

Bancorp, Inc.
Form 10-Q
November 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: September 30, 2018

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

For the transition period from: _____ to _____

Commission file number: 51018

THE BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

23-3016517
(IRS Employer Identification No.)

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409 Silverside Road, Wilmington, DE 19809
(Address of principal executive offices and zip code)

(302) 385-5000
(Registrant's telephone number, including area code)

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 No

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer
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 Act). Yes No

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

As of November 5, 2018, there were 56,446,088 outstanding shares of common stock, \$1.00 par value.

THE BANCORP, INC

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

THE BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (unaudited) (in thousands)	December 31, 2017
ASSETS		
Cash and cash equivalents		
Cash and due from banks	\$ 2,245	\$ 3,152
Interest earning deposits at Federal Reserve Bank	710,816	841,471
Securities purchased under agreements to resell	64,518	64,312
Total cash and cash equivalents	777,579	908,935
Investment securities, available-for-sale, at fair value	1,274,417	1,294,484
Investment securities, held-to-maturity (fair value \$83,751 and \$85,345, respectively)	84,433	86,380
Commercial loans held for sale, at fair value	308,470	503,316
Loans, net of deferred loan fees and costs	1,496,773	1,392,228
Allowance for loan and lease losses	(8,092)	(7,096)
Loans, net	1,488,681	1,385,132
Federal Home Loan Bank and Atlantic Central Bankers Bank stock	1,113	991
Premises and equipment, net	17,686	20,051
Accrued interest receivable	11,621	10,900
Intangible assets, net	4,229	5,377
Other real estate owned	405	450
Deferred tax asset, net	40,991	34,802
Investment in unconsolidated entity, at fair value	64,212	74,473
Assets held for sale from discontinued operations	226,026	304,313
Other assets	60,337	78,543
Total assets	\$ 4,360,200	\$ 4,708,147
LIABILITIES		
Deposits		
Demand and interest checking	\$ 3,540,605	\$ 3,806,965
Savings and money market	317,453	453,877
Total deposits	3,858,058	4,260,842

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Securities sold under agreements to repurchase	158	217
Subordinated debentures	13,401	13,401
Long-term borrowings	41,841	42,323
Other liabilities	54,868	67,215
Total liabilities	3,968,326	4,383,998
SHAREHOLDERS' EQUITY		
Common stock - authorized, 75,000,000 shares of \$1.00 par value; 56,446,088 and 55,861,150 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	56,446	55,861
Treasury stock, at cost (100,000 shares)	(866)	(866)
Additional paid-in capital	365,749	363,196
Accumulated deficit	(7,936)	(89,485)
Accumulated other comprehensive loss	(21,519)	(4,557)
Total shareholders' equity	391,874	324,149
Total liabilities and shareholders' equity	\$ 4,360,200	\$ 4,708,147

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

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended September 30, 2018		For the nine months ended September 30, 2017	
	2018	2017	2018	2017
	(in thousands, except per share data)			
Interest income				
Loans, including fees	\$ 24,981	\$ 21,420	\$ 70,254	\$ 59,066
Investment securities:				
Taxable interest	10,906	8,847	31,375	26,990
Tax-exempt interest	50	86	159	228
Federal funds sold/securities purchased under agreements to resell	480	371	1,369	931
Interest earning deposits	2,239	1,190	6,166	3,961
	38,656	31,914	109,323	91,176
Interest expense				
Deposits	7,690	3,688	18,298	10,554
Short-term borrowings	148	175	261	197
Subordinated debentures	186	150	524	432
	8,024	4,013	19,083	11,183
Net interest income	30,632	27,901	90,240	79,993
Provision for loan and lease losses	1,060	800	2,660	2,150
Net interest income after provision for loan and lease losses	29,572	27,101	87,580	77,843
Non-interest income				
Service fees on deposit accounts ACH, card and other payment processing fees	402	1,700	3,624	4,895
Prepaid card fees	2,281	1,564	6,275	4,596
Net realized and unrealized gains on commercial loans originated for sale	13,204	12,491	41,559	39,272
	8,999	11,394	20,274	17,535
Gain on sale of investment securities	15	506	41	1,595
	(78)	(4)	(2,981)	(20)

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Change in value of investment in unconsolidated entity				
Leasing income	758	705	2,353	2,088
Affinity fees	84	275	271	1,445
Gain on sale of IRA portfolio	65,000	-	65,000	-
Gain on sale of health savings accounts	-	-	-	2,538
Loss from sale of European prepaid operations	-	-	-	(3,437)
Other	305	376	689	892
Total non-interest income	90,970	29,007	137,105	71,399
Non-interest expense				
Salaries and employee benefits	19,243	21,788	59,213	57,902
Depreciation and amortization	999	1,080	3,012	3,405
Rent and related occupancy cost	1,343	1,368	4,077	4,227
Data processing expense	1,380	1,926	4,741	8,047
One time fee to exit data processing contract	-	1,136	-	1,136
Printing and supplies	285	282	779	1,120
Audit expense	471	393	1,553	1,270
Legal expense	1,610	2,744	5,811	5,909
Amortization of intangible assets	382	377	1,148	1,133
Losses on sale and write downs on other real estate owned	-	-	45	19
FDIC insurance	2,241	2,063	7,389	7,586
Software	3,593	3,088	9,879	9,328
Insurance	673	633	1,967	1,853
Telecom and IT network communications	332	426	971	1,443
Consulting	1,130	505	2,658	1,745
Civil money penalty (adjustment)	-	2,500	(290)	2,500
Lease termination expense	-	-	395	-
Other	3,617	3,574	10,310	10,406

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Total non-interest expense	37,299	43,883	113,658	119,029
Income from continuing operations before income taxes	83,243	12,225	111,027	30,213
Income tax expense (benefit)	21,942	5,455	29,550	(457)
Net income from continuing operations	\$ 61,301	\$ 6,770	\$ 81,477	\$ 30,670
Discontinued operations				
Income (loss) from discontinued operations before income taxes	(370)	829	(264)	5,488
Income tax expense (benefit)	(346)	318	(345)	2,050
Income (loss) from discontinued operations, net of tax	(24)	511	81	3,438
Net income available to common shareholders	\$ 61,277	\$ 7,281	\$ 81,558	\$ 34,108
Net income per share from continuing operations - basic	\$ 1.09	\$ 0.12	\$ 1.45	\$ 0.55
Net income per share from discontinued operations - basic	\$ -	\$ 0.01	\$ -	\$ 0.06
Net income per share - basic	\$ 1.09	\$ 0.13	\$ 1.45	\$ 0.61
Net income per share from continuing operations - diluted	\$ 1.07	\$ 0.12	\$ 1.43	\$ 0.55
Net income per share from discontinued operations - diluted	\$ -	\$ 0.01	\$ -	\$ 0.06
Net income per share - diluted	\$ 1.07	\$ 0.13	\$ 1.43	\$ 0.61

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

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the nine months ended September 30,	
	2018	2017
	(in thousands)	
Net income	\$ 81,558	\$ 34,108
Other comprehensive income net of reclassifications into net income:		
Other comprehensive income (loss)		
Securities available-for-sale:		
Change in net unrealized gain (loss) during the period	(23,285)	8,194
Reclassification adjustments for losses included in income	(41)	(1,595)
Reclassification adjustments for foreign currency translation gains	-	216
Amortization of losses previously held as available-for-sale	90	25
Other comprehensive income (loss)	(23,236)	6,840
Income tax (benefit) expense related to items of other comprehensive income (loss)		
Securities available-for-sale:		
Change in net unrealized gain (loss) during the period	(6,287)	3,278
Reclassification adjustments for losses included in income	(11)	(638)
Amortization of losses previously held as available-for-sale	24	10
Income tax (benefit) expense related to items of other comprehensive income (loss)	(6,274)	2,650
Other comprehensive income (loss) net of tax and reclassifications into net income	(16,962)	4,190
Comprehensive income	\$ 64,596	\$ 38,298

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 nine months ended September 30, 2018

(in thousands, except share data)

	Common stock shares	Common stock	Treasury stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Tot
Balance at January 1, 2018	55,861,150	\$ 55,861	\$ (866)	\$ 363,196	\$ (89,485)	\$ (4,557)	\$
Net income	-	-	-	-	14,140	-	14,
Common stock issued from option exercises, net of tax benefits	13,390	13	-	107	(9)	-	111
Common stock issued from restricted shares, net of tax benefits	433,344	433	-	(433)	-	-	-
Stock-based compensation	-	-	-	743	-	-	743
Other comprehensive loss net of reclassification adjustments and tax	-	-	-	-	-	(9,252)	(9,2
Balance at March 31, 2018	56,307,884	\$ 56,307	\$ (866)	\$ 363,613	\$ (75,354)	\$ (13,809)	\$
Net income	-	-	-	-	6,141	-	6,1
Common stock issued from restricted shares,							

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net of tax benefits	102,641	104	-	(103)	-	-	-	1
Stock-based compensation	-	-	-	950	-	-	-	950
Other comprehensive loss net of reclassification adjustments and tax	-	-	-	-	-	-	(4,436)	(4,436)
Balance at June 30, 2018	56,410,525	\$ 56,411	\$ (866)	\$ 364,460	\$ (69,213)	\$ (18,245)	\$	
Net income	-	-	-	-	61,277	-	-	61,277
Common stock issued from restricted shares, net of tax benefits	35,563	35	-	(35)	-	-	-	-
Stock-based compensation	-	-	-	1,324	-	-	-	1,324
Other comprehensive loss net of reclassification adjustments and tax	-	-	-	-	-	-	(3,274)	(3,274)
Balance at September 30, 2018	56,446,088	\$ 56,446	\$ (866)	\$ 365,749	\$ (7,936)	\$ (21,519)	\$	

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THE BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 For the nine months ended September 30, 2017
 (in thousands, except share data)

	Common stock shares	Common stock	Treasury stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Tot
Balance at January 1, 2017	55,419,204	\$ 55,419	\$ (866)	\$ 360,564	\$ (111,941)	\$ (4,213)	\$
Net income	-	-	-	-	7,963	-	7,9
Common stock issuance expense	-	-	-	(200)	-	-	(20
Common stock issued from restricted shares, net of tax benefits	338,355	339	-	(338)	-	-	1
Stock-based compensation	-	-	-	775	-	-	775
Other comprehensive income net of reclassification adjustments and tax	-	-	-	-	-	2,267	2,2
Balance at March 31, 2017	55,757,559	\$ 55,758	\$ (866)	\$ 360,801	\$ (103,978)	\$ (1,946)	\$
Net income	-	-	-	-	18,864	-	18,
Common stock issued from restricted shares, net of tax benefits	100,086	100	-	(101)	-	-	(1)
Stock-based compensation	-	-	-	778	-	-	778
Other comprehensive income net of							

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reclassification adjustments and tax	-	-	-	-	-	-	1,609	1,609				
Balance at June 30, 2017	55,857,645	\$	55,858	\$	(866)	\$	361,478	\$	(85,114)	\$	(337)	\$
Net income	-	-	-	-	-	-	7,281	-	-	-	-	7,281
Common stock issued from restricted shares, net of tax benefits	2,015	2	-	-	15	-	(17)	-	-	-	-	-
Stock-based compensation	-	-	-	-	847	-	-	-	-	-	-	847
Other comprehensive income net of reclassification adjustments and tax	-	-	-	-	-	-	-	314	-	-	-	314
Balance at September 30, 2017	55,859,660	\$	55,860	\$	(866)	\$	362,340	\$	(77,850)	\$	(23)	\$

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

THE BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30,	
	2018	2017
	(in thousands)	
Operating activities		
Net income from continuing operations	\$ 81,477	\$ 30,670
Net income from discontinued operations	81	3,438
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	4,160	4,538
Provision for loan and lease losses	2,660	2,150
Net amortization of investment securities discounts/premiums	11,390	6,955
Stock-based compensation expense	3,017	2,400
Loans originated for sale	(485,198)	(398,410)
Sale of commercial loans originated for resale	635,964	429,365
Gain on sales of loans originated for resale	(20,733)	(12,581)
Gain on sale of IRA portfolio	(65,000)	-
Loss on sale of fixed assets	15	28
Loss on sale of other real estate owned	-	19
Fair value adjustment on investment in unconsolidated entity	2,981	20
Writedown of other real estate owned	45	-
Change in fair value of loans held for sale	2,255	1,946
Change in fair value of derivatives	(1,797)	(2,484)
Gain on sales of investment securities	(41)	(1,595)
(Increase) decrease in accrued interest receivable	(721)	458
(Increase) decrease in other assets	(8,419)	872
Change in fair value of discontinued loans held for sale	1,387	1,776
Change in discontinued assets held for sale	5,822	1,123
Decrease (increase) in other liabilities	2,602	(18,794)
Net cash provided by operating activities	171,947	51,894
Investing activities		
Purchase of investment securities available-for-sale	(134,758)	(213,259)
Cash from call of investment securities held-to-maturity	2,000	-
Proceeds from sale of investment securities available-for-sale	3,529	83,918

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Proceeds from redemptions of securities held-to-maturity	-	7,000
Proceeds from redemptions and prepayments of securities available-for-sale	163,784	234,163
Proceeds from sale of other real estate owned	-	85
Net increase in loans	(106,368)	(152,484)
Net decrease in discontinued loans held for sale	71,078	42,818
Proceeds from sale of fixed assets	-	366
Purchases of premises and equipment	(647)	(625)
Change in receivable from investment in unconsolidated entity	33,530	-
Return of investment in unconsolidated entity	7,280	19,199
Net cash provided by investing activities	39,428	21,181
Financing activities		
Net decrease in deposits	(402,784)	(672,909)
Net decrease in securities sold under agreements to repurchase	(59)	(94)
Common stock issuance expense	-	(200)
Proceeds from the issuance of common stock	112	-
Proceeds from the sale of IRA portfolio	60,000	-
Net cash used in financing activities	(342,731)	(673,203)
Net decrease in cash and cash equivalents	(131,356)	(600,128)
Cash and cash equivalents, beginning of period	908,935	999,059
Cash and cash equivalents, end of period	\$ 777,579	\$ 398,931

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Supplemental disclosure:

Interest paid	\$	18,977	\$	11,176
Taxes paid	\$	1,899	\$	1,051
Investment securities transferred in securitization	\$	62,076	\$	46,359

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

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THE BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Structure of Company

The Bancorp, Inc. (the Company) is a Delaware corporation and a registered financial holding company. Its primary subsidiary is The Bancorp Bank (the Bank) which is wholly owned by the Company. The Bank is a Delaware chartered commercial bank located in Wilmington, Delaware and is a Federal Deposit Insurance Corporation (FDIC) insured institution. In its continuing operations, the Bank has four primary lines of specialty lending: securities-backed lines of credit (SBLOC), vehicle fleet and other equipment leasing, Small Business Administration (SBA) loans and commercial mortgage-backed loans (CMBS) generated for sale into commercial mortgage-backed securities markets primarily through securitizations. Through the Bank, the Company also provides banking services nationally, which include prepaid cards, private label banking, institutional banking, card payment and other payment processing.

The Company and the Bank are subject to regulation by certain state and federal agencies and, accordingly, they are examined periodically by those regulatory authorities. As a consequence of the extensive regulation of commercial banking activities, the Company's and the Bank's businesses may be affected by state and federal legislation and regulations.

Note 2. Significant Accounting Policies

Basis of Presentation

The financial statements of the Company, as of September 30, 2018 and for the three and nine month periods ended September 30, 2018 and 2017, are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (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, 2017 (2017 Form 10-K Report). The results of operations for the nine month period ended September 30, 2018 may not necessarily be indicative of the results of operations for the full year ending December 31, 2018.

Revenue Recognition

The Company recognizes revenue when the performance obligations related to the transfer of goods or services under the terms of a contract are satisfied. Some obligations are satisfied at a point in time while others are satisfied over a period of time. Revenue is recognized as the amount of consideration to which the Company expects to be entitled to in exchange for transferring goods or services to a customer. When consideration includes a variable component, the amount of consideration attributable to variability is included in the transaction price only to the extent it is probable that significant revenue recognized will not be reversed when uncertainty associated with the variable consideration is subsequently resolved. The Company's contracts generally do not contain terms that require significant judgment to

determine the variability impacting the transaction price.

A performance obligation is deemed satisfied when the control over goods or services is transferred to the customer. Control is transferred to a customer either at a point in time or over time. To determine when control is transferred at a point in time, the Company considers indicators, including but not limited to the right to payment for the asset, transfer of significant risk and rewards of ownership of the asset and acceptance of the asset by the customer. When control is transferred over a period of time, for different performance obligations, either the input or output method is used to measure progress for the transfer. The measure of progress used to assess completion of the performance obligation varies between performance obligations and may be based on time throughout the period of service or on the value of goods and services transferred to the customer. As each distinct service or activity is performed, the Company transfers control to the customer based on the services performed as the customer simultaneously receives the benefits of those services. This timing of revenue recognition aligns with the resolution of any uncertainty related to variable consideration. Costs incurred to obtain a revenue producing contract generally are expensed when incurred as a practical expedient as the contractual period for the majority of contracts is one year or less. The Company's revenue streams that are in the scope of Accounting Standards Update (ASU) 606 include prepaid card, card payment, ACH and deposit processing and other fees. The fees on those revenue streams are generally assessed and collected as the transaction occurs, or on a monthly or quarterly basis. The Company has completed its review of the contracts and other agreements that are within the scope of revenue guidance and did not identify any material changes to the timing or amount of revenue recognition. The Company's accounting policies did not change materially since the principles of revenue recognition in ASU 2014-09, "Revenue from Contracts with Customers" are largely consistent with previous practices already implemented and applied by the Company. The vast majority of the Company's services related to its revenues are performed, earned and recognized monthly.

Prepaid card fees primarily include fees for services related to reconciliation, fraud detection, regulatory compliance and other services which are performed and earned daily or monthly and are also billed and collected on a monthly basis. Accordingly, there is no significant component of the services the Company performs or related revenues which are deferred. The Company earns transactional and/or interchange fees on prepaid card accounts when transactions occur and revenue is billed and collected monthly or quarterly. Certain volume or transaction based interchange expenses paid to payment networks such as Visa, reduce revenue which is presented net on the income statement. Card payment and ACH processing fees include transaction fees earned for processing merchant transactions. Revenue is recognized when a cardholder's transaction is approved and settled, or monthly. ACH processing fees are earned on a per item basis as the transactions are processed for third party clients and are also billed and collected monthly. Service charges on deposit accounts include fees and other charges the Company receives to provide various services, including but not limited to, account maintenance, check writing, wire transfer and other services normally associated with deposit accounts. Revenue for these services is recognized monthly as the services are performed. The Company's customer contracts do not typically have performance obligations and fees are collected and earned when the transaction occurs. The Company may, from time to time, waive certain fees for customers but generally does not reduce the transaction price to reflect variability for future reversals due to the insignificance of the amounts. Waiver of fees reduces the revenue in the period the waiver is granted to the customer.

Sale of IRA portfolio

On July 10, 2018, the Company executed an agreement to sell and transfer the fiduciary rights and obligations related to its Safe Harbor Individual Retirement Account (SHIRA) portfolio, totaling approximately \$400 million, to Millennium Trust Company, LLC (Buyer). In consideration for the sale and transfer, Buyer paid the Company \$65.0 million, \$5.0 million of which will remain in escrow until October 10, 2019. The escrow was established as an adjunct to general representations and warranties. Because the \$65 million represented consideration for the sale and transfer of the fiduciary rights and obligations which were transferred during the quarter, the \$65.0 million was recognized as a gain on sale in the third quarter of 2018. For the nine months ended September 2018 and September 2017, the Company earned fees on the SHIRA portfolio of \$3.4 million and \$14.1 million, respectively, which is reported in the Consolidated Statements of Operations under service fees on deposit accounts. For the three months ended at those respective dates it reported \$344,000 and \$1.5 million. As a result of the sale and other third quarter income, the leverage capital ratio exceeded 9% at September 30, 2018. The fiduciary rights and obligations related to the SHIRA portfolio were unrelated to the Company's payments businesses and related accounts, which comprise the vast majority of the Company's funding.

Note 3. Stock-based Compensation

The Company recognizes compensation expense for stock options in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718, "Stock Based Compensation". The expense of the option is generally measured at fair value at the grant date with compensation expense recognized over the service period, which is typically the vesting period. For grants subject to a service condition, the Company utilizes the Black-Scholes option-pricing model to estimate the fair value of each option on the date of grant. The Black-Scholes model takes into consideration the exercise price and expected life of the options, the current price of the underlying stock and its expected volatility, the expected dividends on the stock and the current risk-free interest rate for the expected life of the option. The Company's estimate of the fair value of a stock option is based on expectations

derived from historical experience and may not necessarily equate to its market value when fully vested. In accordance with ASC 718, the Company estimates the number of options for which the requisite service is expected to be rendered. At September 30, 2018, the Company had three active stock-based compensation plans. The 2018 equity compensation plan was approved at the annual meeting in May 2018 and is described in the proxy statement for that meeting filed by the Company with the SEC. The other plans are described in the Company's 2017 Form 10-K Report.

The Company did not grant stock options during the nine month periods ended September 30, 2018 and September 30, 2017. There were 23,125 common stock options exercised in the nine month period ended September 30, 2018, and 28,500 common stock options were exercised during the nine month period ended September 30, 2017.

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

	Shares	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Outstanding at January 1, 2018	1,452,625	\$ 8.30	4.64	\$ -
Granted	-	-	-	-
Exercised	(23,125)	9.45	-	-
Expired	-	-	-	-
Forfeited	-	-	-	-
Outstanding at September 30, 2018	1,429,500	\$ 8.28	3.90	\$ 2,054,930
Exercisable at September 30, 2018	1,268,250	\$ 8.45	3.43	\$ 1,628,930

The Company granted 507,792 restricted stock units (RSUs) in the first nine months of 2018 of which 440,292 have a vesting period of 2.8 years and 67,500 have a vesting period of one year. At issuance, the 507,792 RSUs granted in the first nine months of 2018 had a fair value of \$11.07 per unit. In the first nine months of 2017, the Company granted 955,024 RSUs of which 820,024 had a vesting period of three years and 135,000 had a vesting period of one year. Of the RSUs granted in the first nine months of 2017, 799,599 had a fair value of \$5.06 per unit, 7,923 had a fair value of \$6.31 per unit and 147,542 had a fair value of \$7.65 per unit at issuance.

A summary of the status of the Company's RSUs is presented below.

	Shares	Weighted average grant date fair value	Average remaining contractual term (years)
Outstanding at January 1, 2018	1,264,454	\$ 5.49	1.67
Granted	507,792	11.07	
Vested	(571,548)	5.43	
Forfeited	(9,803)	7.65	
Outstanding at September 30, 2018	1,190,895	\$ 7.88	1.58

As of September 30, 2018, there was a total of \$7.5 million of unrecognized compensation cost related to unvested awards under share-based plans. This cost is expected to be recognized over a weighted average period of approximately 1.6 years. Related compensation expense for the nine months ended September 30, 2018 and 2017 was \$3.0 million and \$2.4 million, respectively. The total issuance date fair value of RSUs vested and options exercised during the nine months ended September 30, 2018 and 2017 was \$3.1 million and \$2.6 million, respectively.

Note 4. Earnings Per Share

The Company calculates earnings per share under ASC 260, "Earnings Per Share". Basic earnings per share exclude dilution and are computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock.

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

	For the three months ended September 30, 2018		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic earnings per share from continuing operations			
Net earnings available to common shareholders	\$ 61,301	56,442,222	\$ 1.09
Effect of dilutive securities			
Common stock options	-	661,079	(0.02)
Diluted earnings per share			
Net earnings available to common shareholders	\$ 61,301	57,103,301	\$ 1.07

	For the three months ended September 30, 2018		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic loss per share from discontinued operations			
Net loss available to common shareholders	\$ (24)	56,442,222	\$ -
Effect of dilutive securities			
Common stock options	-	661,079	-
Diluted loss per share			
Net loss available to common shareholders	\$ (24)	57,103,301	\$ -

	For the three months ended September 30, 2018		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic earnings per share			

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Net earnings available to common shareholders	\$	61,277	56,442,222	\$	1.09
Effect of dilutive securities					
Common stock options	-		661,079	(0.02)	
Diluted earnings per share					
Net earnings available to common shareholders	\$	61,277	57,103,301	\$	1.07

Stock options for 136,500 shares, exercisable at \$10.45 per share, were outstanding at September 30, 2018, but were not included in the dilutive shares because the exercise price per share was greater than the average market price.

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	For the nine months ended September 30, 2018		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic earnings per share from continuing operations			
Net earnings available to common shareholders	\$ 81,477	56,309,390	\$ 1.45
Effect of dilutive securities			
Common stock options	-	775,454	(0.02)
Diluted earnings per share			
Net earnings available to common shareholders	\$ 81,477	57,084,844	\$ 1.43

	For the nine months ended September 30, 2018		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic earnings per share from discontinued operations			
Net earnings available to common shareholders	\$ 81	56,309,390	\$ -
Effect of dilutive securities			
Common stock options	-	775,454	-
Diluted earnings per share			
Net earnings available to common shareholders	\$ 81	57,084,844	\$ -

	For the nine months ended September 30, 2018		
	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	\$ 81,558	56,309,390	\$ 1.45
Effect of dilutive securities			
Common stock options	-	775,454	(0.02)
Diluted earnings per share			
Net earnings available to common shareholders	\$ 81,558	57,084,844	\$ 1.43

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Stock options for 1,429,500 shares, exercisable at prices between \$6.75 and \$10.45 per share, were outstanding at September 30, 2018, and included in the dilutive shares because the exercise price per share was less than the average market price. RSU's are not included as dilutive shares.

	For the three months ended September 30, 2017		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic earnings per share from continuing operations			
Net earnings available to common shareholders	\$ 6,770	55,758,433	\$ 0.12
Effect of dilutive securities			
Common stock options	-	554,405	-
Diluted earnings per share			
Net earnings available to common shareholders	\$ 6,770	56,312,838	\$ 0.12

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	For the three months ended September 30, 2017		
	Income (numerator)	Shares (denominator)	Per share amount
	(dollars in thousands except share and per share data)		
Basic earnings per share from discontinued operations			
Net earnings available to common shareholders	\$ 511	55,758,433	\$ 0.01
Effect of dilutive securities			
Common stock options	-	554,405	-
Diluted earnings per share			
Net earnings available to common shareholders	\$ 511	56,312,838	\$ 0.01

	For the three months ended September 30, 2017		
	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	\$ 7,281	55,758,433	\$ 0.13
Effect of dilutive securities			
Common stock options	-	554,405	-
Diluted earnings per share			
Net earnings available to common shareholders	\$ 7,281	56,312,838	\$ 0.13

Stock options for 1,633,375 shares, exercisable at prices between \$6.75 and \$10.45 per share, were outstanding at September 30, 2017 but were not included in dilutive shares because the exercise price per share was greater than the average market price.

For the
nine
months
ended
September
30, 2017