Howard Bancorp Inc
Form 10-Q
May 10, 2018

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 March 31, 2018

OR

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

Commission File Number: 001-35489

HOWARD BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland	**20-3735949**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3301 Boston Street, Baltimore, MD	**21224**
(Address of principal executive offices)	(Zip Code)

(410) 750-0020

(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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 ¨ 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

The number of outstanding shares of common stock outstanding as of April 30, 2018.

Common Stock, $0.01 par value – 18,991,026 shares

HOWARD BANCORP, INC.

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As used in this report, “the Company,” “we,” “us,” and “ours” refer to Howard Bancorp, Inc. and its subsidiaries. References to the “Bank” refer to Howard Bank.

This report contains forward-looking statements, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “plan,” “seek,” “expect,” “will,” “may,” “should” and words of similar meaning. You can also them by the fact that they do not relate strictly to historical or current facts.

These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations, particularly with respect to our business plan and strategies, including our planned new branch in Columbia, Maryland, opening of additional branches, expansion into new markets, potential acquisitions, increasing capital, market share, loan, investments and asset growth, revenue and profit growth and expanding client relationships;
- statements with respect to expected benefits and other impacts of our acquisition of First Mariner Bank, including expected increases in non-interest expenses resulting from the merger;
- impact of recent branch closures and the opening of our anticipated new branch on expenses;
- statements regarding the asset quality of our investment portfolios and anticipated recovery and collection of unrealized losses on securities available for sale;
- expected continued focus on commercial customers as well as continuing to originate residential real estate loans and both maintaining our residential mortgage loan portfolio and continuing to sell loans into the secondary market;
- the expected impact of the recently enacted Tax Cuts and Jobs Act;
- expected increases in occupancy and equipment expenses;
- statements with respect to our allowance for credit losses, and the adequacy thereof;
- our expectations regarding the pending sale of OREO properties, including the timing and impact thereof;
- statement with respect to having adequate liquidity levels and future sources of liquidity;
- our belief that we will retain a large portion of maturing certificates of deposit;
- the impact on us of recent changes to accounting standards;
- future cash requirements relating to commitments to extend credit; and
- the impact of interest rate changes on our net interest income.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not undertake any obligation to update any forward-looking statements after the date of this report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- potential problems in connection with the recent acquisition of First Mariner Bank, as further discussed in “Item 1A. Risk Factors”;
- deterioration in general economic conditions, either nationally or in our market area, or a return to recessionary conditions;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to enter new markets successfully and capitalize on growth opportunities, and to otherwise implement our growth strategy;
- our ability to successfully integrate acquired entities, if any;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans;
- loss of key personnel; and
- other risk discussed in this report.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. You should not put undue reliance on any forward-looking statements.

PART I

Item 1. Financial Statements

Howard Bancorp, Inc. and Subsidiary

Consolidated Balance Sheets

(in thousands, except share data)	Unaudited March 31, 2018	December 31, 2017
ASSETS		
Cash and due from banks	$76,570	$ 28,856
Federal funds sold	968	116
Total cash and cash equivalents	77,538	28,972
Interest bearing deposits with banks	3,920	-
Securities available for sale, at fair value	87,613	74,256
Securities held to maturity, at amortized cost	9,250	9,250
Nonmarketable equity securities	12,700	6,492
Loans held for sale, at fair value	69,886	42,153
Loans and leases, net of unearned income	1,605,478	936,608
Allowance for credit losses	(6,148)	(6,159)
Net loans and leases	1,599,330	930,449
Bank premises and equipment, net	51,125	19,189
Goodwill	72,001	603
Core deposit intangible	13,972	1,743
Bank owned life insurance	72,824	28,631
Other real estate owned	5,135	1,549
Deferred tax asset	34,430	813
Interest receivable and other assets	14,977	5,850
Total assets	$2,124,701	$ 1,149,950
LIABILITIES		
Noninterest-bearing deposits	$414,528	$ 218,139
Interest-bearing deposits	1,135,431	645,769
Total deposits	1,549,959	863,908
Short-term borrowings	199,427	130,385
Long-term borrowings	72,555	18,535
Accrued expenses and other liabilities	11,052	4,869
Total liabilities	1,832,993	1,017,697
COMMITMENTS AND CONTINGENCIES		

STOCKHOLDERS' EQUITY		
Common stock - par value of $0.01 authorized 20,000,000 shares; issued and outstanding 18,991,026 shares at March 31, 2018 and 9,820,592 at December 31, 2017	190	98
Capital surplus	275,489	110,387
Retained earnings	16,430	22,105
Accumulated other comprehensive loss	(401)	(337)
Total stockholders’ equity	291,708	132,253
Total liabilities and stockholders’ equity	$2,124,701	$ 1,149,950

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

Consolidated Statements of Operations

	Unaudited For the three months ended March 31,	
(in thousands, except share data)	2018	2017
INTEREST INCOME		
Interest and fees on loans and leases	$ 13,578	$ 9,461
Interest and dividends on securities	568	286
Other interest income	214	121
Total interest income	14,360	9,868
INTEREST EXPENSE		
Deposits	1,350	884
Short-term borrowings	690	141
Long-term borrowings	172	92
Total interest expense	2,212	1,117
NET INTEREST INCOME	12,148	8,751
Provision for credit losses	1,120	200
Net interest income after provision for credit losses	11,028	8,551
NONINTEREST INCOME		
Service charges on deposit accounts	326	208
Realized and unrealized gains on mortgage banking activity	1,816	2,801
Loss on the sale of securities	(139)	-
Loss on the sale of portfolio loans	-	(184)
Income from bank owned life insurance	285	145
Loan fee income	1,866	1,261
Other operating income	550	228
Total noninterest income	4,704	4,459
NONINTEREST EXPENSE		
Compensation and benefits	7,569	5,557
Occupancy and equipment	1,550	1,062
Amortization of core deposit intangible	359	135
Marketing and business development	1,005	941
Professional fees	306	423
Data processing fees	601	476
Merger and restructuring expense	9,975	-
FDIC assessment	153	217
Other real estate owned expense	22	24
Loan production expense	943	930
Other operating expense	668	735
Total noninterest expense	23,151	10,500
(LOSS) INCOME BEFORE INCOME TAXES	(7,419)	2,510
Income tax (benefit) expense	(1,744)	944

NET (LOSS) INCOME	$ (5,675)	$ 1,566
NET (LOSS) INCOME PER COMMON SHARE		
Basic	$ (0.43)	$ 0.18
Diluted	$ (0.43)	$ 0.18

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

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Consolidated Statements of Comprehensive (Loss) Income

	Unaudited For the three months ended March 31,	
(in thousands)	2018	2017
Net (Loss) Income	$ (5,675)	$ 1,566
Other comprehensive (loss) income		
Investments available-for-sale:		
Reclassification adjustment for loss	139	-
Related income tax benefit	(38)	-
Unrealized holding (losses) gains	(305)	1
Related income tax benefit	140	-
Comprehensive (loss) income	$ (5,739)	$ 1,567

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

Consolidated Statements of Changes in Stockholders' Equity

(dollars in thousands, except share data)	Number of shares	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balances at January 1, 2017	6,991,072	70	71,021	14,849	(150)	85,790
Net income	-	-	-	1,566	-	1,566
Net unrealized gain on securities	-	-	-	-	1	1
Common stock offering	2,760,000	28	38,355	-	-	38,383
Director stock awards	6,604	-	110	-	-	110
Exercise of options	5,642	-	74	-	-	74
Stock-based compensation	-	-	87	-	-	87
Balances at March 31, 2017	9,763,318	98	109,647	16,415	(149)	126,011
Balances at January 1, 2018	9,820,592	98	110,387	22,105	(337)	132,253
Net loss	-	-	-	(5,675)	-	(5,675)
Net unrealized loss on securities	-	-	-	-	(64)	(64)
Acquisition of First Mariner Bank	9,143,222	92	164,486	-	-	164,578
Director stock awards	4,800	-	101	-	-	101
Exercise of options	1,680	-	18	-	-	18
Stock-based compensation	20,732	-	497	-	-	497

Balances at March 31, 2018	18,991,026	$ 190	$275,489	$16,430	$ (401)	$291,708

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

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Consolidated Statements of Cash Flows

	Unaudited Three months ended March 31	
(in thousands)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$(5,675)	$1,566
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Provision for credit losses	1,120	200
Deferred income tax (benefit)	(966)	283
Depreciation	490	317
Stock-based compensation	598	197
Net (accretion) amortization of investment securities	21	13
Net accretion of discount on purchased loans	(147)	(60)
Loss on sales of securities	139	-
Net amortization of intangible asset	359	136
Loans originated for sale	(153,972)	(147,163)
Proceeds from sale of loans originated for sale	156,244	165,351
Realized and unrealized gains on mortgage banking activity	(1,816)	(2,801)
Loss on sales of portfolio loans, net	-	184
Cash surrender value of BOLI	(285)	(145)
Decrease in interest receivable	540	3
Increase in interest payable	39	8
Decrease in other assets	244	1,858
Increase in other liabilities	29	1,291
Net cash (used in) provided by operating activities	(3,038)	21,238
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of interest bearing deposits with banks	-	5,187
Purchases of investment securities available-for-sale	-	(17,854)
Purchases of investment securities held-to-maturity	-	(2,500)
Proceeds from sale/maturities of investment securities available-for-sale	110,577	10,510
Net increase in loans and leases outstanding	(5,515)	(29,566)
Proceeds from the sale of portfolio loans	-	3,754
Purchase of premises and equipment	(521)	(101)
Acquisition activity, net of cash received	29,285	-
Net cash provided by (used in) investing activities	133,826	(30,570)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease) increase in deposits	(20,383)	43,238
Net decrease in short-term borrowings	(115,978)	(51,757)
Proceeds from issuance of long-term debt	54,020	-
Repayment of long-term debt	-	(11,488)
Net proceeds from issuance of common stock, net of cost	119	38,457
Net cash (used in) provided by financing activities	(82,222)	18,450

Net increase in cash and cash equivalents	48,566	9,118
Cash and cash equivalents at beginning of period	28,972	39,366
Cash and cash equivalents at end of period	$77,538	$48,484
SUPPLEMENTAL INFORMATION		
Cash payments for interest	$1,837	$1,109
Assets acquired in business combination (net of cash received)	970,709	-
Liabilities assumed in business combination	897,569	-

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

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Notes to Consolidated Financial Statements (unaudited)

Note 1: Summary of Significant Accounting Policies

Nature of Operations

On December 15, 2005, Howard Bancorp, Inc. ("Bancorp") acquired all of the stock and became the holding company of Howard Bank (the "Bank") pursuant to the Plan of Reorganization approved by the shareholders of the Bank and by federal and state regulatory agencies. Each share of the Bank's common stock was converted into two shares of Bancorp common stock effected by the filing of Articles of Exchange on that date, and the shareholders of the Bank became the shareholders of Bancorp. The Bank has seven subsidiaries, six of which are intended to hold foreclosed real estate (three of which are inactive) and the other owns and manages real estate that is used as a branch location and has office and retail space. The accompanying consolidated financial statements of Bancorp and its wholly-owned subsidiary bank (collectively the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Bancorp was incorporated in April of 2005 under the laws of the State of Maryland and is a bank holding company registered under the Bank Holding Company Act of 1956. Bancorp is a single bank holding company with one subsidiary, Howard Bank, which operates as a state trust company with commercial banking powers regulated by the Maryland Office of the Commissioner of Financial Regulation (the "Commissioner").

On March 1, 2018, Howard Bancorp, Inc. completed its previously announced merger (the "Merger") with First Mariner Bank, a Maryland chartered trust company ("First Mariner") pursuant to the Agreement and Plan of Reorganization dated as of August 14, 2017, as amended by Amendment No. 1 on November 8, 2017, by and among Bancorp, Howard Bank, a Maryland chartered trust company and wholly owned subsidiary of Bancorp, and First Mariner (as amended, the "Agreement"). At the effective time of the Merger, First Mariner merged with and into Howard Bank, with Howard Bank continuing as the surviving bank of the Merger and a wholly owned subsidiary of Bancorp. The Merger was described in the joint proxy and information statement/prospectus filed with the U.S. Securities and Exchange Commission (the "SEC") on November 22, 2017.

At the effective time of the Merger, pursuant to the terms of the Agreement, each outstanding share of First Mariner common stock and First Mariner Series A Non-Voting Non-Cumulative Perpetual Preferred Stock issued and outstanding was cancelled and converted into the right to receive 1.6624 shares of Bancorp common stock. To effect the Merger, Bancorp issued 9,143,222 shares of Bancorp common stock to First Mariner shareholders.

On February 1, 2017, Bancorp closed an underwritten public offering, including the exercise in full by the underwriters of their option to purchase an additional 360,000 shares, at the public offering price of $15.00 per share. The exercise of the option to purchase additional shares brought the total number of shares of common stock sold by Bancorp to 2,760,000 shares and increased the amount of gross proceeds raised in the offering to approximately $41.4 million, and after underwriting discounts and estimated expenses, gross proceeds raised in the offering of $38.4 million.

The Company is a diversified financial services company providing commercial banking, mortgage banking and consumer finance through banking branches, the internet and other distribution channels to businesses, business owners, professionals and other consumers located primarily in the Greater Baltimore Metropolitan Area.

The following is a description of the Company’s significant accounting policies.

Principles of Consolidation

The consolidated financial statements include the accounts of Bancorp, its subsidiary bank and the Bank’s subsidiaries. All significant intercompany accounts and transactions have been eliminated. The parent company only financial statements report investments in the subsidiary bank under the equity method.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near-term relate to the determination of the allowance for credit losses, other-than-temporary impairment of investment securities, the fair value of loans held for sale, and fair value estimates related to acquisition accounting.

Loans Held-For-Sale

The Company engages in sales of residential mortgage loans originated by the Bank. The Company has elected to measure loans held for sale at fair value. Fair value is based on outstanding investor commitments or, in the absence of such commitments, on current investor yield requirements based on third party models. Gains and losses on sales of these loans are recorded as a component of noninterest income in the Consolidated Statements of Operations. The Company's current practice is to sell residential mortgage loans on a servicing released basis, and, therefore, it has no intangible asset recorded for the value of such servicing. Interest on loans held for sale is credited to income based on the principal amounts outstanding.

Upon sale and delivery, loans are legally isolated from the Company and the Company has no ability to restrict or constrain the ability of third party investors to pledge or exchange the mortgage loans. The Company does not have the entitlement or ability to repurchase the mortgage loans or unilaterally cause third party investors to put the mortgage loans back to the Company. Unrealized and realized gains on loan sales are determined using the specific identification method and are recognized through mortgage banking activity in the Consolidated Statements of Operations.

The Company enters into commitments to originate residential mortgage loans whereby the interest rate on the loan is determined prior to funding (i.e. rate lock commitment). Such rate lock commitments on mortgage loans to be sold in the secondary market are considered to be derivatives. The period of time between issuance of a loan commitment and closing and sale of the loan generally ranges from 15 to 60 days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the Company commits to sell a loan at a premium at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan.

For purposes of calculating fair value of rate lock commitments, the Bank estimates loan closing and investor delivery rate based on historical experience. The measurement of the estimated fair value of the rate lock commitments is presented as realized and unrealized gains from mortgage banking activities with the corresponding balance sheet amount presented as part of other assets.

The Company elected to measure loans held for sale at fair value to better align reported results with the underlying economic changes in value of the loans on the Company's balance sheet. Loans held for sale that were not ultimately sold, but instead were placed into the Bank's portfolio, are reclassified to loans held for investment and continue to be recorded at fair value.

Reclassifications

Certain items in prior financial statements have been reclassified to conform to the current presentation.

New Accounting Pronouncements

The FASB has issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.* This ASU's objectives are to 1) improve the transparency and understanding of information conveyed to financial statements users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with those risk management activities; and 2) reduce the complexity of and simplify the application of hedge accounting by preparers. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018; early adoption is permitted. The Company currently does not designate any derivative financial instruments as formal hedging relationships and therefore, does not utilize hedge accounting. However, the Company is currently evaluating this ASU to determine whether its provision will enhance the Company's ability to employ risk management strategies, while improving the transparency and understanding of those strategies for financial statement users.

The FASB has issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting.* This ASU clarifies when changes to the term or conditions of a share-based payment award must be accounted for as a modification. Under this ASU, an entity will not apply modification accounting to a share-based payment award if all of the following are the same immediately before and after the change: 1) The fair value: 2) the award's vesting conditions; and 3) the award's classification as an equity or liability instrument. ASU No. 2017-09 is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and is not expected to have a material impact on the Company's Consolidated Financial Statements.

The FASB has issued ASU 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities.* The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company will evaluate the guidance in this update but does not expect it to have a significant impact on the Company's financial position or result of operations.

The FASB has issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* The amendments in this Update simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. The Company should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. Impairment changes should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The impairment charge is limited to the amount of goodwill allocated to that reporting unit. The amendments in this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Adoption of ASU 2017-01 did not have a significant impact on the Company's financial position or result of operations.

The FASB has issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The amendments in this Update provide clarification on the definition of a business and provides criteria to aid in the assessment of whether a transaction should be accounted for as an acquisition or a disposal of assets or business. The amendments in this Update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company will evaluate the guidance in this update but does not expect it to have a significant impact on the Company's financial position or result of operations.

The FASB has issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326).* The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the guidance in this update replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. The guidance in this update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating this guidance to determine the impact on the Company's Consolidated Financial Statements.

The FASB has issued ASU 2016-02, *Leases (Topic 842).* The new guidance requires lessees to recognize lease assets and lease liabilities related to certain operating leases on their balance sheet and disclose key information about leasing arrangements. This guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company is currently evaluating this guidance to determine the impact on its consolidated financial statements. The Company leases certain properties under operating leases that will result in recognition on the Company's consolidated balance sheet.

The FASB has issued ASU No. 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Liabilities*. ASU No. 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income, excluding equity investments that are consolidated or accounted for under the equity method of accounting. The guidance allows equity investments without readily determinable fair values to be measured at cost minus impairment, with a qualitative assessment required to identify impairment. The guidance also: requires public companies to use exit prices to measure the fair value of financial instruments for disclosure purposes; 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 eliminates the disclosure requirements related to measurement assumptions for the fair value of instruments measured at amortized cost. In addition, the guidance requires that for liabilities measured at fair value under the fair value option, changes in fair value due to changes in instrument-specific credit risk be presented in other comprehensive income. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Adoption of ASU 2016-01 did not have a material impact on the Company's Consolidated Financial Statements.

The FASB has issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to 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. The guidance in this update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. As allowed by this ASU the Company is permitted to adopt using the full retrospective transition method for all periods presented, or modified retrospective method where the guidance would only be applied to existing contracts in effect at the adoption date and new contracts going forward. The Company's revenue stream within the scope of ASU No. 2014-09 is primarily from service charges on deposit accounts. The Company used a modified retrospective approach to uncompleted contracts at the date of adoption. Periods prior to the date of adoption are not retrospectively revised, but a cumulative effect of adoption is recognized for the impact of the ASU on uncompleted contracts at the date of adoption. The impact of guidance in this update, including method of implementation, did not have a material impact on the Company's Consolidated Financial Statements. See Note 13 for additional information.

Note 2: Business Combinations

First Mariner Acquisition

On March 1, 2018, Howard Bancorp, Inc. completed its merger with First Mariner Bank into Howard Bank, a wholly owned subsidiary of Howard Bancorp, pursuant to the Agreement and Plan of Reorganization. At the effective time of the Merger, First Mariner merged with and into Howard Bank, with Howard Bank continuing as the surviving bank of the Merger. At the effective time of the Merger, pursuant to the terms of the Agreement, each outstanding share of First Mariner common stock and First Mariner Series A Non-Voting Non-Cumulative Perpetual Preferred Stock issued and outstanding was cancelled and converted into the right to receive 1.6624 shares of Bancorp common stock. The aggregate merger consideration of $173.8 million included $9.2 million of cash and 9,143,222 shares of our common stock, which was valued at approximately $164.6 million based on Howard Bancorp's closing stock price of $18.00 on February 28, 2018.

The Company has accounted for the Merger under the acquisition method of accounting in accordance with FASB ASC Topic 805, "*Business Combinations*," whereby the acquired assets and assumed liabilities were recorded by Bancorp at their estimated fair values as of their acquisition date.

Management made significant estimates and exercised significant judgment in accounting for the acquisition of First Mariner. Management judgmentally assigned risk ratings to loans based on appraisals and estimated collateral values, expected cash flows, prepayment speeds and estimated loss factors to measure fair values for loans. Deposits and borrowings were valued based upon interest rates, original and remaining terms and maturities, as well as current rates for similar funds in the same markets. Premises and equipment was valued based on recent appraised values.

Management used quoted or current market prices to determine the fair value of investment securities.

The following table provides the purchase price as of the acquisition date, the identifiable assets acquired and liabilities assumed at their estimated fair values, and the resulting goodwill of $71.4 million recorded from the acquisition:

(in thousands)

Purchase Price Consideration		
Cash consideration	$9,245	
Purchase price assigned to shares exchanged for stock	164,578	
Total purchase price for First Mariner acquisition	$173,823	
Assets acquired at fair value:		
Cash and cash equivalents	$38,530	
Interest bearing deposits with banks	3,920	
Investment securities available for sale	130,302	
Loans held for sale	28,189	
Loans	664,338	
Accrued interest receivable	3,023	
Other assets	119,103	
Core deposit intangible	12,588	
Total fair value of assets acquired	$999,994	
Liabilities assumed at fair value:		
Deposits	706,435	
Borrowings	185,020	
Accrued expenses and other liabilities	6,114	
Total fair value of liabilities assumed	$897,569	
Net assets acquired at fair value:		$102,425
Transaction consideration paid to First Mariner		173,823
Amount of goodwill recorded from First Mariner Acquisition		$71,398

In accordance with ASU 2015-16 *Business Combinations (Topic 805)* the Company has one year from the date of the business combination to make certain adjustments to the acquisition accounting amounts.

Acquired loans

The following table outlines the contractually required payments receivable, cash flows we expect to receive, non-accretable credit adjustments and the accretable yield for all First Mariner loans as of the acquisition date.

Contractually

	Required Payments Receivable	Non-Accretable Credit Adjustment	Cash Flows Expected to be Collected	Accretable FMV Adjustment	Carring Value of Loans Receivable
Performing loans acquired	$ 654,621	$ -	$ 654,621	$ 9,054	$ 645,567
Impaired loans acquired	29,470	9,644	19,826	1,055	18,771
Total loans acquired	$ 684,091	$ 9,644	$ 674,447	$ 10,109	$ 664,338

At the merger of First Mariner, all loans acquired were recorded at the estimated fair value on the purchase date with no carryover of the related allowance for loan losses. On the merger date, the loan portfolio was segregated into two loan pools, performing and non-performing loans to be retained in our portfolio.

The Company determined the net discounted value of cash flows on approximately 2,700 performing loans totaling $654.6 million. The valuation took into consideration the loans' underlying characteristics, including account types, remaining terms, annual interest rates, interest types such as fixed or variable rate, past delinquencies, timing of principal and interest payments, current market rates, loan-to-value ratios, loss exposures, and remaining balances. These performing loans were segregated into pools based on loan and payment type and in some cases, risk grade. The effect of this valuation process was a net accretable discount adjustment of $9.1 million at merger.

The Company also individually evaluated 57 impaired loans totaling $29.5 million of contractually required payments, to determine the fair value as of the March 1, 2018 measurement date. In determining the fair value for each individually evaluated impaired loan, the Company considered a number of factors including the remaining life of the acquired loan, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral and net present value of cash flows the Company expect to receive, among others.

The Company established a credit risk related non-accretable difference of $9.6 million relating to these acquired, credit impaired loans, reflected in the recorded net fair value. The Company further estimated the timing and amount of expected cash flows in excess of the estimated fair value and established an accretable discount adjustment of $1.1 million at acquisition relating to these impaired loans.

The amount of revenue derived from First Mariner since the acquisition date included in the consolidated income statement for the quarter ended March 31, 2018 was approximately $3.0 million.

In connection with the acquisition, the Company incurred merger-related expenses relating to personnel, professional fees, occupancy and equipment and other costs of integrating and conforming acquired operations. Those expenses consisted largely of costs related to professional and consulting services, employment severance and early retirement charges, termination of contractual agreements and conversion of systems and/or integration of operations, initial communication expenses, printing and filing costs of completing the transaction and investment banking charges.

A summary of merger related costs included in the consolidated statements of income for the quarter ended March 31, 2018 is summarized as follows:

Compensation related	$5,758
Equipment disposition	1,918
Legal and consulting	1,807
Accounting & other	492
Total	$9,975

Pro Forma Condensed Combined Financial Information:

The following table presents unaudited proforma information as if the merger between Howard Bancorp and First Mariner had been completed on January 1, 2018 and on January 1, 2017. The pro forma information does not necessarily reflect the results of operations that would have occurred had the Company merged with First Mariner at the beginning of 2018 or 2017. Supplemental proforma earnings were adjusted to exclude merger related costs. The expected future amortizations of the various fair value adjustments were included beginning in each year presented. Cost savings are not reflected in the unaudited pro forma amounts for the periods presented. The pro forma financial information does not include the impact of possible business model changes, nor does it consider any potential impacts of current market conditions on revenues, expense efficiencies, or other factors.

	March 31,	
	2018	2017
Net interest income after provision	$15,868	$15,991
Noninterest income	6,735	8,347
Noninterest expense	21,107	22,616
Net income	1,084	826
Net income per share	$0.06	$0.06

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Note 3: Investment Securities

The Bank holds securities classified as available for sale and held to maturity.

Because of the composition and remaining duration of the securities portfolio acquired in the First Mariner merger, management deemed it prudent for interest rate risk management purposes to liquidate the majority of the acquired portfolio. Thus, in the first quarter of 2018, the Bank sold nearly $69.37 million of First Mariner securities, with no gains or losses incurred upon the liquidation, as the sales were executed within days of the merger. In addition the Bank sold $33.0 million of pre-acquisition investment securities, in the first quarter of 2018 and recorded a loss on the sale of $139 thousand. Nearly $51 million of the acquired securities that were retained in the securities portfolio were recorded at fair value and were all classified as available for sale.

The amortized cost and estimated fair values of investments are as follows:

(in thousands)	March 31, 2018				December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available for sale								
U.S. Government Agencies	$30,475	$ -	$ 540	$ 29,935	$68,082	$ -	$ 342	$ 67,740
Treasuries	1,504	-	11	1,493	1,505	-	11	1,494
Mortgage-backed	49,907	93	116	49,884	2,541	-	62	2,479
Other investments	6,344	40	83	6,301	2,579	-	36	2,543
	$88,230	$ 133	$ 750	$ 87,613	$74,707	$ -	$ 451	$ 74,256
Held to maturity Corporate debentures	$9,250	$ 205	$ 16	$ 9,439	$9,250	$ 188	$ 17	$ 9,421

Gross unrealized losses and fair value by investment category and length of time the individual securities have been in a continuous unrealized loss position at March 31, 2018 and December 31, 2017 are presented below:

March 31, 2018 (in thousands)	Less than 12 months		12 months or more		Total	
	Fair	Gross Unrealized	Fair	Gross Unrealized	Fair	Gross Unrealized

	Value	Losses	Value	Losses	Value	Losses
Available for sale						
U.S. Government						
Agencies	$ 7,907	$ 282	$ 22,185	$ 258	$ 30,092	$ 540
Treasuries	1,493	11	-	-	1,493	11
Mortgage-backed	1,099	71	31,349	45	32,448	116
Other investments	3,230	83	-	-	3,230	83
	$ 13,729	$ 447	$ 53,534	$ 303	$ 67,263	$ 750
Held to maturity Corporate debentures	$ 500	$ 16	$ -	$ -	$ 500	$ 16

December 31, 2017 (in thousands)	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for sale						
U.S. Government Agencies	$ 54,303	$ 216	$ 13,437	$ 126	$67,740	$ 342
Treasuries	-	-	1,494	11	1,494	11
Mortgage-backed	1,202	12	1,262	50	2,464	62
Other investments	2,500	36	-	-	2,500	36
	$ 58,005	$ 264	$ 16,193	$ 187	$74,198	$ 451
Held to maturity Corporate debentures	$ 500	$ 17	$ -	$ -	$9,250	$ 17

The unrealized losses that existed were a result of market changes in interest rates since the original purchase. Management systematically evaluates investment securities for other-than-temporary declines in fair value on a quarterly basis. This analysis requires management to consider various factors, which include the (1) duration and magnitude of the decline in value, (2) financial condition of the issuer or issuers and (3) structure of the security. The portfolio contained 36 securities with unrealized losses and 38 securities with unrealized losses at March 31, 2018 and December 31, 2017, respectively.

An impairment loss is recognized in earnings if any of the following are true: (1) the Company intends to sell the debt security; (2) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis; or (3) the Company does not expect to recover the entire amortized cost basis of the security. In situations where the Company intends to sell or when it is more likely than not that the Company will be required to sell the security, the entire impairment loss must be recognized in earnings. In all other situations, only the portion of the impairment loss representing the credit loss must be recognized in earnings, with the remaining portion being recognized in shareholders' equity as a component of other comprehensive income, net of deferred tax.

The amortized cost and estimated fair values of investments securities by contractual maturity are shown below:

(in thousands)	March 31, 2018		December 31, 2017	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Amounts maturing:				
One year or less	$5,020	$ 4,969	$35,105	$ 34,995
After one through five years	26,972	26,472	34,489	34,248
After five through ten years	13,933	14,137	9,257	9,428
After ten years	48,223	48,241	2,526	2,464
	$94,148	$ 93,819	$81,377	$ 81,135

At March 31, 2018 and December 31, 2017, $30.2 million and $28.8 million in fair value of securities were pledged as collateral for repurchase agreements, respectively. No single issuer of securities, except for Government agency securities, had outstanding balances that exceeded ten percent of shareholders' equity at March 31, 2018.

Note 4: Loans and Leases

The Company makes loans and leases to customers primarily in the Greater Baltimore Maryland metropolitan area and surrounding communities. A substantial portion of the Company's loan portfolio consists of loans to businesses secured by real estate and/or other business assets.

The loan portfolio segment balances at March 31, 2018 and December 31, 2017 are presented in the following table:

	March 31, 2018				December 31, 2017	
(in thousands)	Legacy	Acquired	Total	% of Total	Total	% of Total
Real estate						
Construction and land	$67,713	$41,706	$109,419	6.8 %	$74,398	7.9 %
Residential - first lien	193,146	182,311	375,457	23.4	194,896	20.8
Residential - junior lien	40,408	56,326	96,734	6.0	43,047	4.6
Total residential real estate	233,554	238,637	472,191	29.4	237,943	25.4
Commercial - owner occupied	139,367	32,605	171,972	10.7	170,408	18.2
Commercial - non-owner occupied	299,069	169,039	468,108	29.2	260,802	27.8
Total commercial real estate	438,436	201,644	640,080	39.9	431,210	46.0
Total real estate loans	739,703	481,987	1,221,690	76.1	743,551	79.3
Commercial loans and leases	214,614	124,069	338,683	21.1	188,729	20.2
Consumer	4,172	40,933	45,105	2.8	4,328	0.5
Total loans	$958,489	$646,989	$1,605,478	100.0%	$936,608	100.0 %

Net loan origination fees, which are included in the amounts above, totaled $139 thousand and $54 thousand at March 31, 2018 and December 31, 2017, respectively.

<u>Acquired Impaired Loans</u>

The following table documents changes in the accretable discount on acquired impaired loans during the three months ended March 31, 2018:

(in thousands)	March31, 2018
Balance at beginning of period	$ -
Impaired loans acquired	1,055
Accretion of fair value discounts	(63)
Balance at end of period	$ 992

The table below presents the outstanding balances and related carrying amounts for all acquired impaired loans at the beginning and end of the respective periods.

(in thousands)	Contractually Required Payments Receivable	Carrying Amount
At March 31, 2018	$ 17,199	$ 12,581
At December 31, 2017	$ 1,292	$ 851

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Note 5: Credit Quality Assessment

Allowance for Credit Losses

The following table provides information on the activity in the allowance for credit losses by the respective loan portfolio segment for the three month periods ended March 31, 2018 and March 31, 2017:

	March 31, 2018							
(in thousands)	Construction and land	Residential first lien	Residential junior lien	Commercial owner occupied	Commercial non-owner occupied	Commercial loans and leases	Consumer loans	Total
Allowance for credit losses:								
Beginning balance	$735	$ 668	$ 177	$ 617	$ 1,410	$ 2,529	$ 23	$6,159
Charge-offs	(202)	(99)	(89)	(1)	(534)	(269)	(4)	(1,198)
Recoveries	-	-	-	-	2	61	4	67
Provision for credit losses	30	167	98	82	592	151	-	1,120
Ending balance	$563	$ 736	$ 186	$ 698	$ 1,470	$ 2,472	$ 23	$6,148

	March 31, 2017							
(in thousands)	Construction and land	Residential first lien	Residential junior lien	Commercial owner occupied	Commercial non-owner occupied	Commercial loans and leases	Consumer loans	Total
Allowance for credit losses:								
Beginning balance	$511	$ 454	$ 89	$ 327	$ 1,120	$ 3,800	$ 127	$6,428
Charge-offs	-	(50)	(23)	-	-	(1,112)	(108)	(1,293)
Recoveries	-	-	-	-	1	12	12	25
Provision for credit losses	23	100	33	68	(23)	(39)	38	200
Ending balance	$534	$ 504	$ 99	$ 395	$ 1,098	$ 2,661	$ 69	$5,360

The following table provides additional information on the allowance for credit losses at March 31, 2018 and December 31, 2017:

	March 31, 2018							
(in thousands)	Construction and land	Residential first lien	Residential junior lien	Commercial owner occupied	Commercial non-owner occupied	Commercial loans and leases	Consumer loans	Total
Allowance allocated to:								
individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ 380	$ -	$ 380
collectively evaluated for impairment	$ 563	$ 736	$ 186	$ 698	$ 1,470	$ 2,092	$ 23	$ 5,786
Loans:								
Legacy Loans:								
Ending balance	$ 67,713	$ 193,146	$ 40,408	$ 139,367	$ 299,069	$ 214,614	$ 4,172	$ 958,489
individually evaluated for impairment	$ 559	$ 5,182	$ 56	$ 508	$ 8,401	$ 3,164	$ -	$ 17,870
collectively evaluated for impairment	$ 67,154	$ 187,964	$ 40,352	$ 138,859	$ 290,668	$ 211,450	$ 4,172	$ 940,619
Acquired Loans:								
Ending balance	$ 41,706	$ 182,311	$ 56,326	$ 32,605	$ 169,039	$ 124,069	$ 40,933	$ 646,989
purchased credit impaired loans	$ 849	$ 9,760	$ 724	$ 1,049	$ -	$ 17	$ 153	$ 12,252
collectively evaluated for impairment	$ 40,857	$ 172,551	$ 55,602	$ 31,556	$ 169,039	$ 124,052	$ 40,780	$ 634,437

Acquired loans were evaluated for impairment subsequent to the merger. No allowance was required on these loans due to the recently assigned credit marks on these loans.

	December 31, 2017							
	Construction	Residential	Residential	Commercial owner	Commercial non-owner	Commercial loans	Consumer	
(in thousands)	and land	first lien	junior lien	occupied	occupied	and leases	loans	Total
Allowance allocated to:								
individually evaluated for impairment	$202	$ -	$ 29	$ -	$ 11	$ 668	$ -	$910
collectively evaluated for impairment	$533	$668	$ 148	$ 617	$ 1,399	$ 1,861	$ 23	$5,249
Loans:								
Ending balance	$74,398	$194,896	$ 43,047	$ 170,408	$ 260,802	$ 188,729	$ 4,328	$936,608
individually evaluated for impairment	$761	$2,009	$ 396	$ 508	$ 5,867	$ 3,724	$ -	$13,265
collectively evaluated for impairment	$73,637	$192,887	$ 42,651	$ 169,900	$ 254,935	$ 185,005	$ 4,328	$923,343

When potential losses are identified, a specific provision and/or charge-off may be taken, based on the then current likelihood of repayment, that is at least in the amount of the collateral deficiency, and any potential collection costs, as determined by the independent third party appraisal.

All loans that are considered impaired are subject to the completion of an impairment analysis. This analysis highlights any potential collateral deficiencies. A specific amount of impairment is established based on the Bank’s calculation of the probable loss inherent in the individual loan. The actual occurrence and severity of losses involving impaired credits can differ substantially from estimates.

Credit risk profile by portfolio segment based upon internally assigned risk assignments are presented below:

	March 31, 2018							
	Construction	Residential	Residential	Commercial owner	Commercial non-owner	Commercial loans	Consumer	
(in thousands)	and land	first lien	junior lien	occupied	occupied	and leases	loans	Total
Credit quality indicators:								
Legacy Loans:								
Not classified	$67,279	$ 188,249	$ 40,352	$ 138,772	$ 290,668	$ 211,191	$ 4,172	$940,683
Special mention	-	-	-	-	-	-	-	-
Substandard	434	4,897	56	595	8,401	3,405	-	17,788

Doubtful	-	-	-	-	-	18	-	18
Total	$67,713	$ 193,146	$ 40,408	$ 139,367	$ 299,069	$ 214,614	$ 4,172	$958,489
Acquired Loans:								
Not classified	$39,774	$ 182,311	$ 56,326	$ 17,932	$ 166,492	$ 119,644	$ 40,933	$623,412
Special mention	-	-	-	8,834	972	1,632	-	11,438
Substandard	814			4,283	1,269	1,587	-	7,953
Doubtful	1,118	-	-	1,556	306	1,206	-	4,186
Total	$41,706	$ 182,311	$ 56,326	$ 32,605	$ 169,039	$ 124,069	$ 40,933	$646,989

	December 31, 2017							
(in thousands)	Construction and land	Residential first lien	Residential junior lien	Commercial owner occupied	Commercial non-owner occupied	Commercial loans and leases	Consumer loans	Total
Credit quality indicators:								
Not classified	$73,761	$ 193,174	$ 42,651	$ 169,900	$ 253,255	$ 184,858	$ 4,328	$921,927
Special mention	-	-	-	-	1,592	-	-	1,592
Substandard	637	1,103	5	508	3,725	801	-	6,779
Doubtful	-	619	391	-	2,230	3,070	-	6,310
Total	$74,398	$ 194,896	$ 43,047	$ 170,408	$ 260,802	$ 188,729	$ 4,328	$936,608

- **Special Mention** - A Special Mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

- **Substandard** - Substandard loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

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- **Doubtful** - Loans classified Doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loans classified Special Mention, Substandard, Doubtful or Loss are reviewed at least quarterly to determine their appropriate classification. All commercial loan relationships are reviewed annually. Non-classified residential mortgage loans and consumer loans are not evaluated unless a specific event occurs to raise the awareness of possible credit deterioration.

An aged analysis of past due loans are as follows:

	March 31, 2018							
(in thousands)	Construction and land	Residential first lien	Residential junior lien	Commercial owner occupied	Commercial non-owner occupied	Commercial loans and leases	Consumer loans	Total
Analysis of past due loans:								
Legacy Loans:								
Accruing loans current	$67,184	$182,791	$40,009	$138,859	$290,477	$211,639	$4,162	$935,121
Accruing loans past due:								
30-59 days past due	-	5,346	343	-	74	35	10	5,808
60-89 days past due	-	64	-	-	43	46	-	153
Greater than 90 days past due	95	48	-	-	74	-	-	217
Total past due	95	5,458	343	-	191	81	10	6,178
Non-accrual loans	434	4,897	56	508	8,401	2,894	-	17,190
Total loans	$67,713	$193,146	$40,408	$139,367	$299,069	$214,614	$4,172	$958,489
Acquired Loans:								
Accruing loans current	$40,857	$166,916	$53,685	$31,556	$168,624	$123,977	$40,749	$626,364
Accruing loans past due:								
30-59 days past due	-	5,140	905	-	210	27	31	6,313
60-89 days past due	-		900	-		46	-	946
Greater than 90 days past due	-	495	112	-	205	2	-	814
Total past due	-	5,635	1,917	-	415	75	31	8,073
Non-accrual loans[1]	849	9,760	724	1,049	-	17	153	12,552
Total loans	$41,706	$182,311	$56,326	$32,605	$169,039	$124,069	$40,933	$646,989

(1) Included are purchased credit impaired loans where the Company amortizes the accreatable discount into interest income, however these loans do not accrue interest based on the terms of the loan.

	December 31, 2017							
(in thousands)	Construction and land	Residential first lien	Residential junior lien	Commercial owner occupied	Commercial non-owner occupied	Commercial loans and leases	Consumer loans	Total
Analysis of past due loans:								
Accruing loans current	$73,386	$185,135	$42,491	$169,596	$251,608	$185,239	$4,328	$911,783
Accruing loans past due:								
30-59 days past due	279	6,381	110	173	-	52	-	6,995
60-89 days past due	96	1,330	-	-	364	-	-	1,790
Greater than 90 days past due	-	328	50	131	2,963	-	-	3,472
Total past due	375	8,039	160	304	3,327	52	-	12,257
Non-accrual loans	637	1,722	396	508	5,867	3,438	-	12,568
Total loans	$74,398	$194,896	$43,047	$170,408	$260,802	$188,729	$4,328	$936,608

Total loans either in non-accrual status or in excess of 90 days delinquent totaled $30.8 million or 1.9% of total loans outstanding at March 31, 2018, which represents an increase from $16.0 million or 1.7% at December 31, 2017.

The impaired loans at March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018							
(in thousands)	Construction & land	Residential first lien	Residential junior lien	Commercial owner occupied	Commercial non-owner occupied	Commercial loans and leases	Consumer loans	Total
Impaired loans:								
Legacy Loans:								
Recorded investment	$559	$ 5,182	$ 56	$ 508	$ 8,401	$ 3,164	$ -	$17,870
With an allowance recorded	-	-	-	-	-	1,531	-	1,531
With no related allowance recorded	559	5,182	56	508	8,401	1,633	-	16,339
Related allowance	-	-	-	-	-	380	-	380
Unpaid principal	761	5,307	56	508	8,947	5,045	-	20,624
Average balance of impaired loans	761	5,379	56	519	8,987	5,845	-	21,547
Interest income recognized	-	21	1	-	1	24		