximately $900 million of securities in April 2024. In the third quarter of 2024, the average yield on our loans decreased to 7.73% from 7.89% for the third quarter of 2023, a decrease of 16 basis points. Yields on taxable investment securities in the third quarter of 2024 was 5.02% compared to 5.02% for the third quarter of 2023.

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,						Three months ended September 30,		
	2024			2023			2024 vs 2023		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Due to Volume	Due to Rate	Total
	(Dollars in thousands)								
Assets:									
Interest-earning assets:									
Loans, net of deferred loan fees and costs[1]	$ 6,017,911	$ 116,367	7.73%	$ 5,603,514	$ 110,506	7.89%	$ 7,956	$ (2,095)	$ 5,861
Leases-bank qualified[2]	5,151	146	11.34%	4,585	110	9.60%	15	21	36
Investment securities-taxable	1,575,091	19,767	5.02%	768,364	9,647	5.02%	10,124	(4)	10,120
Investment securities-nontaxable[2]	2,927	55	7.52%	3,005	50	6.66%	(1)	6	5
Interest-earning deposits at Federal Reserve Bank	247,344	3,387	5.48%	639,946	8,689	5.43%	(5,377)	75	(5,302)
Net interest-earning assets	7,848,424	139,722	7.12%	7,019,414	129,002	7.35%			
Allowance for credit losses	(28,254)			(23,147)					
Other assets	222,646			338,085					
	$ 8,042,816			$ 7,334,352			12,717	(1,997)	10,720
Liabilities and shareholders' equity:									
Deposits:									
Demand and interest checking	$ 6,942,029	$ 42,149	2.43%	$ 6,229,668	$ 37,913	2.43%	4,325	(89)	4,236
Savings and money market	65,079	549	3.37%	56,538	518	3.66%	65	(34)	31
Total deposits	7,007,108	42,698	2.44%	6,286,206	38,431	2.45%			
Short-term borrowings	73,480	1,030	5.61%	—	—	—	1,030	—	1,030
Repurchase agreements	—	—	—	41	—	—	—	—	—
Long-term borrowings	38,235	689	7.21%	9,889	128	5.18%	493	68	561

Subordinated debt	13,401	297	8.87%	13,401	293	8.75%	—	4	4
Senior debt	96,071	1,234	5.14%	95,714	1,234	5.16%	—	—	—
Total deposits and liabilities	7,228,295	45,948	2.54%	6,405,251	40,086	2.50%			
Other liabilities	18,362			167,673					
Total liabilities	7,246,657			6,572,924			5,913	(51)	5,862
Shareholders' equity	796,159			761,428					
	$ 8,042,816			$ 7,334,352					
Net interest income on tax equivalent basis[2]		$ 93,774			$ 88,916		$ 6,804	$ (1,946)	$ 4,858
Tax equivalent adjustment		42			34				
Net interest income		$ 93,732			$ 88,882				
Net interest margin[2]			4.78%			5.07%			

(1) Includes commercial loans, at fair value. All periods include non-accrual loans.

(2) Full taxable equivalent basis, using 21% respective statutory federal tax rates in 2024 and 2023.

For the third quarter of 2024, average interest-earning assets increased to $7.85 billion, an increase of $829.0 million, or 11.8%, from $7.02 billion in the third quarter of 2023. The increase reflected decreased average interest-earning deposits at the Federal Reserve Bank of $392.6 million, the impact of which was more than offset by increased average balances of loans and leases of $415.0 million, or 7.4%, and increased average investment securities of $806.6 million, or 104.6%. The increase reflected the purchase of approximately $900 million of fixed rate securities to reduce exposure to possible future Federal Reserve rate decreases. For those respective periods, average demand and interest checking deposits increased $712.4 million, or 11.4%. 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 $3.5 million for the third quarter of 2024 compared to a provision of $1.8 million for the third quarter of 2023. The ACL was $31.0 million, or 0.52% of total loans, at September 30, 2024, compared to $27.4 million, or 0.51% of total loans, at December 31, 2023. As a result of a new qualitative factor for classified REBL loans, the provision for credit losses was increased by $2.0 million in the third quarter of 2024.The provision also reflected the impact of continuing higher leasing net charge-offs, especially in long haul and local trucking, transportation and related activities for which total exposure was approximately $34 million at September 30, 2024. We believe that our ACL is appropriate and supportable. For more information about our provision and ACL and our loss experience, see “Item 2 – Allowance for Credit Losses,” “Item 2 – Net Charge-offs,” and “Item 2 – Non-accrual Loans, Loans 90 days Delinquent and Still Accruing, OREO and Modified Loans,” below and “Note 6. Loans” to the unaudited consolidated financial statements herein.

Non-Interest Income

Non-interest income was $32.1 million in the third quarter of 2024 compared to $26.8 million in the third quarter of 2023. The $5.3 million, or 19.9%, increase between those respective periods reflected an increase in prepaid, debit card and related fees. The increase also reflected increased ACH, card and other payment processing fees. Prepaid, debit card and related fees increased $2.4 million, or 11.1%, to $23.9 million for the third quarter of 2024, compared to $21.5 million in the third quarter of 2023. The increase reflected higher transaction volume from new clients and organic growth from existing clients. ACH, card and other payment processing fees increased $1.3 million, or 52.4%, to $3.9 million for the third quarter of 2024, compared to $2.6 million in the third quarter of 2023, reflecting an increase in rapid funds transfer volume.

Consumer credit fintech fees amounted to $1.6 million for the third quarter of 2024, as we began our entry into consumer fintech lending in the second quarter of 2024. Such lending may also be reflected in a lower cost of deposits, as a result of associated deposits.

Net realized and unrealized gains on commercial loans, at fair value, increased $81,000, or 15.4%, to $606,000 for the third quarter of 2024 from $525,000 for the third quarter of 2023.

Leasing related income decreased $695,000, or 39.3%, to $1.1 million for the third quarter of 2024 from $1.8 million for the third quarter of 2023.

Other non-interest income increased $609,000, or 144.3%, to $1.0 million for the third quarter of 2024 from $422,000 in the third quarter of 2023 which reflected increased payoff fees on advisor financing loans.

Non-Interest Expense

Total non-interest expense was $53.3 million for the third quarter of 2024, an increase of $5.8 million, or 12.2%, compared to $47.5 million for the third quarter of 2023. An 11.0%, increase in salaries and employee benefits expense reflected increases in payments related financial crimes and IT salary expense and an increase in incentive compensation expenses.

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

	For the three months ended September 30,			
	2024	2023	Increase (Decrease)	Percent Change
	(Dollars in thousands)			
Salaries and employee benefits	$ 33,821	$ 30,475	$ 3,346	11.0%
Depreciation	1,047	644	403	62.6%
Rent and related occupancy cost	1,734	1,510	224	14.8%
Data processing expense	1,408	1,404	4	0.3%
Audit expense	403	446	(43)	(9.6%)
Legal expense	1,055	1,203	(148)	(12.3%)
FDIC insurance	904	806	98	12.2%
Software	4,561	4,427	134	3.0%
Insurance	1,246	1,321	(75)	(5.7%)
Telecom and IT network communications	283	305	(22)	(7.2%)
Consulting	418	448	(30)	(6.7%)
Write-downs and other losses on other real estate owned	—	131	(131)	(100.0%)
Other	6,375	4,339	2,036	46.9%
Total non-interest expense	$ 53,255	$ 47,459	$ 5,796	12.2%

Changes in non-interest expense were as follows:

- Salaries and employee benefits expense increased to $33.8 million for the third quarter of 2024, an increase of $3.3 million, or 11.0%, from $30.5 million for the third quarter of 2023.
- Depreciation expense increased $403,000, or 62.6%, to $1.0 million in the third quarter of 2024 from $644,000 in the third quarter of 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 $224,000, or 14.8%, to $1.7 million in the third quarter of 2024 from $1.5 million in the third quarter of 2023, reflecting the impact of the Sioux Falls, South Dakota relocation to new and expanded offices and a new expanded data center.
- Data processing expense increased $4,000, or 0.3%, to $1.4 million in the third quarter of 2024 from $1.4 million in the third quarter of 2023, reflecting higher transaction volume.
- Audit expense decreased $43,000, or 9.6%, to $403,000 in the third quarter of 2024 from $446,000 in the third quarter of 2023.
- Legal expense decreased $148,000, or 12.3%, to $1.1 million in the third quarter of 2024 from $1.2 million in the third quarter of 2023.
- FDIC insurance expense increased $98,000, or 12.2%, to $904,000 for the third quarter of 2024 from $806,000 in the third quarter of 2023, reflecting increases in liabilities against which insurance rates are applied.
- Software expense increased $134,000, or 3.0%, to $4.6 million in the third quarter of 2024 from $4.4 million in the third quarter of 2023. The increase reflected higher expenditures for information technology infrastructure including leasing, institutional banking, cybersecurity, and enterprise risk, which more than offset decreased expenses related to financial crimes management.
- Insurance expense decreased $75,000, or 5.7%, to $1.2 million in the third quarter of 2024 compared to $1.3 million in the third quarter of 2023.
- Telecom and IT network communications expense decreased $22,000, or 7.2%, to $283,000 in the third quarter of 2024 from $305,000 in the third quarter of 2023.
- Consulting expense decreased $30,000, or 6.7%, to $418,000 in the third quarter of 2024 from $448,000 in the third quarter of 2023.
- Other non-interest expense increased $2.0 million, or 46.9%, to $6.4 million in the third quarter of 2024 from $4.3 million in the third quarter of 2023 reflecting a $1.2 million loss from a transaction processing delay and a $652,000 increase in OREO expense. The $652,000 increase in OREO expense, reflected expenses on the $39.4 million apartment property transferred to OREO in the second quarter of 2024, as described in “Note 6. Loans.” The OREO balance of that property as of September 30, 2024 was $40.3 million.

Income Taxes

Income tax expense was $17.5 million for the third quarter of 2024 compared to $16.3 million in the third quarter of 2023. The increase resulted primarily from an increase in income, substantially all of which is subject to income tax. A 25.4% effective tax rate in 2024 and a 24.6% effective tax rate in 2023 primarily reflected a 21% federal tax rate and the impact of various state income taxes.

Comparison of first nine months 2024 to first nine months 2023

Net Income

Net income for the first nine months of 2024 was $161.6 million, or $3.15 per diluted share, compared to $148.3 million, or $2.68 per diluted share, for the first nine months of 2023. Income before income taxes was $215.8 million in the first nine months of 2024 compared to $197.6 million in the first nine months of 2023. Income increased between those respective periods primarily as a result of higher net interest income, which reflected the cumulative impact of Federal Reserve rate increases in 2023 on the loan and securities portfolios, prior to Federal Reserve rate decreases in September 2024. Additionally, growth in higher yielding loan categories offset reductions in lower yielding SBLOC and IBLOC balances.

Net Interest Income

Our net interest income for the first nine months of 2024 increased $20.1 million, or 7.7%, to $281.9 million from $261.9 million in the first nine months of 2023. Our interest income for the first nine months of 2024 increased to $412.8 million, an increase of $35.4 million, or 9.4%, from $377.4 million for the first nine months of 2023. The increase in interest income reflected an increase in loan yields resulting from the aforementioned Federal Reserve rate increases, as our average loans and leases increased to $5.83 billion for the first nine months of 2024 from $5.78 billion for the first nine months of 2023, an increase of $57.6 million, or 1.0%. Related interest income increased $21.6 million on a tax equivalent basis. At September 30, 2024, the respective balances of SBLOC and IBLOC loans were $989.3 million and $554.0 million, respectively, compared to $1.01 billion and $712.6 million at September 30, 2023. Loans in other categories with higher yields partially offset the year over year SBLOC and IBLOC decreases, which also contributed to the higher net

interest income. Of the total $21.6 million increase in loan interest income on a tax equivalent basis, the largest increases were $14.6 million for all real estate bridge loans, $9.6 million for small business lending, $8.0 million for leasing and $4.0 million for investment advisor financing, while total SBLOC and IBLOC decreased $16.2 million.

Our average investment securities of $1.26 billion for the first nine months of 2024 increased $481.8 million from $776.7 million for the first nine months of 2023. Related tax equivalent interest income increased $18.1 million, primarily reflecting an increase in balances.

Higher yields on loans reflected the continuing impact of Federal Reserve rate increases as variable rate loans repriced to higher rates, prior to the Federal Reserve's September 2024 rate reduction. 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 2024 was 4.96% compared to 4.86% for the first nine months of 2023, an increase of 10 basis points. While the yield on interest-earning assets increased 26 basis points, the cost of deposits and interest-bearing liabilities increased 17 basis points, or a net change of 9 basis points. Investment securities yields reflected the $1.3 million second quarter 2024 impact of placing a security in nonaccrual status as described in "Note 6. Loans" to the unaudited consolidated financial statements herein. Average interest-earning deposits at the Federal Reserve Bank decreased $153.7 million, or 24.0%, to $486.9 million in the first nine months of 2024 from $640.6 million in the first nine months of 2023. In the first nine months of 2024, the average yield on our loans increased to 7.90% from 7.48% for the first nine months of 2023, an increase of 42 basis points. Yields on taxable investment securities in the first nine months of 2024 increased to 4.98% compared to 4.97% for the first nine months of 2023, an increase of 1 basis point.

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,		
	2024			2023			2024 vs 2023		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Due to Volume	Due to Rate	Total
	(Dollars in thousands)								
Assets:									

Interest-earning assets:									
Loans, net of deferred loan fees and costs[1]	$ 5,828,938	$ 345,497	7.90%	$ 5,772,266	$ 324,009	7.48%	$ 3,208	$ 18,280	$ 21,488
Leases-bank qualified[2]	4,840	379	10.44%	3,920	279	9.49%	70	30	100
Investment securities-taxable	1,255,532	46,921	4.98%	773,485	28,820	4.97%	18,015	86	18,101
Investment securities-nontaxable[2]	2,905	155	7.11%	3,193	144	6.01%	(11)	22	11
Interest-earning deposits at Federal Reserve Bank	486,883	19,948	5.46%	640,554	24,271	5.05%	(6,539)	2,216	(4,323)
Net interest-earning assets	7,579,098	412,900	7.26%	7,193,418	377,523	7.00%			
Allowance for credit losses	(27,993)			(23,192)					
Other assets	280,733			269,072					
	$ 7,831,838			$ 7,439,298			14,743	20,634	35,377
Liabilities and shareholders' equity:									
Deposits:									
Demand and interest checking	$ 6,684,671	$ 120,405	2.40%	$ 6,343,711	$ 106,984	2.25%	5,923	7,498	13,421
Savings and money market	58,777	1,453	3.30%	88,738	2,465	3.70%	(763)	(249)	(1,012)
Time	—	—	—	27,802	858	4.11%	(858)	—	(858)
Total deposits	6,743,448	121,858	2.41%	6,460,251	110,307	2.28%			
Short-term borrowings	55,820	2,344	5.60%	6,758	234	4.62%	2,050	60	2,110
Repurchase agreements	4	—	—	41	—	—	—	—	—
Long-term borrowings	38,371	2,060	7.16%	9,945	382	5.12%	1,473	205	1,678
Subordinated debt	13,401	880	8.76%	13,401	825	8.21%	—	55	55
Senior debt	95,983	3,701	5.14%	97,220	3,793	5.20%	(48)	(44)	(92)
Total deposits and liabilities	6,947,027	130,843	2.51%	6,587,616	115,541	2.34%			
Other liabilities	73,507			117,822					
Total liabilities	7,020,534			6,705,438			7,777	7,525	15,302
Shareholders' equity	811,304			733,860					
	$ 7,831,838			$ 7,439,298					
Net interest income on tax equivalent basis[2]		$ 282,057			$ 261,982		$ 6,966	$ 13,109	$ 20,075
Tax equivalent adjustment		112			89				
Net interest income		$ 281,945			$ 261,893				
Net interest margin[2]			4.96%			4.86%			

(1) Includes commercial loans, at fair value. All periods include non-accrual loans.

(2) Full taxable equivalent basis, using 21% respective statutory federal tax rates in 2024 and 2023.

For the first nine months of 2024, average interest-earning assets increased to $7.58 billion, an increase of $385.7 million, or 5.4%, from $7.19 billion in the first nine months of 2023. The increase reflected decreased average interest-earning deposits at the Federal Reserve Bank of $153.7 million, the impact of which was more than offset by increased average balances of loans and leases of $57.6 million, or 1.0%, and increased average investment securities of $481.8 million, or 62.0%. For those respective periods, average demand and

interest checking deposits increased $341.0 million, or 5.4%. 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 $7.3 million for the first nine months of 2024 compared to a provision of $4.4 million for the first nine months of 2023. The ACL was $31.0 million, or 0.52% of total loans, at September 30, 2024, compared to $27.4 million, or 0.51% of total loans, at December 31, 2023. As a result of a new qualitative factor for classified REBL loans, the provision for credit losses was increased by $2.0 million in the third quarter of 2024. The provision also reflected the impact of continuing higher leasing net charge-offs, especially in long haul and local trucking, transportation and related activities for which total exposure was approximately $34 million at September 30, 2024.We believe that our ACL is appropriate and supportable. For more information about our provision and ACL and our loss experience, see “Item 2 – Allowance for Credit Losses,” “Item 2 – Net Charge-offs,” and “Item 2 – Non-accrual Loans, Loans 90 days Delinquent and Still Accruing, OREO and Modified Loans,” below and “Note 6. Loans” to the unaudited consolidated financial statements herein.

Non-Interest Income

Non-interest income was $92.2 million in the first nine months of 2024 compared to $85.1 million in the first nine months of 2023. The $7.1 million, or 8.4%, increase between those respective periods reflected an increase in prepaid, debit card and related fees. The increase also reflected increased ACH, card and other payment processing fees. Prepaid, debit card and related fees increased $5.9 million, or 8.9%, to $72.9 million for the first nine months of 2024, compared to $67.0 million in the first nine months of 2023. The first 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 reflected higher transaction volume from new clients and organic growth from existing clients. ACH, card and other payment processing fees increased $2.7 million, or 37.8%, to $9.9 million for the first nine months of 2024, compared to $7.2 million in the first nine months of 2023, reflecting an increase in rapid funds transfer volume.

Consumer credit fintech fees amounted to $1.7 million for 2024, as we began our entry into consumer fintech lending. Such lending may also be reflected in a lower cost of deposits, as a result of associated deposits.

Net realized and unrealized gains on commercial loans, at fair value, decreased $2.0 million, or 47.1%, to $2.2 million for the first nine months of 2024 from $4.2 million for the first nine months of 2023. The decrease reflected the runoff of the commercial loans, at fair value portfolio, which has continued to reduce the volume of loan payoffs and the income recognized at the time of payoff.

Leasing related income decreased $1.9 million, or 39.4%, to $2.9 million for the first nine months of 2024 from $4.8 million for the first nine months of 2023, reflecting $1.1 million of losses related to an auto auction company which ceased operations.

Other non-interest income increased $574,000, or 28.7%, to $2.6 million for the first nine months of 2024 from $2.0 million in the first nine months of 2023 reflecting increased payoff fees on advisor financing loans.

Non-Interest Expense

Total non-interest expense was $151.4 million for the first nine months of 2024, an increase of $6.0 million, or 4.1%, compared to $145.4 million for the first nine months of 2023. While salaries and employee benefits increased 4.9%, increases in the payments business and related financial crimes and in IT salary expense, were offset by decreases in incentive compensation.

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

	For the nine months ended September 30,			
	2024	2023	Increase (Decrease)	Percent Change
	(Dollars in thousands)			
Salaries and employee benefits	$ 97,964	$ 93,427	$ 4,537	4.9%
Depreciation	3,023	2,046	977	47.8%
Rent and related occupancy cost	5,060	4,265	795	18.6%
Data processing expense	4,252	4,123	129	3.1%
Audit expense	1,081	1,255	(174)	(13.9%)
Legal expense	2,509	3,110	(601)	(19.3%)
FDIC insurance	2,618	2,233	385	17.2%
Software	13,687	12,981	706	5.4%
Insurance	3,866	3,935	(69)	(1.8%)
Telecom and IT network communications	908	1,044	(136)	(13.0%)
Consulting	1,558	1,412	146	10.3%
Write-downs and other losses on OREO	—	1,315	(1,315)	(100.0%)
Other	14,887	14,286	601	4.2%
Total non-interest expense	$ 151,413	$ 145,432	$ 5,981	4.1%

Changes in non-interest expense were as follows:

- Salaries and employee benefits expense increased to $98.0 million for the first nine months of 2024, an increase of $4.5 million, or 4.9%, from $93.4 million for the first nine months of 2023.
- Depreciation expense increased $977,000, or 47.8%, to $3.0 million in the first nine months of 2024 from $2.0 million in the first nine months of 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 $795,000, or 18.6%, to $5.1 million in the first nine months of 2024 from $4.3 million in the first nine months of 2023, reflecting the impact of the Sioux Falls, South Dakota relocation to new and expanded offices and a new expanded data center.
- Data processing expense increased $129,000, or 3.1%, to $4.3 million in the first nine months of 2024 from $4.1 million in the first nine months of 2023, reflecting higher transaction volume.
- Audit expense decreased $174,000, or 13.9%, to $1.1 million in the first nine months of 2024 from $1.3 million in the first nine months of 2023.
- Legal expense decreased $601,000, or 19.3%, to $2.5 million in the first nine months of 2024 from $3.1 million in the first nine months of 2023, reflecting a reimbursement of legal fees related to the Del Mar complaint described in "Note O. Commitments and Contingencies" to the audited consolidated financial statements in the 2023 Form 10-K.
- FDIC insurance expense increased $385,000, or 17.2%, to $2.6 million for the first nine months of 2024 from $2.2 million in the first nine months of 2023, reflecting increases in liabilities against which insurance rates are applied.
- Software expense increased $706,000, or 5.4%, to $13.7 million in the first nine months of 2024 from $13.0 million in the first nine months of 2023. The increase reflected higher expenditures for information technology infrastructure including leasing, institutional banking, cybersecurity, cloud computing and enterprise risk, which more than offset decreasing expenses related to financial crimes management.
- Insurance expense decreased $69,000, or 1.8%, to $3.9 million in the first nine months of 2024 compared to $3.9 million in the first nine months of 2023.
- Telecom and IT network communications expense decreased $136,000, or 13.0%, to $908,000 in the first nine months of 2024 from $1.0 million in the first nine months of 2023.
- Consulting expense increased $146,000, or 10.3%, to $1.6 million in the first nine months of 2024 from $1.4 million in the first nine months of 2023. The increase reflected expenses related to the Company's ongoing efforts of documenting and optimizing operational controls.
- Other non-interest expense increased $601,000, or 4.2%, to $14.9 million in the first nine months of 2024 from $14.3 million in the first nine months of 2023. The $601,000 increase reflected a $1.2 million loss from a transaction processing delay and a $989,000 increase in OREO expense offset by the following decreases: (i) regulatory examination fees of $272,000 and (ii) other operating taxes of $359,000. The $989,000 increase in OREO expense, reflected expenses on the $39.4 million apartment property transferred to OREO in the second quarter of 2024, as described in "Note 6. Loans." The balance as of September 30, 2024 was $40.3 million.

Income Taxes

Income tax expense was $54.1 million for the first nine months of 2024 compared to $49.3 million in the first nine months of 2023. The increase resulted primarily from an increase in income, substantially all of which is subject to income tax. A 25.1% effective tax rate in 2024 and a 24.9% effective tax rate in 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. We actively monitor our positions and contingent funding sources daily.

Our primary source of funding has been deposits. Average total deposits increased by $720.9 million, or 11.5%, to $7.01 billion for the third quarter of 2024 compared to the third quarter of 2023. The increase reflected the planned exit of higher cost deposits. Federal Reserve average balances decreased to $247.3 million in the third quarter of 2024 from $639.9 million in the third quarter of 2023. The decrease reflected approximately $900 million of securities purchases in April 2024 as discussed under "Asset and Liability Management" in this MD&A. Additionally, as a result of those purchases, we have increased the use of FHLB advances to partially fund such purchases, at least temporarily, and those advances averaged approximately $73.5 million for third quarter 2024.

One source of contingent liquidity is available-for-sale securities, which amounted to $1.59 billion at September 30, 2024, compared to $747.5 million at December 31, 2023, reflecting $900 million of securities purchases in April, 2024. In excess of $1.0 billion of these securities, including those $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. At September 30, 2024, outstanding loans amounted to $5.91 billion, compared to $5.36 billion at the prior year end, an increase of $545.5 million representing a use of funds. Commercial loans, at fair value, decreased to $252.0 million from $332.8 million between those respective dates, a decrease of $80.8 million, which 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. On July 30, 2024, the FDIC proposed a regulation eliminating certain automatic exceptions which resulted in the reclassification of significant amounts of our deposits from brokered to non-brokered as a result of the December 2020 rules changes, while retaining the ability of financial institutions to reapply. If the proposed regulation is adopted, significant amounts of our deposits could be reclassified as brokered, which could also result in an increase in our federal deposit insurance rate and expense. Of our total deposits of $6.93 billion as of September 30, 2024, $586.8 million were classified as brokered and an estimated $485.3 million 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 $1.97 billion as of September 30, 2024, and was collateralized by loans. We have also pledged in excess of $2.21 billion of multifamily loans to the FHLB. As a result, we have approximately $1.11 billion of availability on that line of credit which we can also access at any time. There was $135.0 million drawn against the FHLB line at September 30, 2024. We expect to continue to maintain our facilities with the FHLB and Federal Reserve.

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 2038 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, 2024, we had cash reserves of approximately $8.9 million at the holding company. Stock repurchases are funded by dividends 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, 2024 were $47.1 million of interest-earning deposits which primarily consisted of deposits with the Federal Reserve.

In 2024, $179.9 million of redemptions were exceeded by purchases of $969.4 million of securities. We had outstanding commitments to fund loans, including unused lines of credit, of $1.77 billion and $1.79 billion as of September 30, 2024, and 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, 2024, the Bank was "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
As of September 30, 2024				
The Bancorp, Inc.	9.86%	13.62%	14.19%	13.62%
The Bancorp Bank, National Association	10.94%	15.11%	15.67%	15.11%
"Well capitalized" institution (under federal regulations-Basel III)	5.00%	8.00%	10.00%	6.50%
As of December 31, 2023				
The Bancorp, Inc.	11.19%	15.66%	16.23%	15.66%
The Bancorp Bank, National Association	12.37%	17.35%	17.92%	17.35%
"Well capitalized" institution (under federal regulations-Basel III)	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. In the third quarter of 2024 the Federal Reserve began lowering rates. 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 liabilities by repricing periods and then computing the difference (or "interest rate sensitivity gap") between the assets and liabilities that we estimate will reprice during each time period and cumulatively through the end of each time period.

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

The following table sets forth the estimated maturity or repricing structure of our interest-earning assets and interest-bearing liabilities at September 30, 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 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	$ 97,651	$ 70,063	$ 36,693	$ 45,639	$ 1,958
Loans, net of deferred loan fees and costs	3,272,423	361,862	1,412,639	661,164	198,528
Investment securities	287,224	90,039	113,612	222,872	874,542
Interest-earning deposits	47,105	—	—	—	—
Total interest-earning assets	3,704,403	521,964	1,562,944	929,675	1,075,028
Interest-bearing liabilities:					
Transaction accounts as adjusted[1]	3,422,064	—	—	—	—
Savings and money market	81,624	—	—	—	—
Short-term borrowings	135,000	—	—	—	—
Senior debt and subordinated debentures	13,401	96,125	—	—	—
Total interest-bearing liabilities	3,652,089	96,125	—	—	—
Gap	$ 52,314	$ 425,839	$ 1,562,944	$ 929,675	$ 1,075,028
Cumulative gap	$ 52,314	$ 478,153	$ 2,041,097	$ 2,970,772	$ 4,045,800
Gap to assets ratio	1%	5%	19%	12%	13%
Cumulative gap to assets ratio	1%	6%	25%	37%	50%

[1] Transaction accounts are comprised primarily of demand deposits. While demand deposits are 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, 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 purchased approximately $900 million of fixed rate commercial and residential mortgage securities of varying maturities to reduce its exposure to lower levels of net interest income, in anticipation of Federal Reserve rate reductions. In September 2024, the Federal Reserve began to lower rates. Such purchases would also reduce the additional net interest income which would result should the Federal Reserve increase rates. Those purchases had respective estimated weighted average yields and lives of approximately 5.11% and eight years.

	Net portfolio value at September 30, 2024		Net interest income September 30, 2024	
Rate scenario	Amount	Percentage change	Amount	Percentage change
	(Dollars in thousands)			
+200 basis points	$ 1,290,352	(0.18%)	$ 398,838	3.24%
+100 basis points	1,291,651	(0.08%)	392,592	1.62%
Flat rate	1,292,728	—	386,330	—
-100 basis points	1,281,804	(0.85%)	379,965	(1.65%)
-200 basis points	1,262,175	(2.36%)	374,342	(3.10%)

Financial Condition

*General.*Our total assets at September 30, 2024 were $8.09 billion, of which our total loans were $5.91 billion, and our commercial loans, at fair value, were $252.0 million. At December 31, 2023, our total assets were $7.71 billion, of which our total loans were $5.36 billion, and our commercial loans, at fair value were $332.8 million. The increase in assets reflected an increase in available-for-sale securities, which resulted from the previously discussed $900 million of April 2024 securities purchases. 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, 2024, we had a total of $47.1 million of interest-earning deposits compared to $1.03 billion at December 31, 2023, a decrease of $986.2 million. These deposits were comprised primarily of balances at the Federal Reserve. The decrease reflected the utilization of these overnight balances for the aforementioned securities purchases in the second quarter of 2024.

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 increased to $1.59 billion at September 30, 2024, an increase of $840.8 million, or 112.5%, from December 31, 2023, as a result of the aforementioned $900 million of securities purchases in April 2024.

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 months ended September 30, 2024 and 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 $21.7 million at September 30, 2024 and $15.6 million at 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, 2024 and 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, 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
U.S. Government agency securities	$ 1,128	2.48%	$ 6,550	2.79%	$ 14,870	4.95%	$ 8,470	3.86%	$ 31,018
Asset-backed securities	2,748	7.07%	10,565	6.88%	178,605	6.84%	45,006	6.64%	236,924
Tax-exempt obligations of states and political subdivisions[(1)]	1,000	3.10%	1,869	2.65%	2,017	3.87%	3,045	4.50%	7,931
Taxable obligations of states and political subdivisions	14,708	3.15%	19,125	3.42%	1,174	4.33%	—	—	35,007
Residential mortgage-backed securities	—	—	279	2.60%	5,096	4.55%	458,233	5.01%	463,608
Collateralized mortgage obligation securities	—	—	4,302	2.75%	14	3.39%	24,177	3.93%	28,493
Commercial mortgage-backed securities	41,650	2.37%	88,207	3.45%	538,883	4.82%	116,568	4.21%	785,308
Total	$ 61,234		$ 130,897		$ 740,659		$ 655,499		$ 1,588,289
Weighted average yield		2.78%		3.65%		5.30%		4.92%	

[(1)] If adjusted to their taxable equivalents, yields would approximate 3.92%, 3.35%, 4.90%, and 5.70% for zero to one year, one to five years, five to ten years, and over ten years, respectively, at a federal tax rate of 21%.

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, which is included in the commercial mortgage-backed securities classification in investment securities. As of September 30, 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 $1.5 million and servicer obligations of $2.0 million. Thus, a total of $16.1 million is required for the Bank's tranche to be repaid. The sole repayment source for the $16.1 million consists of the disposition of a suburban office building in New Jersey and a retail facility in Missouri. In the second quarter of 2024, the Bank received updated appraisals from the servicer for both properties which lowered estimated combined appraised values to $23.7 million. The excess of the $23.7 million appraised values over the $16.1 million to be repaid provides repayment protection for the Bank-owned tranche and accrued interest thereon. As a result of the reduced excess of appraised value over the Bank's principal and accruing interest, the $12.6 million principal was placed in nonaccrual status and $1.3 million was reversed from securities interest in the second quarter of 2024. While the appraised values allocable to the Bank's security exceed the principal and unpaid interest, there can be no assurance as to the amounts received upon the servicer's disposition of these properties, which will reflect additional servicing fees, actual disposition prices and other disposition costs. The New Jersey suburban office complex is being marketed by the debtor in possession who expects a contract for sale by the end of 2024. The Missouri retail facility is held as real estate owned by the security's trust and a sale is in process.

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 the first quarter of 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 $252.0 million at September 30, 2024 from $332.8 million at 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 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 increased to $5.91 billion at September 30, 2024 from $5.36 billion at December 31, 2023.

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

	September 30, 2024	December 31, 2023
SBL non-real estate	$ 179,915	$ 137,752
SBL commercial mortgage	665,608	606,986
SBL construction	30,158	22,627
SBLs	875,681	767,365
Direct lease financing	711,836	685,657
SBLOC / IBLOC[1]	1,543,215	1,627,285
Advisor financing[2]	248,422	221,612
Real estate bridge loans	2,189,761	1,999,782
Consumer fintech[3]	280,092	—
Other loans[4]	46,586	50,638
	5,895,593	5,352,339
Unamortized loan fees and costs	11,023	8,800
Total loans, including unamortized loan fees and costs	$ 5,906,616	$ 5,361,139

	September 30, 2024	December 31, 2023
SBLs, including costs net of deferred fees of $9,582 and $9,502 for September 30, 2024 and December 31, 2023, respectively	$ 885,263	$ 776,867
SBLs included in commercial loans, at fair value	93,888	119,287
Total SBLs[5]	$ 979,151	$ 896,154

[1] SBLOC are collateralized by marketable securities, while IBLOC, are collateralized by the cash surrender value of insurance policies. At September 30, 2024 and December 31, 2023, IBLOC loans amounted to $554.0 million and $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 LTV 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] Consumer fintech loans included $111.0 million of secured credit card loans, with the balance consisting of other short-term extensions of credit..

[4] Includes demand deposit overdrafts reclassified as loan balances totaling $960,000 and $1.7 million at September 30, 2024 and December 31, 2023, respectively. Estimated overdraft charge-offs and recoveries are reflected in the ACL and are immaterial.

[5] 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, 2024 (dollars in thousands):

	Loan principal
U.S. government guaranteed portion of SBA loans[1]	$ 392,066
PPP loans[1]	1,594
Commercial mortgage SBA[2]	348,585
Construction SBA[3]	10,461
Non-guaranteed portion of U.S. government guaranteed 7(a) Program loans[4]	114,396
Non-SBA SBLs	72,617
Other[5]	28,527
Total principal	$ 968,246
Unamortized fees and costs	10,905
Total SBLs	$ 979,151

(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 Bancorp adheres.

(3) Includes $9.2 million in 504 Program first mortgages with an origination date LTV of 50-60% and $1.3 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 $28.5 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, 2024 (dollars in thousands):

	SBL commercial mortgage[1]	SBL construction[1]	SBL non-real estate	Total	% Total
Hotels (except casino hotels) and motels	$ 87,636	$ 71	$ 16	$ 87,723	16%
Funeral homes and funeral services	20,240	—	27,623	47,863	9%
Full-service restaurants	29,339	1,969	1,826	33,134	6%
Child day care services	23,153	1,011	1,395	25,559	5%
Car washes	16,363	3,869	89	20,321	4%
General line grocery merchant wholesalers	17,302	—	—	17,302	3%
Homes for the elderly	15,840	—	68	15,908	3%
Outpatient mental health and substance abuse centers	15,326	—	216	15,542	3%
Gasoline stations with convenience stores	14,246	244	141	14,631	3%
Fitness and recreational sports centers	7,663	—	2,341	10,004	2%
Nursing care facilities	9,467	—	—	9,467	2%
Lawyer's office	9,119	—	—	9,119	2%
Limited-service restaurants	3,599	927	3,062	7,588	1%
Caterers	7,157	—	15	7,172	1%
All other specialty trade contractors	6,728	—	315	7,043	1%
General warehousing and storage	6,346	—	—	6,346	1%
Appliance repair and maintenance	5,833	—	—	5,833	1%
Other accounting services	5,258	—	377	5,635	1%
Plumbing, heating, and air-conditioning contractors	4,636	—	838	5,474	1%
Other miscellaneous durable goods merchant	4,703	—	—	4,703	1%
Packaged frozen food merchant wholesalers	4,671	—	—	4,671	1%

Lessors of nonresidential buildings (except miniwarehouses)	4,659	—	—	4,659	1%
Other technical and trade schools	4,649	—	—	4,649	1%
All other amusement and recreation industries	3,861	43	235	4,139	1%
Other[2]	135,766	8,223	27,585	171,574	30%
Total	$ 463,560	$ 16,357	$ 66,142	$ 546,059	100%

[1] Of the SBL commercial mortgage and SBL construction loans, $120.8 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 $28.5 million of loans sold that do not qualify for true sale accounting.

[2] Loan types of less than $3.8 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, 2024 (dollars in thousands):

	SBL commercial mortgage[1]	SBL construction[1]	SBL non-real estate	Total	% Total
California	$ 125,939	$ 2,781	$ 4,643	$ 133,363	24%
Florida	75,897	5,105	3,746	84,748	16%
North Carolina	44,895	927	4,593	50,415	9%
New York	32,192	71	1,884	34,147	6%
Pennsylvania	20,066	—	13,240	33,306	6%
Texas	21,238	3,095	6,078	30,411	6%
New Jersey	21,429	267	7,119	28,815	5%
Georgia	25,383	1,760	1,162	28,305	5%
Other States	96,521	2,351	23,677	122,549	23%
Total	$ 463,560	$ 16,357	$ 66,142	$ 546,059	100%

[1] Of the SBL commercial mortgage and SBL construction loans, $120.8 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 $28.5 million of loans sold that do not qualify for true sale accounting.

The following table summarizes the ten largest loans in our SBL portfolio, all commercial mortgages, including loans held at fair value, as of September 30, 2024 (dollars in thousands):

Type[1]	State	SBL commercial mortgage
General line grocery merchant wholesalers	California	$ 13,406
Funeral homes and funeral services	Pennsylvania	12,511
Outpatient mental health and substance abuse center	Florida	9,825
Funeral homes and funeral services	Maine	8,394
Hotel	Florida	8,213
Lawyer's office	California	7,956
Hotel	Virginia	6,889
Hotel	North Carolina	6,634
General warehousing and storage	Pennsylvania	6,346
Appliance repair and maintenance	New York	5,833
Total		$ 86,007

[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, 2024 (dollars in thousands):

	# Loans	Balance	Weighted average origination date LTV	Weighted average interest rate

Real estate bridge loans (multifamily apartment loans recorded at amortized cost)[1]	172	$ 2,189,761	70%	9.13%
Non-SBA commercial real estate loans, at fair value:				
Multifamily (apartment bridge loans)[1]	7	$ 113,009	74%	7.98%
Hospitality (hotels and lodging)	2	27,344	65%	9.82%
Retail	2	12,256	72%	8.19%
Other	2	9,210	72%	5.01%
	13	161,819	72%	8.14%
Fair value adjustment		(3,704)		
Total non-SBA commercial real estate loans, at fair value		158,115		
Total commercial real estate loans		$ 2,347,876	70%	9.07%

[1] In the third quarter of 2021, we resumed the origination of bridge loans for multifamily apartment rehabilitation. These are similar to the 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, 2024 (dollars in thousands):

	Balance	Origination date LTV
Texas	$ 735,320	71%
Georgia	261,609	70%
Florida	230,491	68%
Michigan	135,879	68%
Indiana	108,411	70%
New Jersey	106,875	69%
Ohio	92,387	66%
Other States each <$65 million	676,904	71%
Total	$ 2,347,876	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, 2024 (dollars in thousands). All of these loans are multifamily loans.

	Balance	Origination date LTV
Texas	$ 45,520	75%
Tennessee	40,000	72%
Michigan	38,158	62%
Texas	37,259	64%
Texas	36,318	67%
Florida	34,850	72%
Pennsylvania	33,600	63%
Indiana	33,588	76%
New Jersey	33,552	62%
Texas	32,812	62%
Michigan	32,500	79%
Oklahoma	31,153	78%
Texas	31,050	77%

New Jersey	30,865	71%
Michigan	30,441	66%
15 largest commercial real estate loans	$ 521,666	70%

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

Type	Principal	% of total
SBLOC	$ 989,263	55%
IBLOC	553,952	31%
Advisor financing	248,422	14%
Total	$ 1,791,637	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, 2024 (dollars in thousands):

	Principal amount	% Principal to collateral
	$ 9,465	41%
	8,319	84%
	8,031	62%
	7,904	63%
	7,356	44%
	5,334	57%
	5,204	65%
	4,996	58%
	4,962	56%
	4,894	43%
Total and weighted average	$ 66,465	58%

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 October 17, 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, 2024 (dollars in thousands):

	Principal balance[(1)]	% Total
Government agencies and public institutions[(2)]	$ 131,396	18%
Construction	112,187	16%
Waste management and remediation services	96,770	14%
Real estate and rental and leasing	86,310	12%
Health care and social assistance	28,952	4%
Other services (except public administration)	21,975	3%
Professional, scientific, and technical services	21,527	3%
General freight trucking	21,244	3%
Finance and insurance	13,580	2%
Transit and other transportation	12,788	2%
Wholesale trade	9,936	1%

Educational services	6,859	1%
Other and non-classified	148,312	21%
Total	$ 711,836	100%

(1) Of the total $711.8 million of direct lease financing, $648.3 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, 2024 (dollars in thousands):

	Principal balance	% Total
Florida	$ 107,511	15%
New York	69,514	10%
Utah	57,858	8%
California	48,736	7%
Connecticut	45,232	6%
Pennsylvania	41,826	6%
New Jersey	39,198	6%
North Carolina	36,363	5%
Maryland	35,652	5%
Texas	25,618	4%
Idaho	18,501	3%
Washington	15,601	2%
Ohio	13,577	2%
Georgia	13,547	2%
Alabama	13,484	2%
Other States	129,618	17%
Total	$ 711,836	100%

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, 2024				
	Within one year	One to five years	After five but within 15 years	After 15 years	Total
	(Dollars in thousands)				
SBL non-real estate	$ 625	$ 28,999	$ 180,520	$ 1,043	$ 211,187
SBL commercial mortgage	17,398	20,886	236,681	462,724	737,689
SBL construction	3,212	—	2,597	24,466	30,275
Leasing	113,061	574,735	24,772	—	712,568
SBLOC / IBLOC	1,549,339	—	—	—	1,549,339
Advisor financing	705	86,656	164,284	—	251,645
Real estate bridge lending	1,181,641	999,731	—	—	2,181,372
Consumer fintech	280,092	—	—	—	280,092
Other loans	25,747	4,124	2,749	13,715	46,335
Loans at fair value excluding SBL	101,122	55,390	1,606	—	158,118
	$ 3,272,942	$ 1,770,521	$ 613,209	$ 501,948	$ 6,158,620
Loan maturities after one year with:					
Fixed rates					
SBL non-real estate		$ 2,699	$ 3,007	$ —	$ 5,706

SBL commercial mortgage	11,487	2,886	—	14,373
Leasing	574,735	21,113	—	595,848
Advisor financing	86,253	162,574	—	248,827
Real estate bridge lending	735,576	—	—	735,576
Other loans	3,463	1,532	11,437	16,432
Loans at fair value excluding SBL	55,390	—	—	55,390
Total loans at fixed rates	$ 1,469,603	$ 191,112	$ 11,437	$ 1,672,152
Variable rates				
SBL non-real estate	$ 26,300	$ 177,513	$ 1,043	$ 204,856
SBL commercial mortgage	9,399	233,795	462,724	705,918
SBL construction	—	2,597	24,466	27,063
Leasing	—	3,659	—	3,659
Advisor financing	403	1,710	—	2,113
Real estate bridge lending	264,155	—	—	264,155
Other loans	661	1,217	2,278	4,156
Loans at fair value excluding SBL	—	1,606	—	1,606
Total at variable rates	$ 300,918	$ 422,097	$ 490,511	$ 1,213,526
Total	$ 1,770,521	$ 613,209	$ 501,948	$ 2,885,678

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, 2024, the ACL amounted to $31.0 million, which represented a $3.6 million increase compared to the $27.4 million ACL at December 31, 2023. The increase reflected the impact of a new qualitative factor for classified REBL loans, as the provision for credit losses was accordingly increased by $2.0 million in the third quarter of 2024. The increase also reflected the impact of higher leasing net charge-offs.

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 (dollars in thousands):

	September 30, 2024										
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	Other loans	Deferred fees and costs	Total
Beginning 1/1/2024	$ 6,059	$ 2,820	$ 285	$ 10,454	$ 813	$ 1,662	$ 4,740	$ —	$ 545	$ —	$ 27,378
Charge-offs	(431)	—	—	(3,625)	—	—	—	—	(16)	—	(4,072)
Recoveries	102	—	—	279	—	—	—	—	1	—	382
Provision (credit)	(757)	252	26	5,404	(41)	201	2,387	—	(156)	—	7,316
Ending balance	$ 4,973	$ 3,072	$ 311	$ 12,512	$ 772	$ 1,863	$ 7,127	$ —	$ 374	$ —	$ 31,004
Ending balance: Individually evaluated for expected credit loss	$ 585	$ 931	$ 117	$ 1,867	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,500
Ending balance: Collectively evaluated for expected credit loss	$ 4,388	$ 2,141	$ 194	$ 10,645	$ 772	$ 1,863	$ 7,127	$ —	$ 374	$ —	$ 27,504
Loans:											
Ending balance	$ 179,915	$ 665,608	$ 30,158	$ 711,836	$ 1,543,215	$ 248,422	$ 2,189,761	$ 280,092	$ 46,586	$ 11,023	$ 5,906,616

Ending balance: Individually evaluated for expected credit loss	$ 3,113	$ 4,898	$ 1,585	$ 3,919	$ —	$ —	$ 12,300	$ —	$ 222	$ —	$ 26,037
Ending balance: Collectively evaluated for expected credit loss	$ 176,802	$ 660,710	$ 28,573	$ 707,917	$ 1,543,215	$ 248,422	$ 2,177,461	$ 280,092	$ 46,364	$ 11,023	$ 5,880,579

	December 31, 2023										
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	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
Charge-offs	(871)	(76)	—	(3,666)	(24)	—	—	—	(3)	—	(4,640)
Recoveries	475	75	—	330	—	—	—	—	299	—	1,179
Provision (credit)	1,427	236	(280)	5,818	(330)	369	1,619	—	(394)	—	8,465
Ending balance	$ 6,059	$ 2,820	$ 285	$ 10,454	$ 813	$ 1,662	$ 4,740	$ —	$ 545	$ —	$ 27,378
Ending balance: Individually evaluated for expected credit loss	$ 670	$ 343	$ 44	$ 1,827	$ —	$ —	$ —	$ —	$ 4	$ —	$ 2,888
Ending balance: Collectively evaluated for expected credit loss	$ 5,389	$ 2,477	$ 241	$ 8,627	$ 813	$ 1,662	$ 4,740	$ —	$ 541	$ —	$ 24,490
Loans:											
Ending balance	$ 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	$ 1,919	$ 2,381	$ 3,385	$ 3,785	$ —	$ —	$ —	$ —	$ 362	$ —	$ 11,832
Ending balance: Collectively evaluated for expected credit loss	$ 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, 2023										
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	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
Charge-offs	(871)	—	—	(2,804)	—	—	—	—	(3)	—	(3,678)
Recoveries	446	75	—	220	—	—	—	—	299	—	1,040
Provision (credit)	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

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, 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, 2024, approximately 49% 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, 2024, approximately 57% of the IBLOC portfolio had been reviewed.

Advisor Financing – The targeted review threshold is 50%. At September 30, 2024, approximately 88% 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, 2024, approximately 70% of the non-government guaranteed SBL loan portfolio had been reviewed.

Direct Lease Financing – The targeted review threshold is 35%. At September 30, 2024, approximately 57% 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, 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, 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 (dollars in thousands):

	September 30, 2024						
	30-59 days past due	60-89 days past due	90+ days still accruing	Non-accrual	Total past due and non-accrual	Current	Total loans
SBL non-real estate	$ 72	$ 322	$ 758	$ 3,047	$ 4,199	$ 175,716	$ 179,915
SBL commercial mortgage	—	—	336	4,898	5,234	660,374	665,608
SBL construction	—	—	—	1,585	1,585	28,573	30,158
Direct lease financing	5,791	12,883	1,260	3,919	23,853	687,983	711,836
SBLOC / IBLOC	10,251	2,014	2,383	—	14,648	1,528,567	1,543,215
Advisor financing	—	—	—	—	—	248,422	248,422
Real estate bridge loans(1)	—	—	—	12,300	12,300	2,177,461	2,189,761
Consumer fintech	4,021	4	—	—	4,025	276,067	280,092
Other loans	—	—	—	—	—	46,586	46,586
Unamortized loan fees and costs	—	—	—	—	—	11,023	11,023
	$ 20,135	$ 15,223	$ 4,737	$ 25,749	$ 65,844	$ 5,840,772	$ 5,906,616

December 31, 2023

	30-59 days past due	60-89 days past due	90+ days still accruing	Non-accrual	Total past due and non-accrual	Current	Total loans
SBL non-real estate	$ 84	$ 333	$ 336	$ 1,842	$ 2,595	$ 135,157	$ 137,752
SBL commercial mortgage	2,183	—	—	2,381	4,564	602,422	606,986
SBL construction	—	—	—	3,385	3,385	19,242	22,627
Direct lease financing	5,163	1,209	485	3,785	10,642	675,015	685,657
SBLOC / IBLOC	21,934	3,607	745	—	26,286	1,600,999	1,627,285
Advisor financing	—	—	—	—	—	221,612	221,612
Real estate bridge loans	—	—	—	—	—	1,999,782	1,999,782
Consumer fintech	—	—	—	—	—	—	—
Other loans	853	76	178	132	1,239	49,399	50,638
Unamortized loan fees and costs	—	—	—	—	—	8,800	8,800
	$ 30,217	$ 5,225	$ 1,744	$ 11,525	$ 48,711	$ 5,312,428	$ 5,361,139

(1) The $12.3 million shown in the non-accrual column for real estate bridge loans is collateralized by apartment building property with respective 72% and 56% “as is” and “as stabilized” LTVs, respectively, based upon a May 2024 appraisal. “As stabilized” LTVs represent additional potential collateral value as rehabilitation progresses, and units are re-leased at stabilized rental rates. The table above does not include an $11.2 million loan accounted for at fair value, and, as such, not reflected in delinquency tables. In third quarter 2024, the borrower notified the Company that he would no longer be making payments on the loan, which is collateralized by a vacant retail property. Based upon a July 2024 appraisal, the “as is” LTV is 84% and the “as stabilized” LTV is 62%. Since 2021, real estate bridge lending originations have consisted of apartment buildings, while this loan was originated previously.

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.

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 for review. With the exception of SBLOC and IBLOC, which utilize probability of default/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 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 *de minimis* losses have been incurred, probability of default/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 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, 2024, the ACL amounted to $31.0 million of which $11.4 million of allowances resulted from the Company's historical charge-off ratios, $3.5 million from reserves on specific loans, with the balance comprised of the qualitative components. The $11.4 million resulted primarily from SBA non-real estate lending and leasing charge-offs. The proportion of qualitative reserves compared to charge-off history related reserves reflects the general absence of charge-offs in the Company's largest loan portfolios consisting of SBLOC and IBLOC and real estate bridge lending which results, at least in part, from the nature of related collateral. Such collateral respectively consists 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. 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, 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. In the second quarter of 2024, the provision for credit losses was reduced by $1.4 million to reflect reduced average lives for small business non-real estate loans.

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 had not, prior to the fourth quarter of 2023, increased the economic factor for 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. 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 factor, which resulted in a $1.0 million increase in the fourth quarter provision for credit loss on loans. At September 30, 2024, real estate

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bridge loans classified as special mention and substandard respectively amounted to $84.4 million and $155.4 million compared to $96.0 million and $80.4 million at June 30, 2024. Each classified loan was evaluated for a potential increase in the allowance for credit losses ("ACL") on the basis of the aforementioned third-party appraisals of apartment building collateral. On the basis of "as is" and "as stabilized" LTVs, increases to the allowance were not required. The current allowance for credit losses for REBL, is primarily based upon historical industry losses for multi-family loans, in the absence of significant charge-offs within the Company's REBL portfolio. As a result of increasing amounts of loans classified as special mention and substandard, the Company evaluated potential related sensitivity for REBL in the third quarter. Such evaluation is inherently subjective as it requires material estimatesthat may be susceptible to change as more information becomes available. As a result, the Company added a new qualitative factor to its ACL with a cumulative after-tax impact of approximately $1.5 million ($2.0 million pre-tax).

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 experienced 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 multifamily housing. The Company's charge-offs have been miniscule for SBLOC and IBLOC notwithstanding stressed economic periods, and their ACL is accordingly also determined by a qualitative 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.

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,
	2024	2023	2023
Ratio of:			
ACL to total loans	0.52%	0.46%	0.51%
ACL to non-performing loans[(1)]	101.70%	153.04%	206.33%
Non-performing loans to total loans[(1)]	0.52%	0.30%	0.25%
Non-performing assets to total assets[(1)]	1.14%	0.46%	0.39%
Net charge-offs to average loans	0.07%	0.05%	0.07%

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

The ratio of the ACL to total loans increased to 0.52% as of September 30, 2024 from 0.46% at September 30, 2023 as the ACL increased proportionately more than total loans. The $6.9 million increase in the ACL between those dates, reflected approximately $1.7 million of increased reserves on specific distressed credits and approximately $1.0 million which was added in fourth quarter 2023 for the economic qualitative factor for an increasing trend in special mention and substandard real estate bridge loans. In the third quarter of 2024, $2.0 million was added as a result of a new real estate bridge loans related to an increase in special mention and substandard 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 insurance collateral. The ratio of the ACL to non-performing loans decreased to 101.70% at September 30, 2024, from 153.04% at September 30, 2023, primarily as a result of the increase in non-performing loans which proportionately exceeded the increase in the ACL. As a result of the increase in non-performing loans, the majority of which was a $12.3 million REBL loan, the ratio of non-performing loans to total loans also increased to 0.52% at September 30, 2024 from 0.30% at September 30, 2023. The ratio of non-performing assets to total assets increased to 1.14% at September 30, 2024 from 0.46% at September 30, 2023, reflecting the increase in non-performing loans, and a $39.4 million loan transferred to OREO in the second quarter of 2024 with a September 30, 2024 balance of $40.3 million.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 $40.3 million balance compares to a September 2023 third party "as is" appraisal of $47.8 million, or an 84% "as is" LTV, with additional potential collateral value as construction progresses, and units are re-leased at stabilized rental rates. The Company entered into a purchase and sale agreement for that apartment property acquired by the Bank through foreclosure. The purchaser has made earnest money deposits of $375,000, with additional required deposits projected to total $500,000 prior to the December 31, 2024 closing deadline. The sales price is expected to cover the Company's current OREO balance plus the forecasted cost of improvements to the property. There can be no assurance that the purchaser will consummate the sale of the property, but if not consummated, earnest money deposits are expected to accrue to the Company. The nonaccrual balances in this table as of September 30, 2024, are also reflected in the substandard loan totals. The ratio of net charge-offs to average loans was 0.07% for the nine months ended September 30, 2024, and 0.05% for the nine months ended September 30, 2023. The increase reflected an increase in direct lease financing net charge-offs.

Net Charge-offs

Net charge-offs were $3.7 million for the nine months ended September 30, 2024, an increase of $1.1 million from net charge-offs of $2.6 million during the nine months ended September 30, 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 averages, and net charge-offs by loan category (dollars in thousands):

September 30, 2024	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	Other loans
Charge-offs	$ 431	$ —	$ —	$ 3,625	$ —	$ —	$ —	$ —	$ 16
Recoveries	(102)	—	—	(279)	—	—	—	—	(1)
Net charge-offs	$ 329	$ —	$ —	$ 3,346	$ —	$ —	$ —	$ —	$ 15
Average loan balance	$ 157,629	$ 639,604	$ 27,739	$ 702,852	$ 1,569,727	$ 235,268	$ 2,102,691	$ 140,046	$ 49,995
Ratio of net charge-offs during the period to average loans during the period	0.21%	—	—	0.48%	—	—	—	—	0.03%

September 30, 2023	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	Other loans
Charge-offs	$ 871	$ —	$ —	$ 2,804	$ —	$ —	$ —	$ —	$ 3
Recoveries	(446)	(75)	—	(220)	—	—	—	—	(299)
Net charge-offs (recoveries)	$ 425	$ (75)	$ —	$ 2,584	$ —	$ —	$ —	$ —	$ (296)
Average loan balance	$ 120,845	$ 518,304	$ 28,264	$ 660,022	$ 1,885,857	$ 187,414	$ 1,808,924	$ —	$ 57,218
Ratio of net charge-offs (recoveries) during the period to average loans during the period	0.35%	(0.01%)	—	0.39%	—	—	—	—	(0.51%)

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 7(a) 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.

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 $61.7 million of OREO at September 30, 2024 and $16.9 million of OREO at December 31, 2023. The following tables summarize our non-performing loans, OREO, and loans past due 90 days or more still accruing interest.

	September 30, 2024	December 31, 2023
	(Dollars in thousands)	
Non-accrual loans		
SBL non-real estate	$ 3,047	$ 1,842

SBL commercial mortgage	4,898	2,381
SBL construction	1,585	3,385
Direct leasing	3,919	3,785
IBLOC	—	—
Real estate bridge loans	12,300	—
Other loans	—	132
Total non-accrual loans	25,749	11,525
Loans past due 90 days or more and still accruing(1)	4,737	1,744
Total non-performing loans	30,486	13,269
OREO(2)	61,739	16,949
Total non-performing assets	$ 92,225	$ 30,218

(1) The 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, SBLOC loans secured by marketable securities and IBLOC loans which are secured by the cash value of life insurance.

(2) 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 OREO, and comprised the majority of our OREO at September 30, 2024, with a balance at that date of $40.3 million. 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 $40.3 million balance compares to a September 2023 third party “as is” appraisal of $47.8 million, or an 84% “as is” LTV, with additional potential collateral value as construction progresses, and units are re-leased at stabilized rental rates. The Company entered into a purchase and sale agreement for that apartment property acquired by the Bank through foreclosure. The purchaser has made earnest money deposits of $375,000, with additional required deposits projected to total $500,000 prior to the December 31, 2024 closing deadline. The sales price is expected to cover the Company’s current OREO balance plus the forecasted cost of improvements to the property. There can be no assurance that the purchaser will consummate the sale of the property, but if not consummated, earnest money deposits are expected to accrue to the Company. The nonaccrual balances in this table as of September 30, 2024, are also reflected in the substandard loan totals.

The following table summarizes the Company’s non-accrual loans and loans past due 90 days or more, by year of origination, at June 30, 2024 September 30, 2024 and December 31, 2023:

As of June 30, 2024 September 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving loans at amortized cost	Total
SBL non-real estate								
90+ Days past due	$ —	$ —	$ —	$ 614	$ 42 41	$ 108 103	$ —	$ 764 758
Non-accrual	—	160 —	770 1,364	531 824	354 349	633 510	—	2,448 3,047
Total SBL non-real estate	—	160 —	770 1,364	1,145 1,438	396 390	741 613	—	3,212 3,805
SBA commercial mortgage								
90+ Days past due	—	—	—	—	—	— 336	—	— 336
Non-accrual	—	—	1,379	1,740 1,717	542 254	1,550 1,548	—	5,211 4,898
Total SBL commercial mortgage	—	—	1,379	1,740 1,717	542 254	1,550 1,884	—	5,211 5,234
SBL construction								
90+ Days past due	—	—	—	—	—	—	—	—
Non-accrual	—	—	—	2,675 875	—	710	—	3,385 1,585
Total SBL construction	—	—	—	2,675 875	—	710	—	3,385 1,585
Direct lease financing								
90+ Days past due	258 2	662 880	731 118	274 68	15 111	284 81	—	2,224 1,260
Non-accrual	—	607 708	2,099 1,907	1,069 1,229	68 65	27 10	—	3,870 3,919
Total direct lease financing	258 2	1,269 1,588	2,830 2,025	1,343 1,297	83 176	311 91	—	6,094 5,179
SBLOC								
90+ Days past due	—	—	—	—	—	— 1,321	—	— 1,321
Non-accrual	—	—	—	—	—	—	—	—

Total SBLOC	—	—	—	—	—	— 1,321	—	— 1,321	
IBLOC									
90+ Days past due	—	—	—	1,284 —	1,062	—	—	—	1,284 1,062
Non-accrual	—	—	—	—	—	—	—	—	
Total IBLOC	—	—	—	1,284 —	1,062	—	—	—	1,284 1,062
Advisor Financing									
90+ Days past due	—	—	—	—	—	—	—	—	
Non-accrual	—	—	—	—	—	—	—	—	
Total Advisor Financing	—	—	—	—	—	—	—	—	
Real estate bridge loans									
90+ Days past due	—	—	—	—	—	—	—	—	
Non-accrual	—	—	—	— 12,300	—	—	—	— 12,300	
Total real estate bridge loans	—	—	—	— 12,300	—	—	—	— 12,300	
Other loans									
90+ Days past due	—	—	—	—	—	4 —	—	4 —	
Non-accrual	—	—	—	—	—	—	—	—	
Total other loans	—	—	—	—	—	4 —	—	4 —	
Total 90+ Days past due	$ 258 2	$ 662 880	$ 731 118	$ 2,172 682	$ 57 1,214	$ 396 1,841	$ —	$ 4,276 4,737	
Total Non-accrual	$ —	$ 767 708	$ 4,248 4,650	$ 6,015 16,945	$ 964 668	$ 2,920 2,778	$ —	$ 14,914 25,749	

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As of December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving loans at amortized cost	Total
SBL non-real estate								
90+ Days past due	$ —	$ —	$ —	$ 42	$ —	$ 294	$ —	$ 336
Non-accrual	—	—	632	522	190	498	—	1,842
Total SBL non-real estate	—	—	632	564	190	792	—	2,178
SBA commercial mortgage								
90+ Days past due	—	—	—	—	—	—	—	—
Non-accrual	—	—	—	452	—	1,929	—	2,381
Total SBL commercial mortgage	—	—	—	452	—	1,929	—	2,381
SBL construction								
90+ Days past due	—	—	—	—	—	—	—	—
Non-accrual	—	—	2,675	—	—	710	—	3,385
Total SBL construction	—	—	2,675	—	—	710	—	3,385
Direct lease financing								
90+ Days past due	298	146	41	—	—	—	—	485
Non-accrual	58	1,775	1,688	212	46	6	—	3,785
Total direct lease financing	356	1,921	1,729	212	46	6	—	4,270
SBLOC								
90+ Days past due	—	—	—	—	—	—	—	—
Non-accrual	—	—	—	—	—	—	—	—
Total SBLOC	—	—	—	—	—	—	—	—
IBLOC								
90+ Days past due	—	127	384	234	—	—	—	745
Non-accrual	—	—	—	—	—	—	—	—
Total IBLOC	—	127	384	234	—	—	—	745

Advisor Financing								
90+ Days past due	—	—	—	—	—	—	—	—
Non-accrual	—	—	—	—	—	—	—	—
Total Advisor Financing	—	—	—	—	—	—	—	—
Real estate bridge loans								
90+ Days past due	—	—	—	—	—	—	—	—
Non-accrual	—	—	—	—	—	—	—	—
Total real estate bridge loans	—	—	—	—	—	—	—	—
Other loans								
90+ Days past due	178	—	—	—	—	—	—	178
Non-accrual	—	—	—	—	—	132	—	132
Total other loans	178	—	—	—	—	132	—	310
Total 90+ Days past due	$ 476	$ 273	$ 425	$ 276	$ —	$ 294	$ —	$ 1,744
Total Non-accrual	$ 58	$ 1,775	$ 4,995	$ 1,186	$ 236	$ 3,275	$ —	$ 11,525

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 $1.8 million remaining to be reimbursed as of June 30, 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 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. 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 charge-offs have generally not been experienced for 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.

Consumer fintech loans. Consumer fintech loans consists primarily of secured credit card loans. The majority of the balances were collateralized with deposits at the Bank, with related income statement impact reflected both in a lower cost of funds and fee income. The lower cost of funds results from balances required to be maintained to collateralize related card use. Related fee income is reflected in the " Prepaid, debit card and related fees" line of the income statement.

Other loans. Other loans include commercial and 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 June 30, 2024 and as of December 31, 2023 was $2.2 million and $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):

	June 30, 2024										
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	Other loans	Deferred fees and costs	Total
Beginning 1/1/2024	$ 6,059	$ 2,820	$ 285	$ 10,454	$ 813	$ 1,662	$ 4,740	$ —	$ 545	$ —	$ 27,378
Charge-offs	(417)	—	—	(2,301)	—	—	—	—	(16)	—	(2,734)
Recoveries	32	—	—	59	—	—	—	—	—	—	91

Provision (credit)	(630)	240	12	3,996	(24)	129	283	—	(166)	—	3,840
Ending balance	$ 5,044	$ 3,060	$ 297	$ 12,208	$ 789	$ 1,791	$ 5,023	$ —	$ 363	$ —	$ 28,575
Ending balance: Individually evaluated for expected credit loss	$ 451	$ 928	$ 112	$ 1,943	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,434
Ending balance: Collectively evaluated for expected credit loss	$ 4,593	$ 2,132	$ 185	$ 10,265	$ 789	$ 1,791	$ 5,023	$ —	$ 363	$ —	$ 25,141
Loans:											
Ending balance	$ 171,893	$ 647,894	$ 30,881	$ 711,403	$ 1,558,095	$ 238,831	$ 2,119,324	$ 70,081	$ 46,592	$ 10,733	$ 5,605,727
Ending balance: Individually evaluated for expected credit loss	$ 2,517	$ 5,211	$ 3,385	$ 3,871	$ —	$ —	$ —	$ —	$ 224	$ —	$ 15,208
Ending balance: Collectively evaluated for expected credit loss	$ 169,376	$ 642,683	$ 27,496	$ 707,532	$ 1,558,095	$ 238,831	$ 2,119,324	$ 70,081	$ 46,368	$ 10,733	$ 5,590,519

	December 31, 2023										
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	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
Charge-offs	(871)	(76)	—	(3,666)	(24)	—	—	—	(3)	—	(4,640)
Recoveries	475	75	—	330	—	—	—	—	299	—	1,179
Provision (credit)	1,427	236	(280)	5,818	(330)	369	1,619	—	(394)	—	8,465
Ending balance	$ 6,059	$ 2,820	$ 285	$ 10,454	$ 813	$ 1,662	$ 4,740	$ —	$ 545	$ —	$ 27,378
Ending balance: Individually evaluated for expected credit loss	$ 670	$ 343	$ 44	$ 1,827	$ —	$ —	$ —	$ —	$ 4	$ —	$ 2,888
Ending balance: Collectively evaluated for expected credit loss	$ 5,389	$ 2,477	$ 241	$ 8,627	$ 813	$ 1,662	$ 4,740	$ —	$ 541	$ —	$ 24,490
Loans:											
Ending balance	$ 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	$ 1,919	$ 2,381	$ 3,385	$ 3,785	$ —	$ —	$ —	$ —	$ 362	$ —	$ 11,832
Ending balance: Collectively evaluated for expected credit loss	$ 135,833	$ 604,605	$ 19,242	$ 681,872	$ 1,627,285	$ 221,612	$ 1,999,782	$ —	$ 50,276	$ 8,800	$ 5,349,307

	June 30, 2023										
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	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
Charge-offs	(871)	—	—	(1,439)	—	—	—	—	(3)	—	(2,313)

Recoveries	298	75	—	175	—	—	—	—	49	—	597
Provision (credit)	994	751	(85)	997	(225)	7	294	—	(107)	—	2,626
Ending balance	$ 5,449	$ 3,411	$ 480	$ 7,705	$ 942	$ 1,300	$ 3,415	$ —	$ 582	$ —	$ 23,284
Ending balance: Individually evaluated for expected credit loss	$ 589	$ 494	$ 44	$ 1,254	$ —	$ —	$ —	$ —	$ 11	$ —	$ 2,392
Ending balance: Collectively evaluated for expected credit loss	$ 4,860	$ 2,917	$ 436	$ 6,451	$ 942	$ 1,300	$ 3,415	$ —	$ 571	$ —	$ 20,892
Loans:											
Ending balance	$ 117,621	$ 515,008	$ 32,471	$ 657,316	$ 1,883,607	$ 173,376	$ 1,826,227	$ —	$ 55,644	$ 6,304	$ 5,267,574
Ending balance: Individually evaluated for expected credit loss	$ 1,306	$ 3,069	$ 3,385	$ 2,387	$ —	$ —	$ —	$ —	$ 4,198	$ —	$ 14,345
Ending balance: Collectively evaluated for expected credit loss	$ 116,315	$ 511,939	$ 29,086	$ 654,929	$ 1,883,607	$ 173,376	$ 1,826,227	$ —	$ 51,446	$ 6,304	$ 5,253,229

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

As of June 30, 2024	2024	2023	2022	2021	2020	Prior	Total
SBL non-real estate							
Current period charge-offs	$ —	$ (53)	$ —	$ (101)	$ (192)	$ (71)	$ (417)
Current period recoveries	—	—	—	—	—	32	32
Current period SBL non-real estate net charge-offs	—	(53)	—	(101)	(192)	(39)	(385)
SBL commercial mortgage							
Current period charge-offs	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	—	—
Current period SBL commercial mortgage net charge-offs	—	—	—	—	—	—	—
SBL construction							
Current period charge-offs	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	—	—
Current period SBL construction net charge-offs	—	—	—	—	—	—	—
Direct lease financing							
Current period charge-offs	(3)	(250)	(1,464)	(550)	(20)	(14)	(2,301)
Current period recoveries	—	—	28	13	8	10	59
Current period direct lease financing net charge-offs	(3)	(250)	(1,436)	(537)	(12)	(4)	(2,242)
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)	—	—	—	(10)	(16)
Current period recoveries	—	—	—	—	—	—	—
Current period other loans net recoveries	—	(6)	—	—	—	(10)	(16)
Total							
Current period charge-offs	(3)	(309)	(1,464)	(651)	(212)	(95)	(2,734)
Current period recoveries	—	—	28	13	8	42	91
Current period net charge-offs	$ (3)	$ (309)	$ (1,436)	$ (638)	$ (204)	$ (53)	$ (2,643)

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As of December 31, 2023	2023	2022	2021	2020	2019	Prior	Total
SBL non-real estate							
Current period charge-offs	$ —	$ —	$ —	$ —	$ —	$ (871)	$ (871)
Current period recoveries	—	—	—	—	—	475	475
Current period SBL non-real estate net charge-offs	—	—	—	—	—	(396)	(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	(138)	(2,138)	(1,117)	(234)	(39)	—	(3,666)
Current period recoveries	—	48	168	96	—	18	330
Current period direct lease financing net charge-offs	(138)	(2,090)	(949)	(138)	(39)	18	(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	—	—	—	—	—	299	299
Current period other loans net charge-offs	—	—	—	—	—	296	296
Total							
Current period charge-offs	(138)	(2,150)	(1,129)	(234)	(39)	(950)	(4,640)
Current period recoveries	—	48	168	96	—	867	1,179
Current period net charge-offs	$ (138)	$ (2,102)	$ (961)	$ (138)	$ (39)	$ (83)	$ (3,461)

The Company did not have loans acquired with deteriorated credit quality at either June 30, 2024 or December 31, 2023. In the first six months of 2024, the Company purchased $16.4 million of SBLs, none of which were credit deteriorated. Additionally, in the first six months of 2024, the Company participated in SBLs with other institutions in the amount of $6.2 million.

The non-accrual 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 six months ended June 30, 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 apartmentbuildings, 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):

	June 30, 2024						
	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	$ 78	$ 311	$ 764	$ 2,448	$ 3,601	$ 168,292	$ 171,893
SBL commercial mortgage	—	336	—	5,211	5,547	642,347	647,894
SBL construction	—	—	—	3,385	3,385	27,496	30,881
Direct lease financing	4,575	4,415	2,224	3,870	15,084	696,319	711,403
SBLOC / IBLOC	12,448	2,101	1,284	—	15,833	1,542,262	1,558,095
Advisor financing	—	—	—	—	—	238,831	238,831
Real estate bridge loans[(1)]	—	12,300	—	—	12,300	2,107,024	2,119,324
Consumer fintech	—	—	—	—	—	70,081	70,081
Other loans	96	—	4	—	100	46,492	46,592
Unamortized loan fees and costs	—	—	—	—	—	10,733	10,733
	$ 17,197	$ 19,463	$ 4,276	$ 14,914	$ 55,850	$ 5,549,877	$ 5,605,727

	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
SBL non-real estate	$ 84	$ 333	$ 336	$ 1,842	$ 2,595	$ 135,157	$ 137,752
SBL commercial mortgage	2,183	—	—	2,381	4,564	602,422	606,986
SBL construction	—	—	—	3,385	3,385	19,242	22,627
Direct lease financing	5,163	1,209	485	3,785	10,642	675,015	685,657
SBLOC / IBLOC	21,934	3,607	745	—	26,286	1,600,999	1,627,285

Advisor financing	—	—	—	—	—	221,612	221,612
Real estate bridge loans	—	—	—	—	—	1,999,782	1,999,782
Consumer fintech	—	—	—	—	—	—	—
Other loans	853	76	178	132	1,239	49,399	50,638
Unamortized loan fees and costs	—	—	—	—	—	8,800	8,800
	$ 30,217	$ 5,225	$ 1,744	$ 11,525	$ 48,711	$ 5,312,428	$ 5,361,139

(1) Borrowers for a $12.3 million apartment property real estate bridge loan which had a six month payment deferral granted in the fourth quarter of 2023 have not resumed payments and are reflected in the 60-89 days past due column in the table above. The related “as is” and “as stabilized” LTVs based on a May 2024 appraisal were 72% and 56%, respectively.The “as stabilized” loan to value measures the apartment property’s value after renovations have been completed and units have generally been released. The Company originated a new loan with a new borrower for a previously reported $9.5 million REBL loan that was 60 to 89 days delinquent at March 31, 2024. The new borrower is expected to have greater financial capacity to complete the related project and has negotiated three quarters of payment deferrals and a lower rate. The “as stabilized” LTV is approximately 78% after considering additional estimated future fundings to complete renovations. The aforementioned LTVs are based on third party appraisals performed within the past year.

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 2024	$ 120,604
2025	181,416
2026	157,354
2027	84,617
2028	40,342
2029 and thereafter	9,067
Total undiscounted cash flows	593,400
Residual value(1)	219,386
Difference between undiscounted cash flows and discounted cash flows	(101,383)
Present value of lease payments recorded as lease receivables	$ 711,403

(1) Of the $219,386,000, $48,259,000 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 June 30, 2024 and 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 June 30, 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 $5.8 million at June 30, 2024 and $5.7 million at 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 $4,800 and $2,800 for legal services for the six months ended June 30, 2024 and 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 $405.6 million and $1.04 billion as of June 30, 2024 and 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 second quarter of 2024 and 2023, there were no transfers between the three levels.

Federal Reserve, FHLB, and ACBB stock, are held as required by those respective institutions and are carried at cost. Each of these institutions require their 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 varying levels of borrowing 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.

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 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:

	June 30, 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)
Investment securities, available-for-sale	$ 1,581,006	$ 1,581,006	$ —	$ 1,569,689	$ 11,317

Federal Reserve, FHLB and ACBB stock	15,642	15,642	—	—	15,642
Commercial loans, at fair value	265,193	265,193	—	—	265,193
Loans, net of deferred loan fees and costs	5,605,727	5,569,044	—	—	5,569,044
Demand and interest checking	7,095,391	7,095,391	—	7,095,391	—
Savings and money market	60,297	60,297	—	60,297	—
Senior debt	96,037	94,020	—	94,020	—
Subordinated debentures	13,401	11,372	—	—	11,372
Other long-term borrowings	38,283	38,283	—	38,283	—

	December 31, 2023				
	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	$ 747,534	$ 747,534	$ —	$ 735,463	$ 12,071
Federal Reserve, FHLB and ACBB stock	15,591	15,591	—	—	15,591
Commercial loans, at fair value	332,766	332,766	—	—	332,766
Loans, net of deferred loan fees and costs	5,361,139	5,329,436	—	—	5,329,436
Interest rate swaps, asset	285	285	—	285	—
Demand and interest checking	6,630,251	6,630,251	—	6,630,251	—
Savings and money market	50,659	50,659	—	50,659	—
Senior debt	95,859	96,539	—	96,539	—
Subordinated debentures	13,401	11,470	—	—	11,470
Other long-term borrowings	38,561	38,561	—	38,561	—
Securities sold under agreements to repurchase	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 June 30, 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	$ 31,357	$ —	$ 31,357	$ —
Asset-backed securities	275,012	—	275,012	—
Obligations of states and political subdivisions	41,901	—	41,901	—
Residential mortgage-backed securities	457,513	—	457,513	—
Collateralized mortgage obligation securities	29,933	—	29,933	—
Commercial mortgage-backed securities	745,290	—	733,973	11,317
Total investment securities, available-for-sale	1,581,006	—	1,569,689	11,317
Commercial loans, at fair value	265,193	—	—	265,193
	$ 1,846,199	$ —	$ 1,569,689	$ 276,510

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

	December 31, 2023	(Level 1)	(Level 2)	(Level 3)
Investment securities, available-for-sale				
U.S. Government agency securities	$ 33,886	$ —	$ 33,886	$ —
Asset-backed securities	325,353	—	325,353	—
Obligations of states and political subdivisions	47,237	—	47,237	—
Residential mortgage-backed securities	160,767	—	160,767	—
Collateralized mortgage obligation securities	34,038	—	34,038	—
Commercial mortgage-backed securities	146,253	—	134,182	12,071
Total investment securities, available-for-sale	747,534	—	735,463	12,071
Commercial loans, at fair value	332,766	—	—	332,766
Interest rate swaps, asset	285	—	285	—
	$ 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	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Beginning balance	$ 12,071	$ 20,023	$ 332,766	$ 589,143
Transfers to OREO	—	—	(880)	(2,686)
Total net (losses) or gains (realized/unrealized)				
Included in earnings	—	—	1,883	3,869
Included in earnings (included in credit loss)	—	(10,000)	—	—
Included in other comprehensive income (loss)	(754)	2,048	—	—
Purchases, advances, sales and settlements				
Advances	—	—	—	134,256
Settlements	—	—	(68,576)	(391,816)
Ending balance	$ 11,317	$ 12,071	$ 265,193	$ 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:

	June 30, 2024	December 31, 2023
Beginning balance	$ 16,949	$ 21,210
Transfer from loans, net	40,032	—
Transfer from commercial loans, at fair value	880	2,686
Write-downs	—	(1,147)
Sales	—	(5,800)
Ending balance	$ 57,861	$ 16,949

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

	Level 3 instruments only
	Weighted

	Fair value at June 30, 2024	Valuation techniques	Unobservable inputs	Range at June 30, 2024	average at June 30, 2024
Commercial mortgage-backed investment security[1]	$ 11,317	Discounted cash flow	Discount rate	15.00%	15.00%
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]	5,569,044	Discounted cash flow	Discount rate	7.40%-13.00%	8.52%
Commercial - SBA[3]	104,146	Discounted cash flow	Discount rate	7.36%	7.36%
Non-SBA commercial real estate - fixed[4]	149,635	Discounted cash flow	Discount rate	8.05%-11.20%	9.36%
Non-SBA commercial real estate - floating[5]	11,412	Discounted cash flow	Discount rate	10.20%-17.10%	13.18%
Commercial loans, at fair value	265,193				
Subordinated debentures[6]	11,372	Discounted cash flow	Discount rate	11.00%	11.00%
OREO[7]	57,861	Appraised value	N/A	N/A	N/A

	Level 3 instruments only				
	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	$ 12,071	Discounted cash flow	Discount rate	14.00%	14.00%
FHLB, ACBB, and Federal Reserve Bank stock	15,591	Cost	N/A	N/A	N/A
Loans, net of deferred loan fees and costs	5,329,436	Discounted cash flow	Discount rate	7.40%-13.00%	8.41%
Commercial - SBA	119,287	Discounted cash flow	Discount rate	7.46%	7.46%
Non-SBA commercial real estate - fixed	162,674	Discounted cash flow and appraisal	Discount rate	8.00%-12.30%	8.76%
Non-SBA commercial real estate - floating	50,805	Discounted cash flow	Discount rate	9.30%-16.50%	14.19%
Commercial loans, at fair value	332,766				
Subordinated debentures	11,470	Discounted cash flow	Discount rate	11.00%	11.00%
OREO	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 June 30, 2024 table.

(1) Commercial mortgage-backed investment security, consisting of a single 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 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, which was transferred to nonaccrual status in the second quarter of 2024, see “Note 6. Loans.”

(2) 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.

(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.

(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, 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.

(5) Non-SBA commercial real estate – floating are floating rate non-SBA loans, the majority of which are secured by 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 June 30, 2024, these loans were fair valued by a third-party, based upon discounting at market rates for similar loans.

(6) Subordinated debentures are comprised of $13.4 million of debentures bearing interest at SOFR plus 3.51% and maturing in March 2038 (the "2038 Debentures"), 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 the 2038 Debentures' valuation.

(7) For OREO, fair value is based upon appraisals of the underlying collateral by 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). The non-accrual 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.

		Fair Value Measurements at Reporting Date Using		
Description	Fair value June 30, 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 with specific reserves[1]	$ 6,643	$ —	$ —	$ 6,643
OREO	57,861	—	—	57,861
	$ 64,504	$ —	$ —	$ 64,504

		Fair Value Measurements at Reporting Date Using		
Description	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 with specific reserves[1]	$ 8,944	$ —	$ —	$ 8,944
OREO	16,949	—	—	16,949
	$ 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.

At June 30, 2024, principal on collateral dependent loans, which is accounted for on the basis of the value of underlying collateral, is shown at an estimated fair value of $6.6 million. To arrive at that fair value, related loan principal of $10.0 million was reduced by specific reserves of $3.4 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. Valuation techniques consistent with the market and/or cost approach were used to measure fair value and primarily included observable inputs for the individual loans being evaluated such as recent sales of similar 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.

Note 9. 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 ($624,000 over the next three years). The gross carrying amount of the customer list intangible is $3.4 million, and as of June 30, 2024, and December 31, 2023, respectively, the accumulated amortization expense was $2.8 million and $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 $258,000 at June 30, 2024 and $230,000 at 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 June 30, 2024 and December 31, 2023 are presented below:

	June 30, 2024		December 31, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(Dollars in thousands)			
Customer list intangibles	$ 4,093	$ 3,039	$ 4,093	$ 2,840
Goodwill	263	—	263	—
Trade Name	135	—	135	—
Total	$ 4,491	$ 3,039	$ 4,491	$ 2,840

Note 10. Recent Accounting Pronouncements

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 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.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures.*

ASU 2023-07 enhances segment level disclosures, for both annual and quarterly reporting periods and is effective with the December 31, 2024 financial statements. As a result of the enhancements, segment disclosures will include greater detail surrounding the nature of expenses now reported as a single line item in the segment income statements. In addition to disclosing the chief operational decision maker by title and position, an explanation of how the segment information is used by that decision maker will be summarized. The Company is currently evaluating these new disclosure enhancements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes(Topic 740), Improvements to Income Tax Disclosures.* ASU 2023-09, effective January 1, 2025, adds annual disclosures for the amount of income taxes paid, net of refunds, shown separately for federal, state and foreign taxes. Total tax paid, net of refunds, for any jurisdictions which exceed 5% of total net taxes paid, will also be shown separately. The Company is currently evaluating these disclosures.

Note 11. 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"). Under the 2023 Repurchase Program, the Company repurchased $25.0 million in value of the Company's common stock in each quarter of 2023.

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. 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 Securities Exchange Act of 1934, as amended (the "Exchange Act"). The 2024 Repurchase Program may be modified or terminated at any time. During the three and six months ended June 30, 2024, the Company repurchased 3,018,405 shares and 4,280,617 shares of its common stock in the open market under the 2024 Repurchase Program at an average price of $33.13 per share and $35.04 per share, respectively.

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, with $50 million in repurchases planned for each remaining quarter of 2024. 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.

Note 12. Regulatory Matters

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

Various federal and state statutory provisions limit the amount of dividends that subsidiary banks can pay to their holding companies without regulatory approval. 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.

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 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	Tier 1 capital to risk-weighted	Total capital to risk-weighted	Common equity tier 1 to risk

	assets ratio	assets ratio	assets ratio	weighted assets
As of June 30, 2024				
The Bancorp, Inc.	10.07%	14.13%	14.68%	14.13%
The Bancorp Bank, National Association	11.21%	15.69%	16.24%	15.69%
"Well capitalized" institution (under federal regulations-Basel III)	5.00%	8.00%	10.00%	6.50%
As of December 31, 2023				
The Bancorp, Inc.	11.19%	15.66%	16.23%	15.66%
The Bancorp Bank, National Association	12.37%	17.35%	17.92%	17.35%
"Well capitalized" institution (under federal regulations-Basel III)	5.00%	8.00%	10.00%	6.50%

Note 13. 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*. 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 September 14, 2021, Cachet Financial Services (“Cachet”) filed an adversary proceeding against the Bank in the U.S. Bankruptcy Court for the Central District of California, titled *Cachet Financial Services, Plaintiff v. The Bancorp Bank, et al., 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; 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 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*. 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. 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. On May 16, 2024, the court granted the Bank’s motion and dismissed Del Mar’s amended complaint with prejudice. On June 14, 2024, Del Mar appealed the dismissal to the U.S. Court of Appeals for the Second Circuit. The parties subsequently resolved the matter without material loss to the Bank and the case was dismissed on or about July 1, 2024. The Company considers this matter resolved.

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 is vigorously defending against the claims. On May 6, 2024, TBBK Card filed a motion to quash service of summons as to TBBK Card for lack of personal jurisdiction, which is still pending. 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 14. 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 and debit card accounts, card and other payments related accounts, ACH processing and deposits and credit products generated by those business lines. Corporate includes the Company's investment portfolio, corporate overhead and non-allocated expenses. Effective tax rates are similar for each segment and are not a meaningful aspect of related segment decisions.

The following tables provide segment information for the periods indicated:

	For the three months ended June 30, 2024			
	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Interest income	$ 113,655	$ —	$ 23,644	$ 137,299
Interest allocation	(34,217)	40,102	(5,885)	—
Interest expense	854	38,888	3,762	43,504
Net interest income	78,584	1,214	13,997	93,795
Provision for credit losses on loans and unfunded commitments	1,420	—	(168)	1,252
Non-interest income	2,763	27,927	32	30,722
Non-interest expense	23,150	20,847	7,449	51,446
Income before taxes	56,777	8,294	6,748	71,819
Income tax expense	14,336	2,094	1,703	18,133
Net income	$ 42,441	$ 6,200	$ 5,045	$ 53,686

	For the three months ended June 30, 2023			
	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Interest income	$ 106,588	$ 21	$ 19,681	$ 126,290
Interest allocation	(32,323)	35,628	(3,305)	—
Interest expense	1,297	34,663	3,135	39,095
Net interest income	72,968	986	13,241	87,195
Provision for credit losses on loans and unfunded commitments	361	—	—	361
Non-interest income	4,358	24,640	338	29,336
Non-interest expense	21,051	18,691	10,201	49,943
Income before taxes	55,914	6,935	3,378	66,227
Income tax expense	14,537	1,803	878	17,218
Net income (loss)	$ 41,377	$ 5,132	$ 2,500	$ 49,009

	For the six months ended June 30, 2024			
	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Interest income	$ 226,276	$ 2	$ 46,830	$ 273,108
Interest allocation	(68,203)	79,680	(11,477)	—
Interest expense	1,711	76,951	6,233	84,895
Net interest income	156,362	2,731	29,120	188,213
Provision for credit losses on loans and unfunded commitments	3,591	—	(170)	3,421
Non-interest income	4,460	55,208	436	60,104
Non-interest expense	45,972	41,041	11,145	98,158
Income before taxes	111,259	16,898	18,581	146,738
Income tax expense	27,770	4,218	4,635	36,623
Net income	$ 83,489	$ 12,680	$ 13,946	$ 110,115

	For the six months ended June 30, 2023			
	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Interest income	$ 211,979	$ 40	$ 36,447	$ 248,466
Interest allocation	(65,257)	70,479	(5,222)	—
Interest expense	2,783	65,167	7,505	75,455
Net interest income	143,939	5,352	23,720	173,011
Provision for credit losses on loans and unfunded commitments	2,264	—	—	2,264
Non-interest income	7,776	50,168	381	58,325
Non-interest expense	42,549	37,306	18,118	97,973
Income before taxes	106,902	18,214	5,983	131,099
Income tax expense	26,883	4,580	1,505	32,968
Net income (loss)	$ 80,019	$ 13,634	$ 4,478	$ 98,131

	June 30, 2024			
	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Total assets	$ 5,741,190	$ 102,031	$ 2,302,180	$ 8,145,401
Total liabilities	$ 189,462	$ 6,835,282	$ 343,666	$ 7,368,410

	December 31, 2023			
	Specialty finance	Payments	Corporate	Total
	(Dollars in thousands)			
Total assets	$ 5,682,035	$ 42,769	$ 1,980,891	$ 7,705,695
Total liabilities	$ 238,042	$ 6,412,911	$ 247,461	$ 6,898,414

Note 15. Subsequent Events

The Company evaluated its June 30, 2024 consolidated financial statements for subsequent events through the date the consolidated financial statements were issued. Pursuant to the 2024 Repurchase Program, described in “Note 11. Shareholders’ Equity,” between July 1, 2024, and July 29, 2024, the Company repurchased 308,380 shares of its common stock, at a total cost of $13.7 million and an average price of $44.48 per share.

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 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 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, or are otherwise regulated, including as a result of the implementation or adoption of pending regulatory change;*
- *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;*
- *our entry into consumer fintech lending and its future potential impact on our operations and financial condition;*
- *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

In the second quarter of 2024, the Company's common stock repurchases amounted to $100.0 million. Shares outstanding at June 30, 2024 amounted to 49.3 million compared to 53.2 million at December 31, 2023, a reduction of 7.4%.

In April 2024, the Company purchased 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 will 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.

The Company entered into a purchase and sale agreement for an apartment property acquired by The Bancorp Bank through foreclosure in connection with a real estate bridge lending ("REBL") loan. At June 30, 2024, the related $39.4 million balance, comprised the majority of our other real estate owned ("OREO"). The purchaser made an earnest money deposit of $125,000 in July 2024, with additional required deposits projected to total $500,000 prior to the December 31, 2024 closing deadline. The sales price is expected to cover the Company's current OREO balance plus the forecasted cost of improvements to the property. There can be no assurance that the purchaser will consummate the sale of the property, but if not consummated, it is expected that earnest money deposits would accrue to the Company.

One of the accounting estimates as described in the notes to our financial statements, is the allowance for credit losses ("ACL"), which is sensitive to a variety of inherent portfolio and external factors. REBL may be one of the more sensitive portfolios to such factors. In the second quarter of 2024, REBL loans classified as either special mention or substandard increased to $176.4 million from $165.2 million at March 31, 2024. Each classified loan was evaluated for a potential increase in the ACL on the basis of third-party appraisals of related apartment building collateral. On the basis of "as is" and "as stabilized" loan to values ("LTV's"), increases to the allowance for specific loans were not required. The respective weighted average "as is" and "as stabilized" LTVs were 81% and 69%, based upon third party appraisals, the majority of which have been performed in 2024. The current allowance for credit losses for REBL, is primarily based upon historical industry losses for multi-family loans, in the absence of significant historical losses within the Company's REBL portfolio. However, as a result of increasing amounts of loans classified as special mention and substandard, the Company will evaluate potential related sensitivity of that factor for REBL. This evaluation is inherently subjective as it requires material estimatesthat may be susceptible to change as more information becomes available. 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 504 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 ("the 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 in our national specialty finance segment:

- SBLOC, IBLOC, and investment advisor financing;
- leasing (direct lease financing);
- SBLs, consisting primarily of SBA loans;
- non-SBA commercial real estate bridge loans; and
- beginning in 2024, consumer fintech lending.

SBLOCs and IBLOCs are loans 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 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 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."

In the second quarter of 2024, we initiated our measured entry into consumer fintech lending, by which we make consumer loans with the marketing and servicing assistance of existing and planned new fintech relationships. While the $70.1 million of such loans at June 30, 2024 did not significantly impact income during the quarter, such lending is expected to meaningfully impact both the balance sheet and income in the future. We expect that impact will be reflected in a lower cost of funds for related deposits and increased transaction fees.

The majority of our deposits and non-interest income are generated in our payments segment, or Fintech Solutions Group, which consists of consumer transaction accounts accessed by Bank-issued prepaid or debit cards and payment companies that process their clients' corporate and consumer payments, automated clearing house ("ACH") accounts, the collection of card payments on behalf of merchants and other payments through our Bank. The card-accessed deposit accounts are comprised of debit and prepaid card accounts that are generated by companies that market directly to end users. Our card-accessed 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 payment accounts and others. Our ACH accounts facilitate bill payments and our acquiring accounts provide clearing and settlement services for payments made to merchants which must be settled through associations such as Visa or Mastercard. Consumer transaction account banking services are provided to organizations with a pre-existing customer base tailored to support or complement the services provided by these organizations to their customers, which we refer to as "affinity or private label 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 $53.7 million for the second quarter of 2024, from $49.0 million for the second quarter of 2023, primarily reflecting a $6.6 million increase in net interest income, a $1.4 million increase in non-interest income, and a $1.5 million increase in non-interest expense. Higher rates on loans resulted in increases in net interest income, which offset the impact of lower SBLOC and IBLOC balances. Our cost of funds rose to 2.50% in the second quarter of 2024, driven primarily by 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 second quarter of 2024 increased $3.1 million over the comparable 2023 period.

There was a $1.5 million provision for credit losses in the second quarter of 2024, compared to a provision for credit losses of $428,000 in the second quarter of 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.

Results of KPIs

In the second quarter of 2024, return on assets and return on equity amounted to 2.77% and 27.10% (annualized), respectively, compared to 2.65% and 26.67% (annualized) in the second quarter of 2023. For the six-month period ended June 30, 2024, return on assets, and return on equity amounted to 2.86% and 27.95% (annualized), respectively, compared to 2.64% and 27.42% (annualized) for the six-month period ended June 30, 2023.

At June 30, 2024, the ratio of equity to assets was 9.54%, compared to 9.93% at June 30, 2023, reflecting an increase in equity capital from retained earnings, partially offset by share repurchases.

Net interest margin was 4.97% in the second quarter of 2024, versus 4.83% in the second quarter of 2023, reflecting a $6.6 million increase in net interest income in the second quarter of 2024 compared to the second quarter of 2023.

Increases in the above KPIs in 2024 reflected the impact of higher rates on loans as a result of Federal Reserve rate increases, while the impact of loan growth in certain categories was significantly offset by SBLOC and IBLOC payoffs. We believe that these payoffs reflected customer sensitivity to the increasing rate environment. Average loans and leases increased to $5.75 billion in the second quarter of 2024 compared to $5.73 billion in the second quarter of 2023. The provision for credit losses was $1.5 million in the second quarter of 2024 compared to a provision for credit losses of $428,000 in the second 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 June 30, 2024, remain unchanged from those presented in the 2023 Form 10-K under Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Results of Operations

Comparison of second quarter 2024 to second quarter 2023

Net Income

Net income for the second quarter of 2024 was $53.7 million, or $1.05 per diluted share, compared to $49.0 million, or $0.89 per diluted share, for the second quarter of 2023. Income before income taxes was $71.8 million in the second quarter of 2024 compared to $66.2 million in the second quarter of 2023. Income increased between those respective periods primarily as a result of higher net interest income, which reflected the impact of Federal Reserve rate increases on the loan portfolio.

Net Interest Income

Our net interest income for the second quarter of 2024 increased $6.6 million, or 7.6%, to $93.8 million from $87.2 million in the second quarter of 2023. Our interest income for the second quarter of 2024 increased to $137.3 million, an increase of $11.0 million, or 8.7%, from $126.3 million for the second quarter of 2023. The increase in interest income reflected an increase in loan yields resulting from the aforementioned Federal Reserve rate increases, and loan growth as our average loans and leases increased to $5.75 billion for the second quarter of 2024 from $5.73 billion for the second quarter of 2023, an increase of $20.0 million, or 0.3%. Related interest income increased $7.7 million on a tax equivalent basis. SBLOC and IBLOC balances at June 30, 2024 grew slightly compared to the prior quarter end, but were lower than the comparable prior year total. At June 30, 2024, the respective balances of SBLOC and IBLOC loans were $975.3 million and $582.8 million, respectively, compared to $1.08 billion and $806.1 million at June 30, 2023. Loans in other categories with higher yields more than offset the SBLOC and IBLOC decreases, which also contributed to the higher net interest income.

Of the total $7.7 million increase in loan interest income on a tax equivalent basis, the largest increases were $5.2 million for all real estate bridge loans, $3.4 million for small business lending, $2.6 million for leasing and $1.3 million for investment advisor financing, while total SBLOC and IBLOC decreased $5.3 million.Our average investment securities of $1.46 billion for the second quarter of 2024 increased $676.0 million from $781.3 million for the second quarter of 2023. Related tax equivalent interest income increased $7.6 million, primarily reflecting an increase in balances. Higher yields on loans reflected the continuing impact of Federal Reserve rate

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increases as variable rate repriced to higher rates and the growth of loan categories with higher rates, while lower yielding SBLOC and IBLOC balances declined. 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. Our variable rate loans 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 second quarter of 2024 was 4.97% compared to 4.83% for the second quarter of 2023, an increase of 14 basis points. While the yield on interest-earning assets increased 27 basis points, the cost of deposits and interest-bearing liabilities increased 13 basis points, or a net change of 14 basis points. Average interest-earning deposits at the Federal Reserve Bank decreased $359.2 million, or 51.2%, to $341.9 million in the second quarter of 2024 from $701.1 million in the second quarter of 2023. In the second quarter of

2024, the average yield on our loans increased to 8.00% from 7.49% for the second quarter of 2023, an increase of 51 basis points. Yields on taxable investment securities in the second quarter of 2024 decreased to 4.82% compared to 5.08% for the second quarter of 2023, a decrease of 26 basis points. The decrease in investment securities yields reflected the $1.3 million impact of placing a security in nonaccrual status as described in “Note 6. Loans” to the unaudited consolidated financial statements herein.

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 June 30,						Three months ended June 30,		
	2024			2023			2024 vs 2023		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Due to Volume	Due to Rate	Total
	(Dollars in thousands)								
Assets:									
Interest-earning assets:									
Loans, net of deferred loan fees and costs(1)	$ 5,749,565	$ 114,970	8.00%	$ 5,730,384	$ 107,299	7.49%	$ 360	$ 7,311	$ 7,671
Leases-bank qualified(2)	4,621	117	10.13%	3,801	100	10.52%	21	(4)	17
Investment securities-taxable	1,454,393	17,520	4.82%	778,100	9,873	5.08%	8,120	(473)	7,647
Investment securities-nontaxable(2)	2,895	50	6.91%	3,234	53	6.56%	(6)	3	(3)
Interest-earning deposits at Federal Reserve Bank	341,863	4,677	5.47%	701,057	8,997	5.13%	(4,959)	639	(4,320)
Net interest-earning assets	7,553,337	137,334	7.27%	7,216,576	126,322	7.00%			
Allowance for credit losses	(28,568)			(23,895)					
Other assets	266,061			231,035					
	$ 7,790,830			$ 7,423,716			3,536	7,476	11,012
Liabilities and shareholders' equity:									
Deposits:									
Demand and interest checking	$ 6,657,386	$ 39,542	2.38%	$ 6,399,750	$ 36,688	2.29%	1,505	1,349	2,854
Savings and money market	60,212	457	3.04%	78,252	728	3.72%	(151)	(120)	(271)
Total deposits	6,717,598	39,999	2.38%	6,478,002	37,416	2.31%			
Short-term borrowings	92,412	1,295	5.61%	—	—	—	1,295	—	1,295
Repurchase agreements	—	—	—	41	—	—	—	—	—
Long-term borrowings	38,362	685	7.14%	9,949	128	5.15%	490	67	557
Subordinated debt	13,401	291	8.69%	13,401	271	8.09%	—	20	20
Senior debt	95,984	1,234	5.14%	96,890	1,280	5.28%	(12)	(34)	(46)
Total deposits and liabilities	6,957,757	43,504	2.50%	6,598,283	39,095	2.37%			
Other liabilities	36,195			88,276					
Total liabilities	6,993,952			6,686,559			3,127	1,282	4,409
Shareholders' equity	796,878			737,157					
	$ 7,790,830			$ 7,423,716					
Net interest income on tax equivalent basis(2)		$ 93,830			$ 87,227		$ 409	$ 6,194	$ 6,603
Tax equivalent adjustment		35			32				
Net interest income		$ 93,795			$ 87,195				
Net interest margin(2)			4.97%			4.83%			

(1) Includes commercial loans, at fair value. All periods include non-accrual loans.

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

For the second quarter of 2024, average interest-earning assets increased to $7.55 billion, an increase of $336.8 million, or 4.7%, from $7.22 billion in the second quarter of 2023. The increase reflected decreased average interest-earning deposits at the Federal Reserve Bank of $359.2 million, the impact of which was more than offset by increased average balances of loans and leases of $20.0 million, or 0.3%, and increased average investment securities of $676.0 million, or 86.5%. The increase reflected the purchase of approximately $900 million of fixed rate securities to reduce exposure to possible future Federal Reserve rate decreases. For those respective periods, average demand and interest checking deposits increased $257.6 million, or 4.0%. 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 $1.5 million for the second quarter of 2024 compared to a provision of $428,000 for the second quarter of 2023. The ACL was $28.6 million, or 0.51% of total loans, at June 30, 2024, compared to $27.4 million, or 0.51% of total loans, at December 31, 2023. The provision reflected continuing higher leasing net charge-offs, primarily in long haul and local trucking, transportation and related activities for which total exposure was approximately $34 million at June 30, 2024. We believe that our ACL is 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 $30.7 million in the second quarter of 2024 compared to $29.3 million in the second quarter of 2023. The $1.4 million, or 4.7%, increase between those respective periods reflected an increase in prepaid, debit card and related fees. Prepaid, debit card and related fees increased $2.6 million, or 11.6%, to $24.8 million for the second quarter of 2024, compared to $22.2 million in the second quarter of 2023. The increase reflected higher transaction volume from new clients and organic growth from existing clients. ACH, card and other payment processing fees increased $571,000, or 23.5%, to $3.0 million for the second quarter of 2024, compared to $2.4 million in the second quarter of 2023, reflecting an increase in rapid funds transfer volume.

Net realized and unrealized gains on commercial loans, at fair value, decreased $1.4 million, or 73.8%, to $503,000 for the second quarter of 2024 from $1.9 million for the second quarter of 2023. The decrease reflected the runoff of the commercial loans, at fair value portfolio, which has continued to reduce the volume of loan payoffs and the income recognized at the time of payoff.

Leasing related income decreased $82,000, or 5.4%, to $1.4 million for the second quarter of 2024 from $1.5 million for the second quarter of 2023.

Consumer fintech fees amounted to $140,000 for the second quarter of 2024, as we began our entry into consumer fintech lending. Such lending may also be reflected in a lower cost of deposits, as a result of associated deposits.

Other non-interest income decreased $403,000, or 31.0%, to $895,000 for the second quarter of 2024 from $1.3 million in the second quarter of 2023 which reflected higher prepayment fees on advisor financing loans.

Non-Interest Expense

Total non-interest expense was $51.4 million for the second quarter of 2024, an increase of $1.5 million, or 3.0%, compared to $49.9 million for the second quarter of 2023. A 2.1%, increase in salaries and employee benefits expense reflected increases in payments related financial crimes and IT salary expense, which were partially offset by decreases in incentive compensation.

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

	For the three months ended June 30,			
	2024	2023	Increase (Decrease)	Percent Change
	(Dollars in thousands)			
Salaries and employee benefits	$ 33,863	$ 33,167	$ 696	2.1%
Depreciation and amortization	1,027	681	346	50.8%
Rent and related occupancy cost	1,686	1,361	325	23.9%
Data processing expense	1,423	1,398	25	1.8%
Printing and supplies	59	128	(69)	(53.9%)
Audit expense	319	417	(98)	(23.5%)

Legal expense	633	949	(316)	(33.3%)
Amortization of intangible assets	100	100	—	—
FDIC insurance	869	472	397	84.1%
Software	4,637	4,317	320	7.4%
Insurance	1,282	1,308	(26)	(2.0%)
Telecom and IT network communications	354	363	(9)	(2.5%)
Consulting	562	642	(80)	(12.5%)
Write-downs and other losses on other real estate owned	—	165	(165)	(100.0%)
Other	4,632	4,475	157	3.5%
Total non-interest expense	$ 51,446	$ 49,943	$ 1,503	3.0%

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

- Salaries and employee benefits expense increased to $33.9 million for the second quarter of 2024, an increase of $696,000, or 2.1%, from $33.2 million for the second quarter of 2023.
- Depreciation and amortization expense increased $346,000, or 50.8%, to $1.0 million in the second quarter of 2024 from $681,000 in the second quarter of 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 $325,000, or 23.9%, to $1.7 million in the second quarter of 2024 from $1.4 million in the second quarter of 2023, reflecting the impact of the Sioux Falls, South Dakota relocation to new and expanded offices and a new expanded data center.
- Data processing expense increased $25,000, or 1.8%, to $1.4 million in the second quarter of 2024 from $1.4 million in the second quarter of 2023, reflecting higher transaction volume.
- Printing and supplies expense decreased $69,000, or 53.9%, to $59,000 in the second quarter of 2024 from $128,000 in the second quarter of 2023.
- Audit expense decreased $98,000, or 23.5%, to $319,000 in the second quarter of 2024 from $417,000 in the second quarter of 2023.
- Legal expense decreased $316,000, or 33.3%, to $633,000 in the second quarter of 2024 from $949,000 in the second quarter of 2023, reflecting a reimbursement of legal fees related to the Del Mar complaint described in "Note O. Commitments and Contingencies" to the audited consolidated financial statements in the 2023 Form 10-K.
- FDIC insurance expense increased $397,000, or 84.1%, to $869,000 for the second quarter of 2024 from $472,000 in the second quarter of 2023, reflecting a reduction in the quarterly assessed rate in 2023.
- Software expense increased $320,000, or 7.4%, to $4.6 million in the second quarter of 2024 from $4.3 million in the second quarter of 2023. The increase reflected higher expenditures for information technology infrastructure including leasing, institutional banking, cybersecurity, and enterprise risk, which more than offset decreased expenses related to financial crimes management.
- Insurance expense decreased $26,000, or 2.0%, to $1.3 million in the second quarter of 2024 compared to $1.3 million in the second quarter of 2023.
- Telecom and IT network communications expense decreased $9,000, or 2.5%, to $354,000 in the second quarter of 2024 from $363,000 in the second quarter of 2023.
- Consulting expense decreased $80,000, or 12.5%, to $562,000 in the second quarter of 2024 from $642,000 in the second quarter of 2023.The decrease reflected a wire and ACH risk assessment conducted in 2023.

- Other non-interest expense increased $157,000, or 3.5%, to $4.6 million in the second quarter of 2024 from $4.5 million in the second quarter of 2023. Decreases in multiple expense categories were more than offset by a $708,000 increase in other real estate owned expense and a $174,000 increase in travel. The $708,000 increase in other real estate owned expense, reflected expenses on the $39.4 million apartment property transferred to OREO in the second quarter of 2024, as described in "Note 6. Loans."

Income Taxes

Income tax expense was $18.1 million for the second quarter of 2024 compared to $17.2 million in the second quarter of 2023. The increase resulted primarily from an increase in income, substantially all of which is subject to income tax. A 25.2% effective tax rate in 2024 and a 26.0% effective tax rate in 2023 primarily reflected a 21% federal tax rate and the impact of various state income taxes.

Comparison of first six months 2024 to first six months 2023

Net Income

Net income for the first six months of 2024 was $110.1 million, or $2.10 per diluted share, compared to $98.1 million, or $1.76 per diluted share, for the first six months of 2023. Income before income taxes was $146.7 million in the first six months of 2024 compared to $131.1 million in the first six months of 2023.

Income increased between those respective periods primarily as a result of higher net interest income, which reflected the impact of Federal Reserve rate increases on the loan and securities portfolios while growth in higher yielding loan categories offset reductions in lower yielding SBLOC and IBLOC balances.

Net Interest Income

Our net interest income for the first six months of 2024 increased $15.2 million, or 8.8%, to $188.2 million from $173.0 million in the first six months of 2023. Our interest income for the first six months of 2024 increased to $273.1 million, an increase of $24.6 million, or 9.9%, from $248.5 million for the first six months of 2023. The increase in interest income reflected an increase in loan yields resulting from the aforementioned Federal Reserve rate increases, as our average loans and leases decreased to $5.74 billion for the first six months of 2024 from $5.86 billion for the first six months of 2023, a decrease of $123.5 million, or 2.1%. Related interest income increased $15.7 million on a tax equivalent basis. Net paydowns of SBLOC and IBLOC continued in the first quarter of 2024, which partially offset the impact of higher rates and loan growth in other categories. At June 30, 2024, the respective balances of SBLOC and IBLOC loans were $975.3 million and $582.8 million, respectively, compared to $1.08 billion and $806.1 million at June 30, 2023. Loans in other categories with higher yields partially offset the SBLOC and IBLOC decreases, which also contributed to the higher net interest income.

Of the total $15.7 million increase in loan interest income on a tax equivalent basis, the largest increases were $12.4 million for all real estate bridge loans, $6.3 million for small business lending, $5.3 million for leasing and $2.7 million for investment advisor financing, while total SBLOC and IBLOC decreased $12.1 million. Our average investment securities of $1.10 billion for the first six months of 2024 increased $317.5 million from $779.4 million for the first six months of 2023. Related tax equivalent interest income increased $8.0 million, primarily reflecting an increase in balances. Higher yields on loans reflected the continuing impact of Federal Reserve rate increases as variable rate loans 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 six months of 2024 was 5.06% compared to 4.75% for the first six months of 2023, an increase of 31 basis points. While the yield on interest-earning assets increased 51 basis points, the cost of deposits and interest-bearing liabilities increased 24 basis points, or a net change of 27 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. Investment securities yields reflected the $1.3 million second quarter 2024 impact of placing a security in nonaccrual status as described in “Note 6. Loans” to the unaudited consolidated financial statements herein. Average interest-earning deposits at the Federal Reserve Bank decreased $32.9 million, or 5.1%, to $608.0 million in the first six months of 2024 from $640.9 million in the first six months of 2023. In the first six months of 2024, the average yield on our loans increased to 7.99% from 7.29% for the first six months of 2023, an increase of 70 basis points. Yields on taxable investment securities in the first six months of 2024 increased to 4.96% compared to 4.94% for the first six months of 2023, an increase of 2 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:

	Six months ended June 30,						Six months ended June 30,		
	2024			2023			2024 vs 2023		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Due to Volume	Due to Rate	Total
	(Dollars in thousands)								
Assets:									
Interest-earning assets:									
Loans, net of deferred loan fees and costs[1]	$ 5,733,413	$ 229,130	7.99%	$ 5,858,040	$ 213,503	7.29%	$ (4,418)	$ 20,045	$ 15,627
Leases-bank qualified[2]	4,683	233	9.95%	3,582	169	9.44%	54	10	64
Investment securities-taxable	1,093,996	27,154	4.96%	776,089	19,173	4.94%	7,890	91	7,981
Investment securities-nontaxable[2]	2,895	100	6.91%	3,288	94	5.72%	(8)	14	6
Interest-earning deposits at Federal Reserve Bank	607,968	16,561	5.45%	640,864	15,582	4.86%	(728)	1,707	979
Net interest-earning assets	7,442,955	273,178	7.34%	7,281,863	248,521	6.83%			
Allowance for credit losses	(27,862)			(23,215)					

Other assets	323,244			234,037					
	$ 7,738,337			$ 7,492,685			2,790	21,867	24,657
Liabilities and shareholders' equity:									
Deposits:									
Demand and interest checking	$ 6,553,107	$ 78,256	2.39%	$ 6,401,678	$ 69,071	2.16%	1,665	7,520	9,185
Savings and money market	55,591	904	3.25%	105,105	1,947	3.70%	(828)	(215)	(1,043)
Time	—	—	—	41,933	858	4.09%	(858)	—	(858)
Total deposits	6,608,698	79,160	2.40%	6,548,716	71,876	2.20%			
Short-term borrowings	46,892	1,314	5.60%	10,193	234	4.59%	1,018	62	1,080
Repurchase agreements	6	—	—	41	—	—	—	—	—
Long-term borrowings	38,439	1,371	7.13%	9,973	254	5.09%	980	137	1,117
Subordinated debt	13,401	583	8.70%	13,401	532	7.94%	—	51	51
Senior debt	95,939	2,467	5.14%	97,985	2,559	5.22%	(53)	(39)	(92)
Total deposits and liabilities	6,803,375	84,895	2.50%	6,680,309	75,455	2.26%			
Other liabilities	142,826			90,777					
Total liabilities	6,946,201			6,771,086			1,924	7,516	9,440
Shareholders' equity	792,136			721,599					
	$ 7,738,337			$ 7,492,685					
Net interest income on tax equivalent basis[2]		$ 188,283			$ 173,066		$ 866	$ 14,351	$ 15,217
Tax equivalent adjustment		70			55				
Net interest income		$ 188,213			$ 173,011				
Net interest margin[2]			5.06%			4.75%			

(1) Includes commercial loans, at fair value. All periods include non-accrual loans.

(2) Full taxable equivalent basis, using 21% respective statutory federal tax rates in 2024 and 2023.

For the first six months of 2024, average interest-earning assets increased to $7.44 billion, an increase of $161.1 million, or 2.2%, from $7.28 billion in the first six months of 2023. The increase reflected decreased average interest-earning deposits at the Federal Reserve Bank of $32.9 million and decreased average balances of loans and leases of $123.5 million, or 2.1%, the impact of which was more than offset by increased average investment securities of $317.5 million, or 40.7%. For those respective periods, average demand and interest checking deposits increased $151.4 million, or 2.4%. 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 $3.8 million for the first six months of 2024 compared to a provision of $2.6 million for the first six months of 2023. The ACL was $28.6 million, or 0.51% of total loans, at June 30, 2024, compared to $27.4 million, or 0.51% of total loans, at December 31, 2023. The provision reflected continuing higher leasing net charge-offs, primarily in long haul and local trucking, transportation and related activities for which total exposure was approximately $34 million at June 30, 2024. We believe that our ACL is 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 $60.1 million in the first six months of 2024 compared to $58.3 million in the first six months of 2023. The $1.8 million, or 3.1%, increase between those respective periods reflected an increase in prepaid, debit card and related fees. Prepaid, debit card and related fees increased $3.5 million, or 7.8%, to $49.0 million for the first six months of 2024, compared to $45.5 million in the first six months of 2023. The first 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 reflected higher transaction volume from new clients and organic growth from existing clients. ACH, card and other payment processing fees increased $1.4 million, or 29.7%, to $6.0 million for the first six months of 2024, compared to $4.6 million in the first six months of 2023, reflecting an increase in rapid funds transfer volume.

Net realized and unrealized gains on commercial loans, at fair value, decreased $2.0 million, or 56.1%, to $1.6 million for the first six months of 2024 from $3.6 million for the first six months of 2023. The decrease reflected the runoff of the commercial loans, at fair value portfolio, which has continued to reduce the volume of loan payoffs and the income recognized at the time of payoff.

Leasing related income decreased $1.2 million, or 39.5%, to $1.8 million for the first six months of 2024 from $3.0 million for the first six months of 2023, reflecting $1.1 million of losses related to an auto auction company which ceased operations.

Consumer fintech fees amounted to $140,000 for 2024, as we began our entry into consumer fintech lending. Such lending may also be reflected in a lower cost of deposits, as a result of associated deposits.

Other non-interest income decreased $35,000, or 2.2%, to $1.5 million for the first six months of 2024 from $1.6 million in the first six months of 2023.

Non-Interest Expense

Total non-interest expense was $98.2 million for the first six months of 2024, an increase of $185,000, or 0.2%, compared to $98.0 million for the first six months of 2023. While salaries and employee benefits increased 1.9%, increases in the payments business and related financial crimes and in IT salary expense, were offset by decreases in incentive compensation.

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

	For the six months ended June 30,			
	2024	2023	Increase (Decrease)	Percent Change
	(Dollars in thousands)			
Salaries and employee benefits	$ 64,143	$ 62,952	$ 1,191	1.9%
Depreciation and amortization	1,976	1,402	574	40.9%
Rent and related occupancy cost	3,326	2,755	571	20.7%
Data processing expense	2,844	2,719	125	4.6%
Printing and supplies	162	273	(111)	(40.7%)
Audit expense	678	809	(131)	(16.2%)
Legal expense	1,454	1,907	(453)	(23.8%)
Amortization of intangible assets	199	199	—	—
FDIC insurance	1,714	1,427	287	20.1%
Software	9,126	8,554	572	6.7%
Insurance	2,620	2,614	6	0.2%
Telecom and IT network communications	625	739	(114)	(15.4%)
Consulting	1,140	964	176	18.3%
Write-downs and other losses on OREO	—	1,184	(1,184)	(100.0%)
Other	8,151	9,475	(1,324)	(14.0%)
Total non-interest expense	$ 98,158	$ 97,973	$ 185	0.2%

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

- Salaries and employee benefits expense increased to $64.1 million for the first six months of 2024, an increase of $1.2 million, or 1.9%, from $63.0 million for the first six months of 2023.
- Depreciation and amortization expense increased $574,000, or 40.9%, to $2.0 million in the first six months of 2024 from $1.4 million in the first six months of 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 $571,000, or 20.7%, to $3.3 million in the first six months of 2024 from $2.8 million in the first six months of 2023, reflecting the impact of the Sioux Falls, South Dakota relocation to new and expanded offices and a new expanded data center.
- Data processing expense increased $125,000, or 4.6%, to $2.8 million in the first six months of 2024 from $2.7 million in the first six months of 2023, reflecting higher transaction volume.
- Printing and supplies expense decreased $111,000, or 40.7%, to $162,000 in the first six months of 2024 from $273,000 in the first six months of 2023.
- Audit expense decreased $131,000, or 16.2%, to $678,000 in the first six months of 2024 from $809,000 in the first six months of 2023.
- Legal expense decreased $453,000, or 23.8%, to $1.5 million in the first six months of 2024 from $1.9 million in the first six months of 2023, reflecting a reimbursement of legal fees related to the Del Mar complaint described in “Note O. Commitments and Contingencies” to the audited consolidated

financial statements in the 2023 Form 10-K.

- FDIC insurance expense increased $287,000, or 20.1%, to $1.7 million for the first six months of 2024 from $1.4 million in the first six months of 2023, reflecting a reduction in the quarterly assessed rate in 2023.
- Software expense increased $572,000, or 6.7%, to $9.1 million in the first six months of 2024 from $8.6 million in the first six months of 2023. The increase reflected higher expenditures for information technology infrastructure including leasing, institutional banking, cybersecurity, cloud computing and enterprise risk, which more than offset decreasing expenses related to financial crimes management.
- Insurance expense increased $6,000, or 0.2%, to $2.6 million in the first six months of 2024 compared to $2.6 million in the first six months of 2023.
- Telecom and IT network communications expense decreased $114,000, or 15.4%, to $625,000 in the first six months of 2024 from $739,000 in the first six months of 2023.
- Consulting expense increased $176,000, or 18.3%, to $1.1 million in the first six months of 2024 from $964,000 in the first six months of 2023. The increase reflected expenses related to the Company's ongoing efforts of documenting and optimizing operational controls.

- Other non-interest expense decreased $1.3 million, or 14.0%, to $8.2 million in the first six months of 2024 from $9.5 million in the first six months of 2023. In addition to lesser decreases in a number of other categories, the $1.3 million decrease reflected the following decreases: a. regulatory examination fees of $284,000 b. contributions of $247,000 and c. other operating taxes of $267,000. Those decreases more than offset an increase of $336,000 in other real estate owned expense, which reflected expenses on the $39.4 million apartment property transferred to OREO in the second quarter of 2024, as described in "Note 6. Loans."

Income Taxes

Income tax expense was $36.6 million for the first six months of 2024 compared to $33.0 million in the first six months of 2023. The increase resulted primarily from an increase in income, substantially all of which is subject to income tax. A 25.0% effective tax rate in 2024 and a 25.1% effective tax rate in 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 by $239.6 million, or 3.7%, to $6.72 billion for the second quarter of 2024 compared to the second quarter of 2023. The increase reflected the planned exit of higher cost deposits. Federal Reserve average balances decreased to $341.9 million in the second quarter of 2024 from $701.1 million in the second quarter of 2023. The decrease reflected approximately $900 million of securities purchases in April 2024 as discussed under "Asset and Liability Management" in this MD&A. Additionally, as a result of those purchases, we have increased the use of FHLB advances to partially fund such purchases, at least temporarily, and those advances averaged approximately $92.4 million for second quarter 2024.

One source of contingent liquidity is available-for-sale securities, which amounted to $1.58 billion at June 30, 2024, compared to $747.5 million at December 31, 2023, reflecting the aforementioned securities purchases. The majority of these securities, including those $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. At June 30, 2024, outstanding loans amounted to $5.61 billion, compared to $5.36 billion at the prior year end, an increase of $244.6 million representing a use of funds. Commercial loans, at fair value, decreased to $265.2 million from $332.8 million between those respective dates, a decrease of $67.6 million, which 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. On July 30, 2024, the FDIC proposed a regulation eliminating certain automatic exceptions which resulted in the reclassification of significant amounts of our deposits from brokered to non-brokered as a result of the December 2020 rules changes, while retaining the ability of financial institutions to reapply. If the proposed regulation is adopted, significant amounts of our deposits could be reclassified as brokered, which could also result in an increase in our federal deposit insurance rate and expense. Of our total deposits of $7.16 billion as of June 30, 2024, $440.8 million were classified as brokered and an estimated $493.8 million 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

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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 billion as of June 30, 2024, and was collateralized by loans. We have also pledged in excess of $2.07 billion of multifamily loans to the FHLB. As a result, we have approximately $1.12 billion of availability on that line of credit which we can also access at any time. As of June 30, 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 $1.58 billion at June 30, 2024, compared to $747.5 million at December 31, 2023. In excess of $1.0 billion of our available-for-sale securities are U.S. 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 2038 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 June 30, 2024, we had cash reserves of approximately $8.8 million at the holding company. Stock repurchases are funded by dividends 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 June 30, 2024 were $399.9 million of interest-earning deposits which primarily consisted of deposits with the Federal Reserve.

In 2024, $85.2 million of redemptions were exceeded by purchases of $913.1 million of securities. We had outstanding commitments to fund loans, including unused lines of credit, of $1.76 billion and $1.79 billion as of June 30, 2024, and 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 June 30, 2024, the Bank was “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
As of June 30, 2024				
The Bancorp, Inc.	10.07%	14.13%	14.68%	14.13%
The Bancorp Bank, National Association	11.21%	15.69%	16.24%	15.69%
"Well capitalized" institution (under federal regulations-Basel III)	5.00%	8.00%	10.00%	6.50%
As of December 31, 2023				
The Bancorp, Inc.	11.19%	15.66%	16.23%	15.66%
The Bancorp Bank, National Association	12.37%	17.35%	17.92%	17.35%
"Well capitalized" institution (under federal regulations-Basel III)	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 liabilities by repricing periods and then computing the difference (or “interest rate sensitivity gap”) between the assets and liabilities that we estimate will reprice during each time period and cumulatively through the end of each time period.

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

The following table sets forth the estimated maturity or repricing structure of our interest-earning assets and interest-bearing liabilities at June 30, 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 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	$ 105,583	$ 118,016	$ 24,553	$ 15,005	$ 2,036
Loans, net of deferred loan fees and costs	3,247,523	271,411	1,195,399	698,112	193,282
Investment securities	335,320	66,447	139,485	176,281	863,473
Interest-earning deposits	399,853	—	—	—	—
Total interest-earning assets	4,088,279	455,874	1,359,437	889,398	1,058,791
Interest-bearing liabilities:					
Transaction accounts as adjusted[1]	3,547,696	—	—	—	—
Savings and money market	60,297	—	—	—	—
Senior debt and subordinated debentures	13,401	—	96,037	—	—
Total interest-bearing liabilities	3,621,394	—	96,037	—	—
Gap	$ 466,885	$ 455,874	$ 1,263,400	$ 889,398	$ 1,058,791
Cumulative gap	$ 466,885	$ 922,759	$ 2,186,159	$ 3,075,557	$ 4,134,348
Gap to assets ratio	6%	5%	16%	11%	13%
Cumulative gap to assets ratio	6%	11%	27%	38%	51%

[1] Transaction accounts are comprised primarily of demand deposits. While demand deposits are 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 June 30, 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 purchased approximately $900 million of 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. Those purchases had respective estimated weighted average yields and lives of approximately 5.11% and eight years.

	Net portfolio value at June 30, 2024		Net interest income June 30, 2024	
Rate scenario	Amount	Percentage change	Amount	Percentage change
	(Dollars in thousands)			
+200 basis points	$ 1,256,833	(1.61%)	$ 414,855	5.12%
+100 basis points	1,266,378	(0.86%)	404,665	2.54%
Flat rate	1,277,357	—	394,631	—
-100 basis points	1,281,042	0.29%	383,905	(2.72%)
-200 basis points	1,275,811	(0.12%)	373,010	(5.48%)

Financial Condition

*General.*Our total assets at June 30, 2024 were $8.15 billion, of which our total loans were $5.61 billion, and our commercial loans, at fair value, were $265.2 million. At December 31, 2023, our total assets were $7.71 billion, of which our total loans were $5.36 billion, and our commercial loans, at fair value were $332.8 million. The increase in assets reflected an increase in available-for-sale securities, which resulted from the previously discussed $900 million of April 2024 securities purchases. 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 June 30, 2024, we had a total of $399.9 million of interest-earning deposits compared to $1.03 billion at December 31, 2023, a decrease of $633.4 million. These deposits were comprised primarily of balances at the Federal Reserve. The decrease reflected the utilization of these overnight balances for the aforementioned securities purchases in the second quarter of 2024.

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 increased to $1.58 billion at June 30, 2024, an increase of $833.5 million, or 111.5%, from December 31, 2023, as a result of the aforementioned $900 million of securities purchases in April 2024.

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 six months ended June 30, 2024 and 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 $15.6 million at June 30, 2024 and $15.6 million at 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 June 30, 2024 and 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 June 30, 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
U.S. Government agency securities	$ 719	2.22%	$ 7,555	2.74%	$ 14,734	5.06%	$ 8,349	3.92%	$ 31,357
Asset-backed securities	3,184	6.89%	7,006	7.18%	175,733	7.15%	89,089	7.25%	275,012
Tax-exempt obligations of states and political subdivisions(1)	997	3.10%	1,831	2.65%	1,954	3.87%	—	—	4,782
Taxable obligations of states and political subdivisions	10,005	2.94%	25,958	3.30%	1,156	4.33%	—	—	37,119
Residential mortgage-backed securities	—	—	357	2.62%	4,994	4.51%	452,162	5.01%	457,513
Collateralized mortgage obligation securities	—	—	4,578	2.73%	15	3.40%	25,340	4.03%	29,933
Commercial mortgage-backed securities	35,487	2.53%	85,697	3.45%	510,001	4.84%	114,105	4.20%	745,290
Total	$ 50,392		$ 132,982		$ 708,587		$ 689,045		$ 1,581,006
Weighted average yield		2.89%		3.54%		5.41%		5.12%	

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

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, which is included in the commercial mortgage backed securities classification in investment securities. As of June 30, 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 $1.8 million and servicer advances of $800,000. Thus, a total of $15.2 million is required for the Bank’s tranche to be repaid. The sole repayment source for the $15.2 million consists of the disposition of a suburban office building in New Jersey and a retail facility in Missouri. In the second quarter of 2024, the Bank received updated appraisals from the servicer for both properties which lowered estimated combined appraised values to $23.7 million. The excess of the $23.7 million appraised values over the $15.2 million to be repaid provides repayment protection for the Bank-owned tranche and accrued interest thereon. As a result of the reduced excess of appraised value over the Bank’s principal and accruing interest, the $12.6 million principal was placed in nonaccrual status and $1.3 million was reversed from securities interest in the second quarter of 2024. While the appraised values allocable to the Bank’s security exceed the principal and unpaid interest, there can be no assurance as to the amounts received upon the servicer’s disposition of these properties, which will reflect additional servicing fees, actual disposition prices and other disposition costs. The servicer’s efforts to resolve the New Jersey suburban office loan and stabilize the property have not been successful to date. Negotiations with the borrower continue, with no plan for immediate liquidation. The Missouri retail facility is held as real estate owned by the security’s trust and is also not yet stabilized. The special servicer has advised that it is planning to auction the property in the fourth quarter of 2024 based upon their conclusion that such auction represents the highest net present value option for disposition.

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 the first quarter of 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 $265.2 million at June 30, 2024 from $332.8 million at 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 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 increased to $5.61 billion at June 30, 2024 from $5.36 billion at 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):

	June 30, 2024	December 31, 2023
SBL non-real estate	$ 171,893	$ 137,752
SBL commercial mortgage	647,894	606,986
SBL construction	30,881	22,627
SBLs	850,668	767,365
Direct lease financing	711,403	685,657
SBLOC / IBLOC[(1)]	1,558,095	1,627,285
Advisor financing[(2)]	238,831	221,612
Real estate bridge loans	2,119,324	1,999,782
Consumer fintech[(3)]	70,081	—
Other loans[(4)]	46,592	50,638
	5,594,994	5,352,339
Unamortized loan fees and costs	10,733	8,800
Total loans, including unamortized loan fees and costs	$ 5,605,727	$ 5,361,139

	June 30, 2024	December 31, 2023
SBLs, including costs net of deferred fees of $9,558 and $9,502 for June 30, 2024 and December 31, 2023, respectively	$ 860,226	$ 776,867
SBLs included in commercial loans, at fair value	104,146	119,287
Total SBLs[(5)]	$ 964,372	$ 896,154

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(1) SBLOC are collateralized by marketable securities, while IBLOC, are collateralized by the cash surrender value of insurance policies. At June 30, 2024 and December 31, 2023, IBLOC loans amounted to $582.8 million and $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 LTV 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) Consumer fintech loans consists primarily of secured credit card loans.

(4) Includes demand deposit overdrafts reclassified as loan balances totaling $279,000 and $1.7 million at June 30, 2024 and December 31, 2023, respectively. Estimated overdraft charge-offs and recoveries are reflected in the ACL and are immaterial.

(5) 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 June 30, 2024 (in thousands):

	Loan principal
U.S. government guaranteed portion of SBA loans[(1)]	$ 399,832

PPP loans[1]		1,765
Commercial mortgage SBA[2]		336,530
Construction SBA[3]		13,884
Non-guaranteed portion of U.S. government guaranteed 7(a) Program loans[4]		116,544
Non-SBA SBLs		56,206
Other[5]		28,594
Total principal	$	953,355
Unamortized fees and costs		11,017
Total SBLs	$	964,372

[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 $6.4 million in 504 Program first mortgages with an origination date LTV of 50-60% and $7.5 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 $28.6 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 June 30, 2024 (dollars in thousands):

	SBL commercial mortgage[1]	SBL construction[1]	SBL non-real estate	Total	% Total
Hotels (except casino hotels) and motels	$ 76,292	$ 71	$ 16	$ 76,379	15%
Funeral homes and funeral services	21,908	—	24,775	46,683	9%
Full-service restaurants	29,395	5,185	1,890	36,470	7%
Child day care services	23,414	790	1,984	26,188	5%
Car washes	17,016	1,375	92	18,483	4%
General line grocery merchant wholesalers	17,336	—	—	17,336	3%
Homes for the elderly	15,931	—	69	16,000	3%
Outpatient mental health and substance abuse centers	15,385	—	109	15,494	3%
Gasoline stations with convenience stores	14,718	85	144	14,947	3%
Fitness and recreational sports centers	7,722	—	2,226	9,948	2%
Nursing care facilities	9,485	—	—	9,485	2%
Lawyer's office	9,218	—	—	9,218	2%
Limited-service restaurants	4,289	927	2,942	8,158	2%
Caterers	7,089	—	18	7,107	1%
All other specialty trade contractors	6,754	—	344	7,098	1%
General warehousing and storage	6,418	—	—	6,418	1%
Plumbing, heating, and air-conditioning contractors	4,657	—	864	5,521	1%
Other accounting services	5,090	—	389	5,479	1%
Offices of real estate agents and brokers	4,865	—	127	4,992	1%
Other miscellaneous durable goods merchant	4,725	—	—	4,725	1%
Other technical and trade schools	4,697	—	—	4,697	1%
Packaged frozen food merchant wholesalers	4,688	—	—	4,688	1%
Lessors of nonresidential buildings (except mini warehouses)	4,671	—	—	4,671	1%
All other amusement and recreation industries	3,888	44	244	4,176	1%

Other[2]	121,394	9,698	27,711	158,803	29%
Total	$ 441,045	$ 18,175	$ 63,944	$ 523,164	100%

[1] Of the SBL commercial mortgage and SBL construction loans, $108.8 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 $28.6 million of loans sold that do not qualify for true sale accounting.

[2] Loan types of less than $4.0 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 June 30, 2024 (dollars in thousands):

	SBL commercial mortgage[1]	SBL construction[1]	SBL non-real estate	Total	% Total
California	$ 116,509	$ 2,611	$ 4,721	$ 123,841	24%
Florida	75,634	4,001	2,686	82,321	16%
North Carolina	38,087	927	4,651	43,665	8%
Pennsylvania	20,675	—	13,534	34,209	7%
New York	27,592	1,510	2,201	31,303	6%
Texas	22,249	2,393	6,105	30,747	6%
Georgia	25,691	1,359	1,201	28,251	5%
New Jersey	21,446	3,357	3,245	28,048	5%
Other States	93,162	2,017	25,600	120,779	23%
Total	$ 441,045	$ 18,175	$ 63,944	$ 523,164	100%

[1] Of the SBL commercial mortgage and SBL construction loans, $108.8 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, all commercial mortgages, including loans held at fair value, as of June 30, 2024 (in thousands):

Type[1]	State	SBL commercial mortgage
General line grocery merchant wholesalers	California	$ 13,440
Funeral homes and funeral services	Pennsylvania	12,715
Outpatient mental health and substance abuse center	Florida	9,860
Funeral homes and funeral services	Maine	8,551
Hotel	Florida	8,274
Lawyer's office	California	8,021
Hotel	North Carolina	6,667
General warehousing and storage	Pennsylvania	6,418
Hotel	Florida	5,738
Hotel	New York	5,627
Total		$ 85,311

[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 June 30, 2024 (dollars in thousands):

	# Loans	Balance	Weighted average origination date LTV	Weighted average interest rate
Real estate bridge loans (multifamily apartment loans recorded at amortized cost)[1]	160	$ 2,119,324	70%	9.19%
Non-SBA commercial real estate loans, at fair value:				
Multifamily (apartment bridge loans)[1]	7	$ 115,872	76%	9.20%
Hospitality (hotels and lodging)	2	27,355	65%	9.82%

Retail	2	12,262	72%	8.19%
Other	2	9,090	73%	5.10%
	13	164,579	74%	9.18%
Fair value adjustment		(3,532)		
Total non-SBA commercial real estate loans, at fair value		161,047		
Total commercial real estate loans		$ 2,280,371	70%	9.19%

(1) In the third quarter of 2021, we resumed the origination of multifamily apartment loans. These are similar to the 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 June 30, 2024 (dollars in thousands):

	Balance	Origination date LTV
Texas	$ 777,751	71%
Georgia	258,648	69%
Florida	245,251	69%
Michigan	132,521	68%
Indiana	105,778	70%
Ohio	72,797	67%
New Jersey	70,707	68%
Other States each <$60 million	616,918	71%
Total	$ 2,280,371	70%

The following table summarizes our fifteen largest commercial real estate loans, primarily real estate bridge loans and excluding SBA loans, as of June 30, 2024 (dollars in thousands). All of these loans are multifamily loans.

	Balance	Origination date LTV
Texas	$ 46,785	72%
Texas	45,520	75%
Tennessee	40,000	72%
Michigan	37,603	62%
Texas	37,259	80%
Texas	36,318	67%
Florida	34,850	72%
Pennsylvania	33,600	63%
Indiana	33,588	76%
Texas	32,812	62%
New Jersey	32,520	62%
Michigan	32,500	79%
Oklahoma	31,153	78%
Texas	31,050	77%
Michigan	29,786	66%
15 largest commercial real estate loans	$ 535,344	71%

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

Type	Principal	% of total

SBLOC	$ 975,253	55%
IBLOC	582,842	32%
Advisor financing	238,831	13%
Total	$ 1,796,926	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 June 30, 2024 (dollars in thousands):

	Principal amount	% Principal to collateral
	$ 10,764	17%
	9,465	48%
	8,123	36%
	8,044	68%
	7,905	65%
	7,821	80%
	7,724	24%
	7,544	34%
	7,316	22%
	7,219	44%
Total and weighted average	$ 81,925	43%

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 April 17, 2024, all were rated A- or better by AM Best.

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

	Principal balance[1]	% Total
Government agencies and public institutions[2]	$ 128,589	18%
Construction	111,496	16%
Waste management and remediation services	97,770	14%
Real estate and rental and leasing	82,063	12%
Health care and social assistance	28,060	4%
Other services (except public administration)	22,610	3%
Professional, scientific, and technical services	22,523	3%
General freight trucking	21,239	3%
Finance and insurance	13,471	2%
Transit and other transportation	13,145	2%
Wholesale trade	9,855	1%
Educational services	7,095	1%
Other and non-classified	153,487	21%
Total	$ 711,403	100%

(1) Of the total $711.4 million of direct lease financing, $642.4 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 June 30, 2024 (dollars in thousands):

	Principal balance	% Total
Florida	$ 106,482	15%
New York	66,017	9%
Utah	59,804	8%
California	52,416	7%
Pennsylvania	42,960	6%
Connecticut	41,338	6%
New Jersey	39,299	6%
North Carolina	35,796	5%
Maryland	33,949	5%
Texas	27,695	4%
Idaho	17,540	2%
Washington	15,298	2%
Georgia	14,688	2%
Ohio	12,652	2%
Alabama	12,323	2%
Other States	133,146	19%
Total	$ 711,403	100%

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.

	June 30, 2024				
	Within one year	One to five years	After five but within 15 years	After 15 years	Total
	(Dollars in thousands)				
SBL non-real estate	$ 685	$ 29,417	$ 175,155	$ 1,198	$ 206,455
SBL commercial mortgage	18,032	18,869	227,828	462,130	726,859
SBL construction	8,656	83	705	21,614	31,058
Leasing	114,641	573,655	23,720	—	712,016
SBLOC / IBLOC	1,564,336	—	—	—	1,564,336
Advisor financing	375	82,828	158,705	—	241,908
Real estate bridge lending	789,224	1,321,318	—	—	2,110,542
Consumer fintech	70,081	—	—	—	70,081
Other loans	25,996	4,386	2,370	13,863	46,615
Loans at fair value excluding SBL	141,124	18,263	—	1,663	161,050
	$ 2,733,150	$ 2,048,819	$ 588,483	$ 500,468	$ 5,870,920
Loan maturities after one year with:					
Fixed rates					
SBL non-real estate		$ 2,941	$ 3,126	$ —	$ 6,067
SBL commercial mortgage		11,562	2,946	—	14,508
Leasing		573,655	23,720	—	597,375
Advisor financing		82,352	158,705	—	241,057
Real estate bridge lending		592,391	—	—	592,391
Other loans		3,503	1,135	11,571	16,209
Loans at fair value excluding SBL		18,263	—	—	18,263

Total loans at fixed rates	$ 1,284,667	$ 189,632	$ 11,571	$ 1,485,870
Variable rates				
SBL non-real estate	$ 26,476	$ 172,029	$ 1,198	$ 199,703
SBL commercial mortgage	7,307	224,882	462,130	694,319
SBL construction	83	705	21,614	22,402
Advisor financing	476	—	—	476
Real estate bridge lending	728,927	—	—	728,927
Other loans	883	1,235	2,292	4,410
Loans at fair value excluding SBL	—	—	1,663	1,663
Total at variable rates	$ 764,152	$ 398,851	$ 488,897	$ 1,651,900
Total	$ 2,048,819	$ 588,483	$ 500,468	$ 3,137,770

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 June 30, 2024, the ACL amounted to $28.6 million, which represented a $1.2 million increase compared to the $27.4 million ACL at December 31, 2023. The increase reflected the impact of higher leasing net 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 June 30, 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 June 30, 2024, approximately 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 June 30, 2024, approximately 58% of the IBLOC portfolio had been reviewed.

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Advisor Financing – The targeted review threshold is 50%. At June 30, 2024, approximately 94% 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 June 30, 2024, approximately 73% of the non-government guaranteed SBL loan portfolio had been reviewed.

Direct Lease Financing – The targeted review threshold is 35%. At June 30, 2024, approximately 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 June 30, 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 June 30, 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):

	June 30, 2024						
	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	$ 78	$ 311	$ 764	$ 2,448	$ 3,601	$ 168,292	$ 171,893

SBL commercial mortgage	—	336	—	5,211	5,547	642,347	647,894
SBL construction	—	—	—	3,385	3,385	27,496	30,881
Direct lease financing	4,575	4,415	2,224	3,870	15,084	696,319	711,403
SBLOC / IBLOC	12,448	2,101	1,284	—	15,833	1,542,262	1,558,095
Advisor financing	—	—	—	—	—	238,831	238,831
Real estate bridge loans[(1)]	—	12,300	—	—	12,300	2,107,024	2,119,324
Consumer fintech	—	—	—	—	—	70,081	70,081
Other loans	96	—	4	—	100	46,492	46,592
Unamortized loan fees and costs	—	—	—	—	—	10,733	10,733
	$ 17,197	$ 19,463	$ 4,276	$ 14,914	$ 55,850	$ 5,549,877	$ 5,605,727

	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
SBL non-real estate	$ 84	$ 333	$ 336	$ 1,842	$ 2,595	$ 135,157	$ 137,752
SBL commercial mortgage	2,183	—	—	2,381	4,564	602,422	606,986
SBL construction	—	—	—	3,385	3,385	19,242	22,627
Direct lease financing	5,163	1,209	485	3,785	10,642	675,015	685,657
SBLOC / IBLOC	21,934	3,607	745	—	26,286	1,600,999	1,627,285
Advisor financing	—	—	—	—	—	221,612	221,612
Real estate bridge loans	—	—	—	—	—	1,999,782	1,999,782
Consumer fintech	—	—	—	—	—	—	—
Other loans	853	76	178	132	1,239	49,399	50,638
Unamortized loan fees and costs	—	—	—	—	—	8,800	8,800
	$ 30,217	$ 5,225	$ 1,744	$ 11,525	$ 48,711	$ 5,312,428	$ 5,361,139

(1) Borrowers for a $12.3 million apartment property real estate bridge loan which had a six month payment deferral granted in the fourth quarter of 2023 have not resumed payments and are reflected in the 60-89 days past due column in the table above. The related “as is” and “as stabilized” LTVs based on a May 2024 appraisal were 72% and 56%, respectively.The “as stabilized” loan to value measures the apartment property’s value after renovations have been completed and units have generally been released. The Company originated a new loan with a new borrower for a previously reported $9.5 million REBL loan that was 60 to 89 days delinquent at March 31, 2024. The new borrower is expected to have greater financial capacity to complete the related project and has negotiated three quarters of payment deferrals and a lower rate. The “as stabilized” LTV is approximately 78% after considering additional estimated future fundings to complete renovations. The aforementioned LTVs are based on third party appraisals performed within the past year.

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.

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

	For the six months ended or as of June 30,		For the year ended or as of December 31,
	2024	2023	2023
Ratio of:			
ACL to total loans	0.51%	0.44%	0.51%
ACL to non-performing loans[(1)]	148.91%	159.59%	206.33%
Non-performing loans to total loans[(1)]	0.34%	0.28%	0.25%
Non-performing assets to total assets[(1)]	0.95%	0.47%	0.39%
Net charge-offs to average loans	0.05%	0.03%	0.07%

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

The ratio of the ACL to total loans increased to 0.51% as of June 30, 2024 from 0.44% at June 30, 2023 as the ACL increased proportionately more than total loans. The $5.3 million increase in the ACL between those dates, reflected approximately $1.0 million of increased reserves on specific distressed credits and approximately $1.0 million which was added in fourth quarter 2023 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 insurance collateral. The ratio of the ACL to non-performing loans decreased to 148.91% at June 30, 2024, from 159.59% at June 30, 2023, primarily as a result of the increase in non-performing loans which proportionately exceeded the increase in the ACL. As a result of the increase in non-performing loans, the ratio of non-performing loans to total loans also increased to 0.34% at June 30, 2024 from 0.28% at June 30, 2023. The ratio of non-performing assets to total assets increased to 0.95% at June 30, 2024 from 0.47% at June 30, 2023, reflecting the increase in non-performing loans, and a $39.4 million loan transferred to OREO in the second quarter of 2024. The Company entered into a purchase and sale agreement for the apartment property collateralizing that loan, and, at June 30, 2024, the related $39.4 million balance, comprised the majority of our OREO. The purchaser made an earnest money deposit of $125,000 in July 2024, with additional required deposits projected to total $500,000 prior to the December 31, 2024 closing deadline. The sales price is expected to cover the Company's current OREO balance plus the forecasted cost of improvements to the property. There can be no assurance that the purchaser will consummate the sale of the property, but if not consummated, it is expected that earnest money deposits would accrue to the Company The ratio of net charge-offs to average loans was 0.05% for the six months ended June 30, 2024, and 0.03% for the six months ended June 30, 2023. The increase reflected an increase in direct lease financing net charge-offs.

Net Charge-offs

Net charge-offs were $2.6 million for the six months ended June 30, 2024, an increase of $927,000 from net charge-offs of $1.7 million during the six months ended June 30, 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 averages, and net charge-offs by loan category (dollars in thousands):

	June 30, 2024								
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	Other loans
Charge-offs	$ 417	$ —	$ —	$ 2,301	$ —	$ —	$ —	$ —	$ 16
Recoveries	(32)	—	—	(59)	—	—	—	—	—
Net charge-offs	$ 385	$ —	$ —	$ 2,242	$ —	$ —	$ —	$ —	$ 16
Average loan balance	$ 150,200	$ 630,935	$ 26,933	$ 699,857	$ 1,578,564	$ 230,883	$ 2,073,667	$ 23,360	$ 51,131
Ratio of net charge-offs during the period to average loans during the period	0.26%	—	—	0.32%	—	—	—	—	0.03%

	June 30, 2023								
	SBL non-real estate	SBL commercial mortgage	SBL construction	Direct lease financing	SBLOC / IBLOC	Advisor financing	Real estate bridge loans	Consumer fintech	Other loans
Charge-offs	$ 871	$ —	$ —	$ 1,439	$ —	$ —	$ —	$ —	$ 3
Recoveries	(298)	(75)	—	(175)	—	—	—	—	(49)
Net charge-offs (recoveries)	$ 573	$ (75)	$ —	$ 1,264	$ —	$ —	$ —	$ —	$ (46)
Average loan balance	$ 113,636	$ 494,101	$ 32,150	$ 647,339	$ 2,089,842	$ 178,423	$ 1,749,194	$ —	$ 59,178
Ratio of net charge-offs during the period to average loans during the period	0.50%	—	—	0.20%	—	—	—	—	—

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.

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 $57.9 million of OREO at June 30, 2024 and $16.9 million of OREO at December 31, 2023. The following tables summarize our non-performing loans, OREO, and loans past due 90 days or more still accruing interest.

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Non-accrual loans		
SBL non-real estate	$ 2,448	$ 1,842
SBL commercial mortgage	5,211	2,381
SBL construction	3,385	3,385
Direct leasing	3,870	3,785
Other loans	—	132
Total non-accrual loans	14,914	11,525
Loans past due 90 days or more and still accruing[1]	4,276	1,744
Total non-performing loans	19,190	13,269
OREO[2]	57,861	16,949
Total non-performing assets	$ 77,051	$ 30,218

[1] The 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, and IBLOC loans which are secured by the cash value of life insurance.

[2] 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 OREO. 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 $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 Company entered into a purchase and sale agreement for that apartment property acquired by The Bancorp Bank through foreclosure. At June 30, 2024, the related $39.4 million balance, comprised the majority of our OREO. The purchaser made an earnest money deposit of $125,000 in July 2024, with additional required deposits projected to total $500,000 prior to the December 31, 2024, closing deadline. The sales price is expected to cover the Company's current OREO balance plus the forecasted cost of improvements to the property. There can be no assurance that the purchaser will consummate the sale of the property, but if not consummated, earnest money deposits are expected to accrue to the Company. The nonaccrual balances in this table as of June 30, 2024, are also reflected in the substandard loan totals.

For the three month and year-to-date periods ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023, loans modified and related information are as follows (dollars in thousands):

	Three months ended June 30, 2024					Three months ended June 30, 2023			Three months ended September 30, 2024					Three months ended September 30, 2023		
	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Term extension	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Term extension	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Total	Percent of total loan category
SBL non-real estate	$ —	$ —	$ —	$ —	—	$ 156	$ 156	0.13%	$ 819	$ —	$ —	$ 819	0.46%	$ —	$ —	—
SBL commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Direct lease financing	—	—	2,551	2,551	0.36%	—	—	—	—	—	—	—	—	—	—	—
Real estate bridge loans	—	—	—	—	—	—	—	—	—	55,336	—	55,336	2.53%	—	—	—

	Six months ended June 30, 2024					Six months ended June 30, 2023			Nine months ended September 30, 2024					Nine months ended September 30, 2023		
	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Term extension	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Term extension	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Total	Percent of total loan category
Total	$ —	$ —	$ 2,551	$ 2,551	0.05%	$ 156	$ 156	—	$ 819	$ 55,336	$ —	$ 56,155	0.95%	$ —	$ —	—

	Six months ended June 30, 2024					Six months ended June 30, 2023			Nine months ended September 30, 2024					Nine months ended September 30, 2023		
	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Term extension	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Interest rate reduction and payment deferral	Term extension	Total	Percent of total loan category	Payment delay as a result of a payment deferral	Total	Percent of total loan category
SBL non-real estate	$ 1,726	$ —	$ —	$ 1,726	1.00%	$ 156	$ 156	0.13%	$ 2,484	$ —	$ —	$ 2,484	1.38%	$ 156	$156	0.12%
SBL commercial mortgage	3,320	—	—	3,320	0.51%	—	—	—	3,271	—	—	3,271	0.49%	—	—	—
Direct lease financing	—	—	2,551	2,551	0.36%	—	—	—	—	—	2,521	2,521	0.35%	—	—	—
Real estate bridge loans[1]	26,923	32,500	—	59,423	2.80%	—	—	—	—	87,836	—	87,836	4.01%	—	—	—
Total	$ 31,969	$ 32,500	$ 2,551	$ 67,020	1.20%	$ 156	$ 156	—	$ 5,755	$ 87,836	$ 2,521	$ 96,112	1.63%	$ 156	$156	—

[1] For the period nine months ended June 30, 2024 September 30, 2024, the "as is" weighted average LTV of the real estate bridge lending balances was less than 72.5% approximately 73%, and the "as stabilized" LTV was approximately 68% 66% based upon recent appraisals. appraisals performed within the past twelve months. "As stabilized" LTVs reflect the third-party appraiser's estimated value after the rehabilitation is complete. On each property reflected in the balances, apartment complete and units are released at stabilized rates. Apartment improvements and renovations continue, generally utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of June 30, 2024 September 30, 2024.

The following table shows an analysis of loans that were modified during the three month and year-to-date periods ended June 30, 2024 September 30, 2024, and June 30, 2023 September 30, 2023 presented by loan classification (dollars in thousands):

	Three months ended June 30, 2024							Three months ended September 30, 2024						
	Payment Status (Amortized Cost Basis)							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	30-59 days past due	60-89 days past due	90+ days still accruing	Non-accrual	Total delinquent	Current	Total
SBL non-real estate	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 321	$ 321	$ 498	$ 819
SBL commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Direct lease financing	—	2,551	—	—	2,551	—	2,551	—	—	—	—	—	—	—
Real estate bridge loans	—	—	—	—	—	—	—	—	—	—	—	—	55,336	55,336
	$ —	$ 2,551	$ —	$ —	$ 2,551	$ —	$ 2,551	$ —	$ —	$ —	$ 321	$ 321	$55,834	$56,155

	Three months ended June 30, 2023							Three months ended September 30, 2023						
	Payment Status (Amortized Cost Basis)							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	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								—	—	—	—	—	—	—
Direct lease financing								—	—	—	—	—	—	—
Real estate bridge lending								—	—	—	—	—	—	—
	$ —	$ —	$ —	$ —	$ —	$ 156	$ 156	$ —	$ —	$ —	$ —	$ —	$ —	$ —

	Six months ended June 30, 2024							Nine months ended September 30, 2024						
	Payment Status (Amortized Cost Basis)							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	30-59 days past due	60-89 days past due	90+ days still accruing	Non-accrual	Total delinquent	Current	Total
SBL non-real estate	$ —	$ —	$ —	$ 757	$ 757	$ 969	$ 1,726	$ —	$ —	$ —	$1,046	$ 1,046	$ 1,438	$ 2,484
SBL commercial mortgage	—	—	—	—	—	3,320	3,320	—	—	—	—	—	3,271	3,271
Direct lease financing	—	2,551	—	—	2,551	—	2,551	—	2,521	—	—	2,521	—	2,521
Real estate bridge loans[(1)]	—	—	—	—	—	59,423	59,423	—	—	—	—	—	87,836	87,836
	$ —	$ 2,551	$ —	$ 757	$ 3,308	$ 63,712	$ 67,020	$ —	$2,521	$ —	$1,046	$ 3,567	$92,545	$96,112

	Six months ended June 30, 2023							Nine months ended September 30, 2023						
	Payment Status (Amortized Cost Basis)							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	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	$ —	$ —	$ —	$ —	$ —	$ 156	$ 156
SBL commercial mortgage								—	—	—	—	—	—	—
Direct lease financing								—	—	—	—	—	—	—
Real estate bridge lending								—	—	—	—	—	—	—
	$ —	$ —	$ —	$ —	$ —	$ 156	$ 156	$ —	$ —	$ —	$ —	$ —	$ 156	$ 156

(1) For the period nine months ended June 30, 2024 September 30, 2024, the "as is" weighted average LTV of the real estate bridge lending balances was less than 72.5% approximately 73%, and the "as stabilized" LTV was approximately 68% 66% based upon recent appraisals. appraisals performed within the past twelve months. "As stabilized" LTVs reflect the third-party appraiser's estimated value after the rehabilitation is complete. On each property reflected in the balances, apartment complete and units are released at stabilized rates. Apartment improvements and renovations continue, sometimes utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of June 30, 2024 September 30, 2024.

There were $2.6 million $56.2 million and $67.0 million $96.1 million of loans classified as modified for the three month and year-to-date periods ended June 30, 2024 September 30, 2024, respectively, with specific reserves of zero and $7,000, $5,000, for the three month and year-to-date periods ended June 30, 2024 September 30, 2024, respectively. There were zero and $156,000 of loans classified as modified for each of the three month and year-to-date periods ended June 30, 2023 September 30, 2023. Substantially all of the reserves at June 30, 2024 September 30, 2024 related to the non-guaranteed portion of SBA loans.

As a result of interest rate modifications, approximately $815,000 was reversed from interest income in the third quarter of 2024, which was applicable to prior periods.

The following table describes the financial effect of the modifications made for the three month and year-to-date periods ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023 (dollars in thousands):

Three months ended June 30, 2024 September 30, 2024	Three months ended June 30, 2023 September 30, 2023
Combined Rate and Maturity	Combined Rate and Maturity

	Weighted average interest reduction	Weighted average term extension (in months)	More-Than-Insignificant-Payment Delay More-than-insignificant-payment delay(2)	Weighted average interest reduction	Weighted average term extension (in months)	More-Than-Insignificant-Payment Delay More-than-insignificant-payment delay(2)
SBL non-real estate	—	—	— 0.46%	—	—	0.13% —
SBL commercial mortgage	—	—	—	—	—	—
Direct lease financing	—	12.0 —	—	—	—	—
Real estate bridge loans	— 1.27%	—	—	—	—	—

	Six months ended June 30, 2024			Six months ended June 30, 2023			Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Combined Rate and Maturity			Combined Rate and Maturity			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)	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	—	—	1.00%	—	—	0.13%	—	—	1.38%	—	—	0.12%
SBL commercial mortgage	—	—	0.51%	—	—	—	—	—	0.49%	—	—	—
Direct lease financing	—	12.0	—	—	—	—	—	12.0	—	—	—	—
Real estate bridge loans(1)	1.68%	—	1.27%	—	—	—	1.42%	—	1.23%	—	—	—

(1) For the period nine months ended June 30, 2024 September 30, 2024, the “as is” weighted average LTV of the real estate bridge lending balances was less than 72.5% approximately 73%, and the “as stabilized” LTV was approximately 68% 66% based upon recent appraisals. appraisals performed within the past twelve months. “As stabilized” LTVs reflect the third-party appraiser’s estimated value after the rehabilitation is complete. On each property reflected in the balances, apartment complete and units are released at stabilized rates. Apartment improvements and renovations continue, sometimes utilizing additional borrower capital. The balances for both periods were also classified as either special mention or substandard as of June 30, 2024 September 30, 2024.

(2) Percentage represents the principal of loans deferred divided by 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 were modified in the twelve months before default.

We had no commitments to extend additional credit to loans classified as modified as of June 30, 2024 September 30, 2024 or December 31, 2023.

We had $14.9 $25.7 million of non-accrual loans at June 30, 2024 September 30, 2024, compared to $11.5 million of non-accrual loans at December 31, 2023. The $3.4 million $14.2 million increase in non-accrual loans was primarily due to $50.6 million $65.7 million of additions partially offset by $42.0 million $44.1 million transferred to OREO, $2.5 million $3.4 million of charge-offs, $1.1 million $1.5 million transferred to repossessed vehicle inventory, $1.5 million $2.7 million of payments and $129,000 returned to accrual status. Loans past due 90 days or more still accruing interest amounted to $4.3 $4.7 million at June 30, 2024 September 30, 2024 and $1.7 million at December 31, 2023. The $2.5 $3.0 million increase reflected $7.8 million $11.6 million of additions partially offset by $5.2 million $8.6 million of loan payments and $24,000 transferred to non-accrual loans.

We had $57.9 $61.7 million of OREO at June 30, 2024 September 30, 2024 and $16.9 million of OREO at December 31, 2023. The change in balance reflected $42.0 million $45.0 million transferred from non-accrual loans.

We evaluate loans under an internal loan risk rating system as a means of identifying problem loans. At June 30, 2024 September 30, 2024 and 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 $28.0 $28.1 million at June 30, 2024 September 30, 2024, compared to $27.5 million at December 31, 2023.

Other assets

Other assets amounted to $149.2 million $157.5 million at June 30, 2024 September 30, 2024 compared to $133.1 million at December 31, 2023.

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, through and with the assistance of affinity groups. The majority of our deposits

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are generated through prepaid card and debit and other payments related deposit accounts. At June 30, 2024 September 30, 2024, we had total deposits of $7.16 $6.93 billion compared to $6.68 billion at December 31, 2023, which reflected an increase of $474.8 $244.8 million, or 7.1% 3.7%. Daily deposit balances are subject to variability, and deposits averaged $6.72 billion $7.01 billion in the second third quarter of 2024. Savings and money market balances are a modest percentage of our funding and we have swept such 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 June 30, 2024 September 30, 2024, the top three affinity groups accounted for approximately $2.79 billion $2.95 billion, the next three largest $1.54 billion $1.58 billion, and the four subsequent largest $862.2 million $779.9 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 some movement in the ninth and tenth largest relationships. 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 June 30, 2024 September 30, 2024 totaled $3.15 billion $3.25 billion while balances related to consumer and business payment companies, including companies sponsoring incentive payments, amounted to $2.04 billion $2.06 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 “Item 2 – Asset and Liability Management”) above). 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. section, above. 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 second third quarter 2024, our demand and interest checking balances averaged $6.66 billion $6.94 billion, compared to $6.40 billion $6.23 billion in second third quarter 2023. The growth primarily reflected increases in payment company balances. Average savings and money market balances decreased increased to $60.2 million $65.1 million the second third quarter of 2024, compared to $78.3 million $56.5 million in the second third quarter of 2023. We sweep deposits off our balance sheet to other institutions 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 (dollars in thousands):

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

	For the six months ended June 30, 2024		For the year ended December 31, 2023	
	Average balance	Average rate	Average balance	Average rate
Demand and interest checking[(1)]	$ 6,553,107	2.39%	$ 6,308,509	2.30%
Savings and money market	55,591	3.25%	78,074	3.66%
Time	—	—	20,794	4.13%
Total deposits	$ 6,608,698	2.40%	$ 6,407,377	2.32%

	For the nine months ended September 30, 2024		For the year ended December 31, 2023	
	Average balance	Average rate	Average balance	Average rate
Demand and interest checking[(1)]	$ 6,684,671	2.40%	$ 6,308,509	2.30%
Savings and money market	58,777	3.30%	78,074	3.66%
Time	—	—	20,794	4.13%
Total deposits	$ 6,743,448	2.41%	$ 6,407,377	2.32%

[(1)] Of the amounts shown for 2024 and 2023, $152.8 million $149.1 million and $177.0 million, respectively, represented balances on which the Bank paid interest. The remaining balance for each period reflects amounts subject to fees paid to 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 $135.0 million of borrowings with FHLB at September 30, 2024. There were no borrowings on either line at June 30, 2024 or 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.

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
	(Dollars in thousands)		(Dollars in thousands)	
Short-term borrowings				
Balance at period end	$ —	$ —	$ 135,000	$ —
Average for the three months ended June 30, 2024	92,412	N/A		
Average for the three months ended September 30, 2024			73,480	N/A
Average during the year	46,892	5,739	55,820	5,739
Maximum month-end balance	125,000	450,000	455,000	450,000
Weighted average rate during the period	5.60%	4.72%	5.60%	4.72%
Rate at period end	—	—	5.16%	—

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 June 30, 2024 September 30, 2024, we had other long-term borrowings of $38.3 $38.2 million compared to $38.6 million at 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 $65.0 $70.8 million at June 30, 2024 September 30, 2024, compared to $69.6 million at 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, 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, with $50 million in repurchases planned for each remaining quarter of 2024. 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 six nine months ended June 30, 2024 September 30, 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 June 30, 2024 September 30, 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 2023 Form 10-K.

As noted 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, 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. While future Federal Reserve rate reductions may result in lower net interest income, such exposure to lower rates was significantly reduced in the third quarter of 2024 with the purchase of fixed rate securities. In the third quarter of 2024 the Federal Reserve began lowering rates. 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 conducted 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 June 30, 2024 September 30, 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 June 30, 2024 September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of our material pending legal proceedings, see "Note 13. 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 2023 Form 10-K. There have been no material changes from the risk factors disclosed in the 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 authorized 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 June 30, 2024 September 30, 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)			
April 1, 2024 - April 30, 2024	528,354	$ 32.31	528,354	$ 182,929
May 1, 2024 - May 31, 2024	1,413,616	33.01	1,413,616	136,259
June 1, 2024 -June 30, 2024	1,076,435	33.68	1,076,435	100,000

Total	3,018,405	33.13	3,018,405	100,000

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)				
July 1, 2024 - July 31, 2024	331,267	$	44.96	331,267	$ 85,108
August 1, 2024 - August 31, 2024	356,544		48.77	356,544	67,720
September 1, 2024 -September 30, 2024	349,258		50.74	349,258	50,000
Total	1,037,069		48.22	1,037,069	50,000

(1) During the second third quarter of 2024, all shares of common stock were repurchased pursuant to the 2024 Repurchase Program, which was approved by the Board on October 26, 2023 and publicly announced on October 26, 2023. Under the 2024 Repurchase Program, the Company is authorized to repurchase shares of its common stock totaling up to $50.0 million per quarter, for a maximum amount of $200.0 million in 2024. 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. 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 2024 Repurchase Program may be suspended, amended or discontinued at any time and had has an expiration date of 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 5. Other Information

During the quarter ended June 30, 2024 September 30, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Description
10.1	The Bancorp, Inc. 2024 Equity Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed on April 8, 2024)
10.2	Form of Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 30, 2024)
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**
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase 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)
August 9, November 7, 2024	/S/ DAMIAN KOZLOWSKI
Date	Damian Kozlowski
	Chief Executive Officer
August 9, November 7, 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 June 30, 2024 September 30, 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: August 9, 2024 November 7, 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 June 30, 2024 September 30, 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: August 9, 2024 November 7, 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 June 30, 2024 September 30, 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: August 9, 2024 November 7, 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 June 30, 2024 September 30, 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: August 9, 2024 November 7, 2024	/S/ PAUL FRENKIEL
	Paul Frenkiel
	Chief Financial Officer and Secretary

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