REPUBLIC FIRST BANCORP INC
Form 10-Q
November 03, 2017

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

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2017.

or

[ ] 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: 000-17007

Republic First Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Pennsylvania	23-2486815
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
50 South 16th Street, Philadelphia, Pennsylvania	19102
(Address of principal executive offices)	(Zip code)

215-735-4422
(Registrant's telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [X] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 [ ]	Accelerated filer [X]
Non-Accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]
Emerging growth company [ ]	

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. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES [ ] NO [X]

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Common Stock, $0.01 per share	56,989,764
Title of Class	Number of Shares Outstanding as of November 2, 2017

REPUBLIC FIRST BANCORP, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

Republic First Bancorp, Inc. and Subsidiaries
Consolidated Balance Sheets
September 30, 2017 and December 31, 2016
(Dollars in thousands, except per share data)
(unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Cash and due from banks	$27,181	$19,830
Interest bearing deposits with banks	71,601	14,724
Cash and cash equivalents	98,782	34,554
Investment securities available for sale, at fair value	377,757	369,739
Investment securities held to maturity, at amortized cost (fair value of $411,257 and $425,183, respectively)	416,987	432,499
Restricted stock, at cost	1,678	1,366
Loans held for sale	41,711	28,065
Loans receivable (net of allowance for loan losses of $8,258 and $9,155, respectively)	1,087,147	955,817
Premises and equipment, net	71,715	57,040
Other real estate owned, net	9,169	10,174
Accrued interest receivable	6,340	5,497
Goodwill	5,011	5,011
Intangible asset	-	61
Other assets	25,266	24,108
Total Assets	$2,141,563	$1,923,931
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Demand – non-interest bearing	$398,794	$324,912
Demand – interest bearing	745,878	605,950
Money market and savings	619,265	635,644
Time deposits	121,468	111,164
Total Deposits	1,885,405	1,677,670
Accrued interest payable	577	444
Other liabilities	8,716	8,883
Subordinated debt	21,663	21,881
Total Liabilities	1,916,361	1,708,878
Shareholders' Equity		
Preferred stock, par value $0.01 per share: 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value $0.01 per share: 100,000,000 shares authorized; shares issued 57,507,484 as of September 30, 2017 and 57,283,712 as of December 31, 2016; shares outstanding 56,978,639 as of September 30, 2017 and 56,754,867 as of December 31, 2016	575	573
Additional paid in capital	255,752	253,570
Accumulated deficit	(21,721)	(27,888)
Treasury stock at cost (503,408 shares as of September 30, 2017 and December 31, 2016)	(3,725)	(3,725)
Stock held by deferred compensation plan (25,437 shares as of September 30, 2017 and	(183)	(183)

December 31, 2016)		
Accumulated other comprehensive loss	(5,496)	(7,294)
Total Shareholders' Equity	225,202	215,053
Total Liabilities and Shareholders' Equity	$2,141,563	$1,923,931

(See notes to consolidated financial statements)

1

Republic First Bancorp, Inc. and Subsidiaries
Consolidated Statements of Income
For the Three and Nine Months Ended September 30, 2017 and 2016
(Dollars in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest income:				
Interest and fees on taxable loans	$12,717	$10,446	$35,727	$30,259
Interest and fees on tax-exempt loans	272	261	791	702
Interest and dividends on taxable investment securities	4,653	2,591	14,163	7,805
Interest and dividends on tax-exempt investment securities	99	173	447	526
Interest on federal funds sold and other interest-earning assets	181	149	312	299
Total interest income	17,922	13,620	51,440	39,591
Interest expense:				
Demand- interest bearing	772	553	2,075	1,471
Money market and savings	788	677	2,218	1,923
Time deposits	312	301	903	625
Other borrowings	338	303	1,046	898
Total interest expense	2,210	1,834	6,242	4,917
Net interest income	15,712	11,786	45,198	34,674
Provision for loan losses	-	607	500	1,557
Net interest income after provision for loan losses	15,712	11,179	44,698	33,117
Non-interest income:				
Loan and servicing fees	677	328	1,330	1,128
Mortgage banking income	3,159	2,405	8,551	2,405
Gain on sales of SBA loans	831	1,630	2,315	4,212
Service fees on deposit accounts	1,067	686	2,820	1,910
Gain (loss) on sale of investment securities	-	2	(61)	656
Net securities impairment recognized in earnings	-	(2)	-	(7)
Other non-interest income	44	93	130	281
Total non-interest income	5,778	5,142	15,085	10,585
Non-interest expenses:				
Salaries and employee benefits	9,829	7,731	27,800	20,334
Occupancy	1,772	1,535	5,239	4,387
Depreciation and amortization	1,292	1,051	3,588	2,816
Legal	156	158	535	312
Other real estate owned	746	702	1,704	1,610
Advertising	394	218	861	537
Data processing	785	669	2,335	1,711
Insurance	277	262	750	656
Professional fees	454	352	1,389	1,167
Regulatory assessments and costs	355	296	1,008	1,011
Taxes, other	242	243	716	495
Other operating expenses	2,863	1,796	7,729	5,287
Total non-interest expense	19,165	15,013	53,654	40,323

Income before benefit for income taxes	2,325	1,308	6,129	3,379
Provision (benefit) for income taxes	4	(32)	(38)	(69)
Net income	$2,321	$1,340	$6,167	$3,448
Net income per share:				
Basic	$0.04	$0.04	$0.11	$0.09
Diluted	$0.04	$0.03	$0.11	$0.09

(See notes to consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three and Nine Months Ended September 30, 2017 and 2016
(Dollars in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$2,321	$1,340	$6,167	$3,448
Other comprehensive income (loss), net of tax				
Unrealized gain (loss) on securities (pre-tax $(7), $(1,082), $2,615, and $3,386, respectively)	(5)	(693)	1,676	2,170
Reclassification adjustment for securities losses/(gains) (pre-tax $-, $(2), $61, and $(656), respectively)	-	(1)	39	(420)
Reclassification adjustment for impairment charge (pre-tax $-, $2, $-, and $7, respectively)	-	1	-	4
Net unrealized gains (losses) on securities	(5)	(693)	1,715	1,754
Net unrealized holding losses on securities transferred from available-for-sale to held-to-maturity:				
Amortization of net unrealized holding losses to income during the period (pre-tax $44, $38, $129, and $133, respectively)	28	24	83	85
Total other comprehensive income (loss)	23	(669)	1,798	1,839
Total comprehensive income	$2,344	$671	$7,965	$5,287

(See notes to consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2017 and 2016
(Dollars in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities		
Net income	$6,167	$3,448
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for loan losses	500	1,557
Write down of other real estate owned	777	521
Depreciation and amortization	3,588	2,816
Stock based compensation	1,329	562
Loss (gain) on sale of investment securities	61	(656)
Impairment charges on investment securities	-	7
Amortization of premiums on investment securities	1,788	1,172
Accretion of discounts on retained SBA loans	(859)	(1,057)
Fair value adjustments on SBA servicing assets	711	894
Proceeds from sales of SBA loans originated for sale	28,564	48,031
SBA loans originated for sale	(22,395)	(43,016)
Gains on sales of SBA loans originated for sale	(2,315)	(4,212)
Proceeds from sales of mortgage loans originated for sale	263,689	79,029
Mortgage loans originated for sale	(274,133)	(82,240)
Gains on sales of mortgage loans originated for sale	(7,056)	(2,783)
Amortization of intangible assets	61	17
Amortization of debt issuance costs	22	22
Increase in accrued interest receivable and other assets	(3,720)	(726)
Decrease in accrued interest payable and other liabilities	(34)	(396)
Net cash (used in) provided by operating activities	(3,255)	2,990
Cash flows from investing activities		
Purchase of investment securities available for sale	(53,052)	(117,812)
Purchase of investment securities held to maturity	(21,958)	(69,792)
Proceeds from the sale of securities available for sale	21,167	78,582
Proceeds from the paydowns, maturity, or call of securities available for sale	25,665	26,295
Proceeds from the paydowns, maturity, or call of securities held to maturity	36,629	21,106
Net (purchase) redemption of restricted stock	(312)	1,693
Net increase in loans	(131,100)	(70,006)
Net proceeds from sale of other real estate owned	357	1,387
Net cash paid in acquisition	-	(5,913)
Premises and equipment expenditures	(18,263)	(12,122)
Net cash used in investing activities	(140,867)	(146,582)
Cash flows from financing activities		
Net proceeds from exercise of stock options	615	226
Net increase in demand, money market and savings deposits	197,431	291,385
Net increase in time deposits	10,304	41,549

Decrease in short-term borrowings	-	(66,666)
Net cash provided by financing activities	208,350	266,494
Net increase in cash and cash equivalents	64,228	122,902
Cash and cash equivalents, beginning of year	34,554	27,139
Cash and cash equivalents, end of period	$98,782	$150,041
Supplemental disclosures		
Interest paid	$6,109	$5,011
Income taxes paid	$75	$90
Non-cash transfers from loans to other real estate owned	$129	$616
Conversion of subordinated debt to common stock	$240	-

(See notes to consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months Ended September 30, 2017 and 2016
(Dollars in thousands)
(unaudited)

	Common Stock	Additional Paid in Capital	Accumulated Deficit	Treasury Stock	Stock Held by Deferred Compensation Plan	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance January 1, 2017	$ 573	$ 253,570	$ (27,888)	$ (3,725)	$ (183)	$ (7,294)	$ 215,053
Net income			6,167				6,167
Other comprehensive income, net of tax						1,798	1,798
Stock based compensation		1,329					1,329
Conversion of subordinated debt to common stock (36,922 shares)		240					240
Options exercised (186,850 shares)	2	613					615
Balance September 30, 2017	$ 575	$ 255,752	$ (21,721)	$ (3,725)	$ (183)	$ (5,496)	$ 225,202
Balance January 1, 2016	$ 384	$ 152,897	$ (32,833)	$ (3,725)	$ (183)	$ (3,165)	$ 113,375
Net income			3,448				3,448
Other comprehensive income, net of tax						1,839	1,839
Stock based compensation		764					764
Options exercised (80,375 shares)		226					226
Balance September 30, 2016	$ 384	$ 153,887	$ (29,385)	$ (3,725)	$ (183)	$ (1,326)	$ 119,652

(See notes to consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (unaudited)

Note 1: Basis of Presentation

Republic First Bancorp, Inc. (the "Company") is a one-bank holding company organized and incorporated under the laws of the Commonwealth of Pennsylvania. It is comprised of one wholly-owned subsidiary, Republic First Bank, which does business under the name of Republic Bank ("Republic"). Republic is a Pennsylvania state chartered bank that offers a variety of banking services to individuals and businesses throughout the Greater Philadelphia and South Jersey area through its offices and store locations in Philadelphia, Montgomery, Delaware, Camden, Burlington, and Gloucester Counties. On July 28, 2016, Republic acquired all of the issued and outstanding limited liability company interests of Oak Mortgage Company, LLC ("Oak Mortgage") and, as a result, Oak Mortgage became a wholly owned subsidiary of Republic on that date. Oak Mortgage is headquartered in Marlton, NJ and is licensed to do business in Pennsylvania, Delaware, New Jersey, and Florida. The Company also has three unconsolidated subsidiaries, which are statutory trusts established by the Company in connection with its sponsorship of three separate issuances of trust preferred securities.

The Company and Republic encounter vigorous competition for market share in the geographic areas they serve from bank holding companies, national, regional and other community banks, thrift institutions, credit unions and other non-bank financial organizations, such as mutual fund companies, insurance companies and brokerage companies.

The Company and Republic are subject to federal and state regulations governing virtually all aspects of their activities, including but not limited to, lines of business, liquidity, investments, the payment of dividends and others. Such regulations and the cost of adherence to such regulations can have a significant impact on earnings and financial condition.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Republic. The Company follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("US GAAP") that are followed to ensure consistent reporting of financial condition, results of operations, and cash flows. All material inter-company transactions have been eliminated. Events occurring subsequent to the date of the balance sheet have been evaluated for potential recognition or disclosure in the consolidated financial statements.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to United States Securities and Exchange Commission ("SEC") Form 10-Q and Article 10 of SEC Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for financial statements for a complete fiscal year. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

Note 2: Summary of Significant Accounting Policies

Risks and Uncertainties

The earnings of the Company depend primarily on the earnings of Republic. The earnings of Republic are dependent primarily upon the level of net interest income, which is the difference between interest earned on its interest-earning assets, such as loans and investments, and the interest paid on its interest-bearing liabilities, such as deposits and borrowings. Accordingly, the Company's results of operations are subject to risks and uncertainties surrounding Republic's exposure to changes in the interest rate environment. Prepayments on residential real estate mortgage and other fixed rate loans and mortgage-backed securities vary significantly and may cause significant fluctuations in interest margins.

Mortgage Banking Activities and Mortgage Loans Held for Sale

Loans held for sale are originated and held until sold to permanent investors. On July 28, 2016, management elected to adopt the fair value option in accordance with FASB Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, and record loans held for sale at fair value.

The fair value is determined on a recurring basis by utilizing quoted prices from dealers in such securities. Gains and losses on loan sales are recorded in non-interest income and direct loan origination costs are recognized when incurred and are included in non-interest expense in the statements of income.

Interest Rate Lock Commitments ("IRLCs")

Mortgage loan commitments known as interest rate locks that relate to the origination of a mortgage that will be held for sale upon funding are considered derivative instruments under the derivatives and hedging accounting guidance FASB ASC 815, Derivatives and Hedging. Loan commitments that are derivatives are recognized at fair value on the balance sheet as other assets and other liabilities with changes in their fair values recorded as mortgage banking income in non-interest income in the statements of income. Outstanding IRLCs are subject to interest rate risk and related price risk during the period from the date of issuance through the date of loan funding, cancellation or expiration. Loan commitments generally range between 30 and 90 days; however, the borrower is not obligated to obtain the loan. Republic is subject to fallout risk related to IRLCs, which is realized if approved borrowers choose not to close on the loans within the terms of the IRLCs. Republic uses best efforts commitments to substantially eliminate these risks. The valuation of the IRLCs issued by Republic includes the value of the servicing released premium. Republic sells loans servicing released, and the servicing released premium is included in the market price. See Note 11 Derivatives and Risk Management Activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates are made by management in determining the allowance for loan losses, carrying values of other real estate owned, assessment of other than temporary impairment ("OTTI") of investment securities, fair value of financial instruments, (see "Note 7" below), and the realization of deferred income tax assets. Consideration is given to a variety of factors in establishing these estimates.

In estimating the allowance for loan losses, management considers current economic conditions, past loss experience, diversification of the loan portfolio, delinquency statistics, results of internal loan reviews and regulatory examinations, borrowers' perceived financial and managerial strengths, the adequacy of underlying collateral, if collateral dependent, or present value of future cash flows, and other relevant and qualitative risk factors. Subsequent to foreclosure, an estimate for the carrying value of other real estate owned is normally determined through valuations that are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less the cost to sell. Because the allowance for loan losses and carrying value of other real estate owned are dependent, to a great extent, on the general economy and other conditions that may be beyond the Company's and Republic's control, the estimates of the allowance for loan losses and the carrying values of other real estate owned could differ materially in the near term.

In estimating OTTI of investment securities, securities are evaluated on at least a quarterly basis and more frequently when market conditions warrant such an evaluation, to determine whether a decline in their value is other-than-temporary. To determine whether a loss in value is other-than-temporary, management utilizes criteria such as the reasons underlying the decline, the magnitude and duration of the decline, the intent to hold the security and the likelihood of the Company not being required to sell the security prior to an anticipated recovery in the fair value. The term "other-than-temporary" is not intended to indicate that the decline is permanent, but indicates that the prospect for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of investment. Once a decline in value is determined to be other-than-temporary, the portion of the decline related to credit impairment is charged to earnings.

In evaluating the Company's ability to recover deferred tax assets, management considers all available positive and negative evidence, including the past operating results and forecasts of future taxable income. In determining future taxable income, management makes assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require management to make judgments about the future taxable income and are consistent with the plans and estimates used to manage the business. Any exclusion of or reduction in estimated future taxable income may require management to record a valuation allowance against the deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on future earnings.

Stock-Based Compensation

The Company has a Stock Option and Restricted Stock Plan ("the 2005 Plan"), under which the Company granted options, restricted stock or stock appreciation rights to the Company's employees, directors, and certain consultants. The 2005 Plan became effective on November 14, 1995, and was amended and approved at the Company's 2005 annual meeting of shareholders. Under the terms of the 2005 Plan, 1.5 million shares of common stock, plus an annual increase equal to the number of shares needed to restore the maximum number of shares that could be available for grant under the 2005 Plan to 1.5 million shares, were available for such grants. As of September 30, 2017, the only grants under the 2005 Plan were option grants. The 2005 Plan provided that the exercise price of each option granted equaled the market price of the Company's stock on the date of the grant. Options granted pursuant to the 2005 Plan vest within one to four years and have a maximum term of 10 years. The 2005 Plan terminated on November 14, 2015 in accordance with the terms and conditions specified in the Plan agreement.

On April 29, 2014 the Company's shareholders approved the 2014 Republic First Bancorp, Inc. Equity Incentive Plan (the "2014 Plan"), under which the Company may grant options, restricted stock, stock units, or stock appreciation rights to the Company's employees, directors, independent contractors, and consultants. Under the terms of the 2014 Plan, 2.6 million shares of common stock, plus an annual adjustment to be no less than 10% of the outstanding shares or such lower number as the Board of Directors may determine, are available for such grants. At September 30, 2017, the maximum number of common shares issuable under the 2014 Plan was 5.9 million shares. During the nine months ended September 30, 2017, 906,500 options were granted under the 2014 Plan with a fair value of $3,188,984.

The Company utilizes the Black-Scholes option pricing model to calculate the estimated fair value of each stock option granted on the date of the grant. A summary of the assumptions used in the Black-Scholes option pricing model for 2017 and 2016 are as follows:

	2017	2016
Dividend yield[1]	0.0%	0.0%
Expected volatility[2]	45.46% to 50.09%	46.38% to 52.54%
Risk-free interest rate[3]	1.89% to 2.26%	1.23% to 1.82%
Expected life[4]	5.5 to 7.0 years	5.5 to 7.0 years
Assumed forfeiture rate	6.0%	10.0%

[1] A dividend yield of 0.0% is utilized because cash dividends have never been paid.
[2] Expected volatility is based on Bloomberg's five and one-half to seven year volatility calculation for "FRBK" stock.
[3] The risk-free interest rate is based on the five to seven year Treasury bond.
[4] The expected life reflects a 1 to 4 year vesting period, the maximum ten year term and review of historical behavior.

During the nine months ended September 30, 2017 and 2016, 526,624 options and 487,550 options vested, respectively. Expense is recognized ratably over the period required to vest. At September 30, 2017, the intrinsic value of the 3,038,450 options outstanding was $12,954,271, while the intrinsic value of the 1,379,848 exercisable (vested) options was $7,764,313. During the nine months ended September 30, 2017, 186,850 options were exercised with cash received of $615,226 and 14,100 options were forfeited with a weighted average grant date fair value of $53,246. During the nine months ended September 30, 2016, 80,375 options were exercised with cash received of $226,271 and 38,550 options were forfeited with a weighted average grant date fair value of $55,920.

Information regarding stock based compensation for the nine months ended September 30, 2017 and 2016 is set forth below:

	September 30, 2017	September 30, 2016
Stock based compensation expense recognized	$1,329,000	$764,000
Number of unvested stock options	1,658,602	1,316,476
Fair value of unvested stock options	$4,553,854	$2,608,986
Amount remaining to be recognized as expense	$2,966,049	$1,284,071

The remaining amount of $2,966,049 will be recognized as expense through July 2021.

Earnings per Share

Earnings per share ("EPS") consist of two separate components: basic EPS and diluted EPS. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for each period presented. Diluted EPS is calculated by dividing net income by the weighted average number of common shares outstanding plus dilutive common stock equivalents ("CSEs"). CSEs consist of dilutive stock options granted through the Company's stock option plans and convertible securities related to the trust preferred securities issued in 2008. In the diluted EPS computation, the after tax interest expense on the trust preferred securities issuance is added back to net income. For the three and nine months ended September 30, 2017 and 2016, the effect of CSEs (convertible securities related to the trust preferred securities only) and the related add back of after tax interest expense was considered anti-dilutive and therefore was not included in the EPS calculations.

The calculation of EPS for the three and nine months ended September 30, 2017 and 2016 is as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (basic and diluted)	$2,321	$1,340	$6,167	$3,448
Weighted average shares outstanding	56,974	37,916	56,915	37,879
Net income per share – basic	$0.04	$0.04	$0.11	$0.09
Weighted average shares outstanding (including dilutive CSEs)	58,314	38,375	58,213	38,355
Net income per share – diluted	$0.04	$0.03	$0.11	$0.09

The following is a summary of securities that could potentially dilute basic earnings per common share in future periods that were not included in the computation of diluted earnings per common share because to do so would have been anti-dilutive for the periods presented.

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Anti-dilutive securities				
Share based compensation awards	1,698	2,022	1,740	2,005
Convertible securities	1,625	1,662	1,625	1,662
Total anti-dilutive securities	3,323	3,684	3,365	3,667

Recent Accounting Pronouncements

ASU 2014-09

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 660): Summary and Amendments that Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs – Contracts with Customers (Subtopic 340-40)." ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The guidance in this update supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with The Company (Topic 606): Deferral of the Effective Date. The guidance in this ASU is now effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:
(i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize

revenue when (or as) the entity satisfies a performance obligation. The Company's revenue is comprised of net interest income and noninterest income. The scope of the guidance explicitly excludes interest income as well as many other revenues for financial assets and liabilities including revenue derived from loans, investment securities, and derivatives. Accordingly, the majority of our revenues will not be affected. The Company is currently assessing our revenue contracts related to revenue streams that are within the scope of the standard including loan fees, service fees on deposit accounts, and other categories of non-interest income. We are continuing to evaluate specific contracts, but have not identified material changes to the timing or amount of revenue recognition. We are also continuing to evaluate changes in our disclosures associated with our revenues. We expect to adopt the standard using the modified retrospective approach in the first quarter of 2018.

ASU 2016-01

In January 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-01, Financial Instruments - Overall. The guidance in this ASU among other things, (1) requires equity investments with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (3) eliminates the requirement for public businesses entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (4) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (5) requires an entity to present separately in other comprehensive income the portion of the change in fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (6) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and (7) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. The guidance in this ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company has evaluated this ASU and it is not expected to have a significant impact on its financial condition or results of operations.

ASU 2016-02

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, Leases. From the Company's perspective, the new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement for lessees. From the landlord perspective, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. A modified retrospective transition approach is required for lessors for sales-type, direct financing, and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. After evaluating the impact of the pending adoption of the new standard on its consolidated financial statements, the Company expects an increase of assets and liabilities on the Company's consolidated financial statements.

ASU 2016-09

In March 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-09, Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 will amend current guidance such that all excess tax benefits and tax deficiencies related to share-based payment awards will be recognized as income tax expense or benefit in the income statement during the period in which they occur. Additionally, excess tax benefits will be classified along with other income tax cash flows as an operating activity rather than a financing activity. ASU 2016-09 also provides that any entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest, which is the current requirement, or account for forfeitures when they occur. ASU 2016-09 was effective January 1, 2017. It currently does not have a material impact on the Company's consolidated financial statements, however depending upon the exercise timing of share based awards, the ASU could have a material impact on the consolidated financial statements going forward.

ASU 2016-13

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For the Company, this update will be effective for interim and annual periods beginning after December 15, 2019. The Company has not yet determined the impact the adoption of ASU 2016-13 will have on the consolidated financial statements.

ASU 2016-15

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230). The ASU addresses classification of certain cash receipts and cash payments in the statement of cash flows. The new guidance is effective on January 1, 2018, on a retrospective basis, with early adoption permitted. This new accounting guidance will result in some changes in classification in the Consolidated Statement of Cash Flows, which the Company does not expect will be significant, and will not have a material impact on the consolidated financial statements. Due to the current nature of the Company's operations and financial assets and liabilities in relation to the cash flow classifications impacted by the ASU, the Company has determined that the adoption of ASU 2016-15 will not have a material impact on the Company's financial statements.

ASU-2017-01

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805). The ASU clarifies the definition of a business in ASC 805. The FASB issued the ASU in response to stakeholder feedback that the definition of a business in ASC 805 is being applied too broadly. In addition, stakeholders said that analyzing transactions under the current definition is difficult and costly. Concerns about the definition of a business were among the primary issues raised in connection with the Financial Accounting Foundation's post-implementation review report on FASB Statement No. 141(R), Business Combinations (codified in ASC 805). The amendments in the ASU are intended to make application of the guidance more consistent and cost-efficient. The ASU is effective for public business entities in annual periods beginning after December 15, 2017, including interim periods therein. For all other entities, the ASU is effective in annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The ASU must be applied prospectively on or after the effective date, and no disclosures for a change in accounting principle are required at transition. Early adoption is permitted for transactions (i.e., acquisitions or dispositions) that occurred before the issuance date or effective date of the standard if the transactions were not reported in financial statements that have been issued or made available for issuance. The Company has not yet determined the impact the adoption of ASU 2017-01 will have on the consolidated financial statements.

ASU 2017-04

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test For Goodwill Impairment. The ASU simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Instead, if "the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit." For public business entities that are SEC filers, the ASU is effective for annual and any interim impairment tests for periods beginning after December 15, 2019. The Company has not yet determined the impact the adoption of ASU 2017-04 will have on the consolidated financial statements.

ASU 2017-08

In March 2017, the FASB issued ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities, which amends the amortization period for certain purchased callable debt securities held at a premium, shortening such period to the earliest call date. The ASU is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Earlier application is permitted for all entities, including adoption in an interim period. If an entity early adopts the ASU in an interim period, any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. The Company has not yet determined the impact the adoption of ASU 2017-08 will have on the consolidated financial statements.

Note 3: Legal Proceedings

The Company and Republic are from time to time parties (plaintiff or defendant) to lawsuits in the normal course of business. While any litigation involves an element of uncertainty, management is of the opinion that the liability of the Company and Republic, if any, resulting from such actions will not have a material effect on the financial condition or results of operations of the Company and Republic.

Note 4: Segment Reporting

The Company has one reportable segment: community banking. The community bank segment primarily encompasses the commercial loan and deposit activities of Republic, as well as consumer loan products in the area surrounding its stores.

Note 5: Investment Securities

A summary of the amortized cost and market value of securities available for sale and securities held to maturity at September 30, 2017 and December 31, 2016 is as follows:

	At September 30, 2017			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	$244,170	$ 73	$ (4,239)	$240,004
Agency mortgage-backed securities	43,906	3	(1,107)	42,802
Municipal securities	15,600	130	(71)	15,659
Corporate bonds	66,659	97	(2,427)	64,329
Asset-backed securities	13,858	1	(4)	13,855
Trust preferred securities	1,545	-	(437)	1,108
Total securities available for sale	$385,738	$ 304	$ (8,285)	$377,757
U.S. Government agencies	$104,446	$ 105	$ (1,710)	$102,841
Collateralized mortgage obligations	179,928	512	(2,413)	178,027
Agency mortgage-backed securities	131,613	22	(2,246)	129,389
Other securities	1,000	-	-	1,000
Total securities held to maturity	$416,987	$ 639	$ (6,369)	$411,257

	At December 31, 2016			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	$230,252	$ 145	$ (5,632)	$224,765
Agency mortgage-backed securities	37,973	32	(1,295)	36,710
Municipal securities	26,825	151	(429)	26,547
Corporate bonds	66,718	8	(1,978)	64,748
Asset-backed securities	15,565	-	(416)	15,149
Trust preferred securities	3,063	-	(1,243)	1,820
Total securities available for sale	$380,396	$ 336	$ (10,993)	$369,739
U.S. Government agencies	$98,538	$ 8	$ (2,238)	$96,308
Collateralized mortgage obligations	202,990	793	(2,553)	201,230
Agency mortgage-backed securities	129,951	1	(3,327)	126,625
Other securities	1,020	-	-	1,020
Total securities held to maturity	$432,499	$ 802	$ (8,118)	$425,183

The following table presents investment securities by stated maturity at September 30, 2017. Collateralized mortgage obligations and agency mortgage-backed securities have expected maturities that differ from contractual maturities because borrowers have the right to call or prepay and, therefore, these securities are classified separately with no specific maturity date.

	Available for Sale		Held to Maturity	
	Amortized	Fair	Amortized	Fair
(dollars in thousands)	Cost	Value	Cost	Value
Due in 1 year or less	$1,154	$1,160	$1,000	$1,000
After 1 year to 5 years	10,603	10,675	6,038	6,046
After 5 years to 10 years	60,860	59,395	98,408	96,795
After 10 years	25,045	23,721	-	-
Collateralized mortgage obligations	244,170	240,004	179,928	178,027
Agency mortgage-backed securities	43,906	42,802	131,613	129,389
Total	$385,738	$377,757	$416,987	$411,257

Expected maturities will differ from contractual maturities because borrowers have the right to call or prepay obligations with or without prepayment penalties.

The Company's investment securities portfolio consists primarily of debt securities issued by U.S. government agencies, U.S. government-sponsored agencies, state governments, local municipalities and certain corporate entities. There were no private label mortgage-backed securities ("MBS") or collateralized mortgage obligations ("CMO") held in the investment securities portfolio as of September 30, 2017 and December 31, 2016. There were also no MBS or CMO securities that were rated "Alt-A" or "sub-prime" as of those dates.

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. Net unrealized gains and losses in the available for sale portfolio are included in shareholders' equity as a component of accumulated other comprehensive income or loss, net of tax. Securities classified as held to maturity are carried at amortized cost. An unrealized loss exists when the current fair value of an individual security is less than the amortized cost basis.

The Company regularly evaluates investment securities that are in an unrealized loss position in order to determine if the decline in fair value is other than temporary. Factors considered in the evaluation include the current economic climate, the length of time and the extent to which the fair value has been below cost, the current interest rate environment and the rating of each security. An other-than-temporary impairment ("OTTI") loss must be recognized for a debt security in an unrealized loss position if the Company intends to sell the security or it is more likely than not that it will be required to sell the security prior to recovery of the amortized cost basis. The amount of OTTI loss recognized is equal to the difference between the fair value and the amortized cost basis of the security that is attributed to credit deterioration. Accounting standards require the evaluation of the expected cash flows to be received to determine if a credit loss has occurred. In the event of a credit loss, that amount must be recognized against income in the current period. The portion of the unrealized loss related to other factors, such as liquidity conditions in the market or the current interest rate environment, is recorded in accumulated other comprehensive income (loss) for investment securities classified available for sale.

No impairment charges (credit losses) were incurred on trust preferred securities during the three and nine month periods ended September 30, 2017. Impairment charges on trust preferred securities for the three month period ended September 30, 2016 amounted to $2,000. Impairment charges on trust preferred securities for the nine month period ended September 30, 2016 amounted to $7,000.

15

The following table presents a roll-forward of the balance of credit-related impairment losses on securities held at September 30, 2017 and 2016 for which a portion of OTTI was recognized in other comprehensive income:

(dollars in thousands)	2017	2016
Beginning Balance, January 1st	$937	$930
Additional credit-related impairment loss on securities for which an other-than-temporary impairment was previously recognized	-	7
Reductions for securities sold during the period	(483)	-
Ending Balance, September 30th	$454	$937

The following tables show the fair value and gross unrealized losses associated with the investment portfolio, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position in the available for sale and held to maturity section:

	At September 30, 2017					
	Less than 12 months		12 months or more		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Collateralized mortgage obligations	$106,932	$ 1,875	$85,469	$ 2,364	$192,401	$ 4,239
Agency mortgage-backed securities	37,066	994	5,064	113	42,130	1,107
Municipal securities	4,278	24	2,591	47	6,869	71
Corporate bonds	19,638	362	32,935	2,065	52,573	2,427
Asset backed securities	-	-	6,006	4	6,006	4
Trust preferred securities	-	-	1,108	437	1,108	437
Total Available for Sale	$167,914	$ 3,255	$133,173	$ 5,030	$301,087	$ 8,285

	At September 30, 2017					
	Less than 12 months		12 months or more		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	$76,631	$ 1,267	$14,157	$ 443	$90,788	$ 1,710
Collateralized mortgage obligations	89,374	1,470	49,751	943	139,125	2,413
Agency mortgage-backed securities	79,935	1,691	17,499	555	97,434	2,246
Total Held to Maturity	$245,940	$ 4,428	$81,407	$ 1,941	$327,347	$ 6,369

	At December 31, 2016					
	Less than 12 months		12 months or more		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Collateralized mortgage obligations	$192,308	$ 5,380	$7,579	$ 252	$199,887	$ 5,632
Agency mortgage-backed securities	29,916	1,260	3,199	35	33,115	1,295
Municipal securities	15,414	429	-	-	15,414	429
Corporate bonds	32,257	1,708	10,726	270	42,983	1,978
Asset backed securities	-	-	15,149	416	15,149	416
Trust preferred securities	-	-	1,820	1,243	1,820	1,243
Total Available for Sale	$269,895	$ 8,777	$38,473	$ 2,216	$308,368	$ 10,993

	At December 31, 2016					
	Less than 12 months		12 months or more		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	$67,725	$ 2,198	$3,586	$ 40	$71,311	$ 2,238
Collateralized mortgage obligations	108,974	2,469	8,572	84	117,546	2,553
Agency mortgage-backed securities	97,725	3,327	-	-	97,725	3,327
Total Held to Maturity	$274,424	$ 7,994	$12,158	$ 124	$286,582	$ 8,118

Unrealized losses on securities in the investment portfolio amounted to $14.7 million with a total fair value of $628.4 million as of September 30, 2017 compared to unrealized losses of $19.1 million with a total fair value of $595.0 million as of December 31, 2016. The Company believes the unrealized losses presented in the tables above are temporary in nature and primarily related to market interest rates or limited trading activity in particular type of security rather than the underlying credit quality of the issuers. The Company does not believe that these losses are other than temporary and does not currently intend to sell or believe it will be required to sell securities in an unrealized loss position prior to maturity or recovery of the amortized cost bases.

The Company held nine U.S. Government agency securities, fifty-seven collateralized mortgage obligations and twenty-one agency mortgage-backed securities that were in an unrealized loss position at September 30, 2017. Principal and interest payments of the underlying collateral for each of these securities carry minimal credit risk. Management found no evidence of OTTI on any of these securities and believes the unrealized losses are due to fluctuations in fair values resulting from changes in market interest rates and are considered temporary as of September 30, 2017.

All municipal securities held in the investment portfolio are reviewed on least a quarterly basis for impairment. Each bond carries an investment grade rating by either Moody's or Standard & Poor's. In addition, the Company periodically conducts its own independent review on each issuer to ensure the financial stability of the municipal entity. The largest geographic concentration was in Pennsylvania and New Jersey and consisted of either general obligation or revenue bonds backed by the taxing power of the issuing municipality. At September 30, 2017, there were ten municipal securities that were in an unrealized loss position. Management believes the unrealized losses were the result of movements in long-term interest rates and are not reflective of credit deterioration.

At September 30, 2017, the investment portfolio included one asset-backed security that was in an unrealized loss position. The asset-backed securities held in the investment securities portfolio consist solely of Sallie Mae bonds, collateralized by student loans which are guaranteed by the U.S. Department of Education. Management believes the unrealized loss on this security was driven by changes in market interest rates and not a result of credit deterioration. At September 30, 2017, the investment portfolio included six corporate bonds that were in an unrealized loss position. Management believes the unrealized losses on these securities were also driven by changes in market interest rates and not a result of credit deterioration.

The unrealized losses on the trust preferred securities are primarily the result of the secondary market for such securities becoming inactive and are also considered temporary at this time. The following table provides additional detail about the trust preferred securities held in the portfolio as of September 30, 2017.

(dollars in thousands)	Class / Tranche	Amortized Cost	Fair Value	Unrealized Losses	Lowest Credit Rating Assigned	Number of Banks Currently Performing	Deferrals / Defaults as % of Current Balance	Conditional Default Rates for 2018 and beyond	Cumulative OTTI Life to Date
TPREF Funding II	Class B Notes	$ 725	$ 489	$ (236)	C	19	29 %	0.42 %	$ 274
ALESCO Preferred Funding V	Class C1 Notes	820	619	(201)	C	39	14	0.49	180
Total		$ 1,545	$ 1,108	$ (437)		58	21 %		$ 454

There were no proceeds from the sale of investment securities during the three months ended September 30, 2017. Proceeds from the sale of investment securities during the nine months ended September 30, 2017 was $21.2 million. Gross gains of $487,000 were realized on these sales which were offset by gross losses of $548,000. The tax provision applicable to the net losses for the nine months ended September 30, 2017 was $22,000.

There were no proceeds from the sale of investment securities during the three months ended September 30, 2016. Proceeds from the sale of investment securities during the nine months ended September 30, 2016 was $78.6 million. Gross gains of $680,000 and gross losses of $24,000 were realized on these sales. The tax provision applicable to the net gains for the nine months ended September 30, 2016 was $235,000.

Note 6: Loans Receivable and Allowance for Loan Losses

The following table sets forth the Company's gross loans by major categories as of September 30, 2017 and December 31, 2016:

(dollars in thousands)	September 30, 2017	December 31, 2016
Commercial real estate	$415,532	$378,519
Construction and land development	93,657	61,453
Commercial and industrial	163,085	174,744
Owner occupied real estate	297,880	276,986
Consumer and other	71,888	63,660
Residential mortgage	53,384	9,682
Total loans receivable	1,095,426	965,044
Deferred fees	(21)	(72)
Allowance for loan losses	(8,258)	(9,155)
Net loans receivable	$1,087,147	$955,817

The Company disaggregates its loan portfolio into groups of loans with similar risk characteristics for purposes of estimating the allowance for loan losses. The Company's loan groups include commercial real estate, construction and land development, commercial and industrial, owner occupied real estate, consumer, and residential mortgages. The loan groups are also considered classes for purposes of monitoring and assessing credit quality based on certain risk characteristics.

The following tables provide the activity in and ending balances of the allowance for loan losses by loan portfolio class at and for the three and nine months ended September 30, 2017 and 2016:

(dollars in thousands)	Commercial Real Estate	Construction and Land Development	Commercial and Industrial	Owner Occupied Real Estate	Consumer and Other	Residential Mortgage	Unallocated	Total
Three months ended September 30, 2017								
Allowance for loan losses:								
Beginning balance:	$ 3,171	$ 580	$ 2,496	$ 1,598	$ 544	$ 238	$ 827	$9,454
Charge-offs	-	-	(1,195)	(49)	(4)	-	-	(1,248)
Recoveries	47	-	5	-	-	-	-	52
Provisions (credits)	381	69	(85)	87	11	85	(548)	-
Ending balance	$ 3,599	$ 649	$ 1,221	$ 1,636	$ 551	$ 323	$ 279	$8,258
Three months ended September 30, 2016								
Allowance for loan losses:								
Beginning balance:	$ 3,293	$ 365	$ 3,136	$ 1,366	$ 324	$ 11	$ 266	$8,761
Charge-offs	-	(3)	-	-	-	-	-	(3)
Recoveries	-	-	88	-	-	-	-	88
Provisions (credits)	9	137	(79)	251	16	31	242	607
Ending balance	$ 3,302	$ 499	$ 3,145	$ 1,617	$ 340	$ 42	$ 508	$9,453

(dollars in thousands)	Commercial Real Estate	Construction and Land Development	Commercial and Industrial	Owner Occupied Real Estate	Consumer and Other	Residential Mortgage	Unallocated	Total
Nine months ended September 30, 2017								
Allowance for loan losses:								
Beginning balance:	$ 3,254	$ 557	$ 2,884	$ 1,382	$ 588	$ 58	$ 432	$9,155
Charge-offs	-	-	(1,347)	(157)	(12)	-	-	(1,516)
Recoveries	54	-	64	-	1	-	-	119
Provisions (credits)	291	92	(380)	411	(26)	265	(153)	500
Ending balance	$ 3,599	$ 649	$ 1,221	$ 1,636	$ 551	$ 323	$ 279	$8,258
Nine months ended September 30, 2016								
Allowance for loan losses:								
Beginning Balance:	$ 2,393	$ 338	$ 2,932	$ 2,030	$ 295	$ 14	$ 701	$8,703
Charge-offs	-	(3)	(18)	(954)	-	-	-	(975)

Recoveries	6	-	162	-	-	-	-	168
Provisions (credits)	903	164	69	541	45	28	(193)	1,557
Ending balance	$ 3,302	$ 499	$ 3,145	$ 1,617	$ 340	$ 42	$ 508	$9,453

19

The following tables provide a summary of the allowance for loan losses and balance of loans receivable by loan class and by impairment method as of September 30, 2017 and December 31, 2016:

(dollars in thousands)	Commercial Real Estate	Construction and Land Development	Commercial and Industrial	Owner Occupied Real Estate	Consumer and Other	Residential Mortgage	Unallocated	Total
September 30, 2017								
Allowance for loan losses:								
Individually evaluated for impairment	$ 1,834	$ -	$ 337	$ 190	$ 218	$ -	$ -	$ 2,579
Collectively evaluated for impairment	1,765	649	884	1,446	333	323	279	5,679
Total allowance for loan losses	$ 3,599	$ 649	$ 1,221	$ 1,636	$ 551	$ 323	$ 279	$ 8,258
Loans receivable:								
Loans evaluated individually	$ 13,393	$ -	$ 3,852	$ 3,490	$ 1,267	$ -	$ -	$ 22,002
Loans evaluated collectively	402,139	93,657	159,233	294,390	70,621	53,384	-	1,073,424
Total loans receivable	$ 415,532	$ 93,657	$ 163,085	$ 297,880	$ 71,888	$ 53,384	$ -	$ 1,095,426

(dollars in thousands)	Commercial Real Estate	Construction and Land Development	Commercial and Industrial	Owner Occupied Real Estate	Consumer and Other	Residential Mortgage	Unallocated	Total
December 31, 2016								
Allowance for loan losses:								
Individually evaluated for impairment	$ 1,277	$ -	$ 1,624	$ 274	$ 293	$ -	$ -	$ 3,468
Collectively evaluated for impairment	1,977	557	1,260	1,108	295	58	432	5,687
Total allowance for loan losses	$ 3,254	$ 557	$ 2,884	$ 1,382	$ 588	$ 58	$ 432	$ 9,155
Loans receivable:								
Loans evaluated individually	$ 19,245	$ -	$ 5,180	$ 2,325	$ 1,290	$ 130	$ -	$ 28,170
Loans evaluated collectively	359,274	61,453	169,564	274,661	62,370	9,552	-	936,874
Total loans receivable	$ 378,519	$ 61,453	$ 174,744	$ 276,986	$ 63,660	$ 9,682	$ -	$ 965,044

20

A loan is considered impaired, when based on current information and events, it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans, but also include internally classified accruing loans. The following table summarizes information with regard to impaired loans by loan portfolio class as of September 30, 2017 and December 31, 2016:

	September 30, 2017			December 31, 2016		
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial real estate	$7,003	$7,007	$ -	$12,347	$12,348	$ -
Construction and land development	-	-	-	-	-	-
Commercial and industrial	2,490	6,403	-	1,955	3,111	-
Owner occupied real estate	2,471	2,633	-	621	733	-
Consumer and other	920	1,236	-	687	976	-
Residential mortgage	-	-	-	130	130	-
Total	$12,884	$17,279	$ -	$15,740	$17,298	$ -
With an allowance recorded:						
Commercial real estate	$6,389	$6,403	$1,834	$6,898	$6,912	$1,277
Construction and land development	-	-	-	-	-	-
Commercial and industrial	1,363	1,380	337	3,225	5,892	1,624
Owner occupied real estate	1,019	1,019	190	1,704	1,704	274
Consumer and other	347	377	218	603	627	293
Residential mortgage	-	-	-	-	-	-
Total	$9,118	$9,179	$2,579	$12,430	$15,135	$3,468
Total:						
Commercial real estate	$13,393	$13,410	$1,834	$19,245	$19,260	$1,277
Construction and land development	-	-	-	-	-	-
Commercial and industrial	3,852	7,783	337	5,180	9,003	1,624
Owner occupied real estate	3,490	3,652	190	2,325	2,437	274
Consumer and other	1,267	1,613	218	1,290	1,603	293
Residential mortgage	-	-	-	130	130	-
Total	$22,002	$26,458	$2,579	$28,170	$32,433	$3,468

The following table presents additional information regarding the Company's impaired loans for the three months ended September 30, 2017 and September 30, 2016:

	Three Months Ended September 30,			
	2017		2016	
(dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Commercial real estate	$7,024	$ 106	$12,188	$ 65
Construction and land development	-	-	22	-
Commercial and industrial	2,366	8	1,611	9
Owner occupied real estate	2,313	17	665	3
Consumer and other	923	9	1,027	5
Residential mortgage	-	-	-	-
Total	$12,626	$ 140	$15,513	$ 82
With an allowance recorded:				
Commercial real estate	$6,391	$4	$6,058	$19
Construction and land development	-	-	43	-
Commercial and industrial	2,118	16	3,607	18
Owner occupied real estate	1,100	8	1,977	9
Consumer and other	346	2	278	2
Residential mortgage	-	-	-	-
Total	$9,955	$30	$11,963	$48
Total:				
Commercial real estate	$13,415	$110	$18,246	$84
Construction and land development	-	-	65	-
Commercial and industrial	4,484	24	5,218	27
Owner occupied real estate	3,413	25	2,642	12
Consumer and other	1,269	11	1,305	7
Residential mortgage	-	-	-	-
Total	$22,581	$170	$27,476	$130

The following table presents additional information regarding the Company's impaired loans for the nine months ended September 30, 2017 and September 30, 2016:

	Nine Months Ended September 30,			
	2017		2016	
(dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Commercial real estate	$9,657	$ 271	$11,954	$ 197
Construction and land development	-	-	72	-
Commercial and industrial	2,149	26	1,797	30
Owner occupied real estate	1,719	46	647	6
Consumer and other	837	17	901	11
Residential mortgage	33	1	-	