SHORE BANCSHARES INC
Form 10-Q
November 09, 2016

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, 2016

OR

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

For the transition period from ________ to ________

Commission file number 0-22345

SHORE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Maryland	52-1974638
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
28969 Information Lane, Easton, Maryland	21601
(Address of Principal Executive Offices)	(Zip Code)

(410) 763-7800

Registrant's Telephone Number, Including Area Code

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 12,664,797 shares of common stock outstanding as of October 31, 2016.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

SHORE BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	September 30, 2016	December 31, 2015
ASSETS	(Unaudited)	
Cash and due from banks	$ 17,896	$ 15,080
Interest-bearing deposits with other banks	57,203	54,223
Federal funds sold	26	4,508
Cash and cash equivalents	75,125	73,811
Investment securities:		
Available-for-sale, at fair value	174,788	212,165
Held to maturity, at amortized cost - fair value of $3,931 (2016) and $4,243 (2015)	3,809	4,191
Loans	860,553	795,114
Less: allowance for credit losses	(8,614)	(8,316)
Loans, net	851,939	786,798
Premises and equipment, net	16,680	16,864
Goodwill	11,931	11,931
Other intangible assets, net	1,112	1,211
Other real estate owned, net	2,197	4,252
Other assets	20,285	23,920
TOTAL ASSETS	$ 1,157,866	$ 1,135,143
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 256,559	$ 229,686
Interest-bearing	735,736	745,778
Total deposits	992,295	975,464
Short-term borrowings	5,000	6,672
Other liabilities	5,736	6,040
TOTAL LIABILITIES	1,003,031	988,176

STOCKHOLDERS' EQUITY		
Common stock, par value $.01 per share; shares authorized - 35,000,000; shares issued and outstanding - 12,662,746 (2016) and 12,631,160 (2015)	127	126
Additional paid in capital	64,129	63,815
Retained earnings	89,102	83,097
Accumulated other comprehensive income (loss)	1,477	(71)
TOTAL STOCKHOLDERS' EQUITY	154,835	146,967
TOTAL LIABILITIES AND STOCKHOLDERS'S EQUITY	$ 1,157,866	$ 1,135,143

See accompanying notes to Consolidated Financial Statements.

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SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Dollars in thousands, except per share amounts)

	For Three Months Ended September 30,		For Nine Months Ended September 30,	
	2016	2015	2016	2015
INTEREST INCOME				
Interest and fees on loans	$ 9,398	$ 8,912	$ 27,476	$ 25,984
Interest and dividends on investment securities:				
Taxable	754	892	2,448	2,748
Tax-exempt	2	2	6	8
Interest on federal funds sold	1	1	6	2
Interest on deposits with other banks	81	30	211	82
Total interest income	10,236	9,837	30,147	28,824
INTEREST EXPENSE				
Interest on deposits	574	824	1,852	2,581
Interest on short-term borrowings	4	3	11	11
Total interest expense	578	827	1,863	2,592
NET INTEREST INCOME	9,658	9,010	28,284	26,232
Provision for credit losses	605	410	1,430	1,600
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	9,053	8,600	26,854	24,632
NONINTEREST INCOME				
Service charges on deposit accounts	899	769	2,582	2,061
Trust and investment fee income	358	360	1,073	1,279
Insurance agency commissions	2,054	2,107	6,754	6,514
Other noninterest income	696	669	2,180	1,924
Total noninterest income	4,007	3,905	12,589	11,778
NONINTEREST EXPENSE				
Salaries and wages	4,346	4,468	13,245	13,174
Employee benefits	1,009	935	3,087	3,015
Occupancy expense	643	600	1,839	1,837
Furniture and equipment expense	245	223	728	711
Data processing	976	800	2,639	2,451
Directors' fees	120	117	355	356
Amortization of other intangible assets	33	34	99	100
FDIC insurance premium expense	104	243	654	933
Write-downs of other real estate owned	2	7	75	88
Legal and professional	440	641	1,434	1,940
Other noninterest expenses	1,299	1,328	3,766	3,795

Total noninterest expense	9,217	9,396	27,921	28,400
INCOME BEFORE INCOME TAXES	3,843	3,109	11,522	8,010
Income tax expense	1,432	1,200	4,379	3,065
NET INCOME	$ 2,411	$ 1,909	$ 7,143	$ 4,945
Basic net income per common share	$ 0.19	$ 0.15	$ 0.56	$ 0.39
Diluted net income per common share	0.19	0.15	0.56	0.39
Dividends paid per common share	0.03	0.02	0.09	0.02

See accompanying notes to Consolidated Financial Statements.

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SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Dollars in thousands)

	For Three Months Ended September 30,		For Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	$ 2,411	$ 1,909	$ 7,143	$ 4,945
Other comprehensive income				
Securities available for sale:				
Unrealized holding gains on available-for-sale-securities	617	1,319	2,628	824
Tax effect	(250)	(532)	(1,062)	(333)
Reclassification of (gains) recognized in net income	(31)	-	(31)	-
Tax effect	13	-	13	-
Net of tax amount	349	787	1,548	491
Total other comprehensive income	349	787	1,548	491
Comprehensive income	$ 2,760	$ 2,696	$ 8,691	$ 5,436

See accompanying notes to Consolidated Financial Statements.

SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)
For the Nine Months Ended September 30, 2016 and 2015
(Dollars in thousands, except per share amounts)

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Total Stockholders' Equity
Balances, January 1, 2016	$ 126	$ 63,815	$ 83,097	$ (71)	$ 146,967
Net Income	-	-	7,143	-	7,143
Unrealized gains on available-for-sale securities, net of taxes	-	-	-	1,548	1,548
Common shares issued for employee stock-based awards	-	53	-	-	53
Stock-based compensation	1	261	-	-	262
Cash dividends declared	-	-	(1,138)	-	(1,138)
Balances, September 30, 2016	$ 127	$ 64,129	$ 89,102	$ 1,477	$ 154,835
Balances, January 1, 2015	$ 126	$ 63,532	$ 76,495	$ 316	$ 140,469
Net Income	-	-	4,945	-	4,945
Unrealized gains on available-for-sale securities, net of taxes	-	-	-	491	491
Stock-based compensation	-	235	-	-	235
Cash dividends declared	-	-	(253)	-	(253)
Balances, September 30, 2015	$ 126	$ 63,767	$ 81,187	$ 807	$ 145,887

See accompanying notes to Consolidated Financial Statements.

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SHORE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	For Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 7,143	$ 4,945
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,430	1,600
Depreciation and amortization	1,856	1,845
Discount accretion on debt securities	(17)	(83)
Stock-based compensation expense	262	232
Excess tax benefits from stock-based arrangements	(26)	(3)
Deferred income tax expense	4,008	2,640
(Gains) on sales of securities	(31)	-
Losses on sales of other real estate owned	125	47
Write-downs of other real estate owned	75	88
Net changes in:		
Accrued interest receivable	(15)	46
Other assets	(1,602)	(1,120)
Accrued interest payables	(32)	(38)
Other liabilities	(272)	(71)
Net cash provided by operating activities	12,904	10,128
CASH FLOWS FROM INVESTING ACTIVITES:		
Proceeds from maturities and principal payments of investment securities available for sale	47,373	40,573
Proceeds from sales of securities available for sale	3,961	-
Purchases of investment securities available for sale	(12,142)	(24,830)
Proceeds from maturities and principal payments of investment securities held to maturity	376	432
Net change in loans	(68,171)	(68,448)
Purchases of premises and equipment	(542)	(1,362)
Proceeds from sales of other real estate owned	3,454	1,605
Net cash used in investing activities	(25,691)	(52,030)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net changes in:		
Noninterest-bearing deposits	26,874	27,131
Interest-bearing deposits	(10,042)	(16,701)

Short-term borrowings	(1,672)	1,672
Proceeds from the issuance of common stock	53	3
Excess tax benefits from stock-based arrangements	26	3
Common stock dividends paid	(1,138)	(253)
Net cash provided by financing activities	14,101	11,855
Net increase (decrease) in cash and cash equivalents	1,314	(30,047)
Cash and cash equivalents at beginning of period	73,811	96,223
Cash and cash equivalents at end of period	$ 75,125	$ 66,176
Supplemental cash flows information:		
Interest paid	$ 1,895	$ 2,630
Income taxes paid	$ 588	$ 368
Transfers from loans to other real estate owned	$ 1,599	$ 934
Change in unrealized (gains) on securities available for sale	$ (2,477)	$ (1,353)

See accompanying notes to Consolidated Financial Statements.

Shore Bancshares, Inc.

Notes to Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

(Unaudited)

Note 1 - Basis of Presentation

The consolidated financial statements include the accounts of Shore Bancshares, Inc. and its subsidiaries with all significant intercompany transactions eliminated. The consolidated financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") and to prevailing practices within the banking industry. The accompanying interim financial statements are unaudited; however, in the opinion of management all adjustments necessary to present fairly the consolidated financial position at September 30, 2016, the consolidated results of operations and comprehensive income for the three and nine months ended September 30, 2016 and 2015, and changes in stockholders' equity and cash flows for the nine months ended September 30, 2016 and 2015, have been included. All such adjustments are of a normal recurring nature. The amounts as of December 31, 2015 were derived from the 2015 audited financial statements. The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for any other interim period or for the full year. This Quarterly Report on Form 10-Q should be read in conjunction with the Annual Report of Shore Bancshares, Inc. on Form 10-K for the year ended December 31, 2015. For purposes of comparability, certain reclassifications have been made to amounts previously reported to conform with the current period presentation.

When used in these notes, the term "the Company" refers to Shore Bancshares, Inc. and, unless the context requires otherwise, its consolidated subsidiaries.

Effective July 1, 2016, the Company's two bank subsidiaries, The Talbot Bank of Easton Maryland and CNB were consolidated into one bank known as Shore United Bank. In these notes to the consolidated financial statements and the management discussion and analysis section, the term "the Bank" refers to Shore United Bank, unless the context requires stipulating results of the individual banks before the consolidation occurred.

Recent Accounting Standards

ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” amendment requires entities to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for periods beginning after January 1, 2017. ASU 2015-14, “Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date ” – ASU 2015-14 amendments defer the effective date of Update 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. ASU 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations” – ASU 2016-08 amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing” – ASU 2016-10 amendments clarify that contractual provisions that, explicitly or implicitly, require an entity to transfer control of additional goods or services to a customer should be distinguished from contractual provisions that, explicitly or implicitly, define the attributes of a single promised license. Attributes of a promised license define the scope of a customer’s right to use or right to access an entity’s intellectual property and, therefore, do not define whether the entity satisfies its performance obligation at a point in time or over time and do not create an obligation for the entity to transfer any additional rights to use or access its intellectual property. The Company is evaluating the impact that ASU 2014-09 and all amendments thereof will have on our consolidated financial statements.

ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." The amendments in the ASU require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation - Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. However, compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The amendments in this ASU are effective for interim or annual reporting periods beginning after December 15, 2015; early adoption is permitted. Entities may apply the amendments in this ASU either: (1) prospectively to all awards granted or modified after the effective date; or (2) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. As of September 30, 2016, the Company has share-based payment awards that included performance targets that could be achieved after the requisite service period. The adoption of ASU No. 2014-12 did not have a material impact on the Company's Consolidated Financial Statements.

ASU No. 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement.” This ASU provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer’s accounting for service contracts. ASU No. 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of ASU No. 2015-05 did not have a material impact on the Company's Consolidated Financial Statements.

ASU No. 2016-01, “Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This ASU, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (v) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (vi) 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 (vii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. ASU 2016-01 will be effective for us on January 1, 2018 and is not expected to have a significant impact on our financial statements.

ASU No. 2016-02, "Leases (Topic 842)." This ASU stipulates that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statement , and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. In addition, also consistent with the previous leases guidance, a lessee (and a lessor) should exclude most variable lease payments in measuring lease assets and lease liabilities, other than those that depend on an index or a rate or are in substance fixed payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in this Update is permitted for all entities. The Company is evaluating the impact that ASU 2016-02 will have on our consolidated financial statements.

ASU No. 2016-09, “Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” This ASU simplifies the treatment and accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is evaluating the impact that ASU 2016-09 will have on our consolidated financial statements.

ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The amendments in this ASU will replace 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 amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit losses, which will be more decision useful to users of the financial statements. It is not expected that an entity will need to create an economic forecast over the entire contractual life of long-dated financial assets. Therefore, the amendments will allow an entity to revert to historical loss information that is reflective of the contractual term (considering the effect of prepayments) for periods that are beyond the time frame for which the entity is able to develop reasonable and supportable forecasts. The amendments retain many of the disclosure amendments in Accounting Standards Update No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, updated to reflect the change from an incurred loss methodology to an expected credit loss methodology. Credit losses on available-for-sale debt securities should be measured in a manner similar to current GAAP. However, the amendments require that credit losses be presented as an allowance rather than a write-down. For public entities that are U.S. Securities and Exchange Commission (SEC) filers, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All entities may adopt the amendments earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company believes this ASU will have a significant impact on our consolidated financial statements and the method in which we calculate our credit losses, primarily on loans and available-for sale securities. At this time, the Company will continue to evaluate the impact and implementation of this standard to meet the effective date for consolidated financial statements beginning in 2019.

ASU No. 2016-15, “Classification of Certain Cash Receipts and Cash Payments." Current GAAP is unclear or does not include specific guidance on how to classify certain transactions in the statement of cash flows. This ASU is intended to reduce diversity in practice in how eight particular transactions are classified in the statement of cash flows. ASU No. 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, provided that all of the amendments are adopted in the same period. Entities will be required to apply the guidance retrospectively. If it is impracticable to apply the guidance retrospectively for an issue, the amendments related to that issue would be applied prospectively. As this guidance only affects the classification within the statement of cash flows, ASU No. 2016-15 is not expected to have a material impact on the Company's consolidated financial statements.

Note 2 – Earnings Per Share

Basic earnings per common share is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents (stock-based awards). The following table provides information relating to the calculation of earnings per common share:

(In thousands, except per share data)	For the Three Months Ended September 30, 2016	2015	For the Nine Months Ended September 30, 2016	2015
Net Income	$ 2,411	$ 1,909	$ 7,143	$ 4,945
Weighted average shares outstanding - Basic	12,661	12,630	12,648	12,627
Dilutive effect of common stock equivalents	15	10	15	10
Weighted average shares outstanding - Diluted	12,676	12,640	12,663	12,637
Earnings per common share - Basic	$ 0.19	$ 0.15	$ 0.56	$ 0.39
Earnings per common share - Diluted	$ 0.19	$ 0.15	$ 0.56	$ 0.39

There were no weighted average common stock equivalents excluded from the calculation of diluted earnings per share for the three and nine months ended September 30, 2016 and 2015.

Note 3 – Investment Securities

The following table provides information on the amortized cost and estimated fair values of investment securities.

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
September 30, 2016				
U.S. Treasury	$ -	$ -	$ -	$ -
U.S. Government agencies	32,423	118	111	32,430
Mortgage-backed	139,240	2,558	103	141,695
Equity	648	15	-	663
Total	$ 172,311	$ 2,691	$ 214	$ 174,788
December 31, 2015				
U.S. Treasury	$ 5,078	$ 1	$ -	$ 5,079
U.S. Government agencies	49,630	89	190	49,529
Mortgage-backed	156,939	639	662	156,916
Equity	637	4	-	641
Total	$ 212,284	$ 733	$ 852	$ 212,165
Held-to-maturity securities:				
September 30, 2016				
U.S. Government agencies	$ 2,194	$ 10	$ -	$ 2,204
States and political subdivisions	1,615	112	-	1,727
Total	$ 3,809	$ 122	$ -	$ 3,931
December 31, 2015				
U.S. Government agencies	$ 2,575	$ -	$ 60	$ 2,515
States and political subdivisions	1,616	112	-	1,728
Total	$ 4,191	$ 112	$ 60	$ 4,243

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The following tables provide information about gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at September 30, 2016 and December 31, 2015.

	Less than 12 Months		More than 12 Months		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2016						
Available-for-sale securities:						
U.S. Government agencies	$ 3,005	$ -	$ -	$ 111	$ 3,005	$ 111
Mortgage-backed	3,993	1	10,766	102	14,759	103
Total	$ 6,998	$ 1	$ 10,766	$ 213	$ 17,764	$ 214

	Less than 12 Months		More than 12 Months		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2015						
Available-for-sale securities:						
U.S. Government agencies	$ 18,981	$ 57	$ -	$ 133	$ 18,981	$ 190
Mortgage-backed	43,881	328	21,263	334	65,144	662
Total	$ 62,862	$ 385	$ 21,263	$ 467	$ 84,125	$ 852
Held-to-maturity securities:						
U.S. Government agencies	$ -	$ -	$ 2,515	$ 60	$ 2,515	$ 60

All of the securities with unrealized losses in the portfolio have modest duration risk, low credit risk, and minimal losses when compared to total amortized cost. The unrealized losses on debt securities that exist are the result of market changes in interest rates since original purchase. Because the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before recovery of their amortized cost bases, which may be at maturity for debt securities, the Company considers the unrealized losses to be temporary.

The following table provides information on the amortized cost and estimated fair values of investment securities by maturity date at September 30, 2016.

	Available for sale		Held to maturity	
	Amortized	Estimated	Amortized	Estimated
(Dollars in thousands)	Cost	Fair Value	Cost	Fair Value
Due in one year or less	$ 13,025	$ 13,053	$ 210	$ 210
Due after one year through five years	17,011	17,078	501	541
Due after five years through ten years	7,432	7,507	402	441
Due after ten years	134,195	136,487	2,696	2,739
	171,663	174,125	3,809	3,931
Equity securities	648	663	-	-
Total	$ 172,311	$ 174,788	$ 3,809	$ 3,931

The maturity dates for debt securities are determined using contractual maturity dates.

Note 4 – Loans and Allowance for Credit Losses

The Company makes residential mortgage, commercial and consumer loans to customers primarily in Talbot County, Queen Anne's County, Kent County, Caroline County and Dorchester County in Maryland and in Kent County, Delaware.

The following table provides information about the principal classes of the loan portfolio at September 30, 2016 and December 31, 2015.

(Dollars in thousands)	September 30, 2016	December 31, 2015
Construction	$ 79,205	$ 85,632
Residential real estate	324,473	307,063
Commercial real estate	378,806	330,253
Commercial	70,920	64,911
Consumer	7,149	7,255
Total loans	860,553	795,114
Allowance for credit losses	(8,614)	(8,316)
Total loans, net	$ 851,939	$ 786,798

Loans are stated at their principal amount outstanding net of any purchase premiums, deferred fees and costs. Interest income on loans is accrued at the contractual rate based on the principal amount outstanding. Fees charged and costs capitalized for originating loans are being amortized substantially on the interest method over the term of the loan. A loan is placed on nonaccrual (i.e., interest income is no longer accrued) when it is specifically determined to be impaired or when principal or interest is delinquent for 90 days or more, unless the loan is well secured and in the process of collection. Any unpaid interest previously accrued on those loans is reversed from income.

Interest payments received on nonaccrual loans are applied as a reduction of the loan principal balance unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A loan is considered impaired if it is probable that the Company will not collect all principal and interest payments according to the loan's contractual terms. An impaired loan may show deficiencies in the borrower's overall financial condition, payment history, support available from financial guarantors and/or the fair market value of collateral. The impairment of a loan is measured at the present value of expected future cash flows using the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Generally, the Company measures impairment on such loans by reference to the fair value of the collateral. Once the amount of impairment has been determined, the uncollectible portion is charged off. Income on impaired loans is recognized on a cash basis, and payments are first applied against the principal balance outstanding (i.e., placing impaired loans on nonaccrual status). Generally, interest income is not recognized on impaired loans unless the likelihood of further loss is remote. The allowance for credit losses may include specific reserves related to impaired loans. Specific reserves remain until charge offs are made. Impaired loans do not include groups of smaller balance homogenous loans such as residential mortgage and consumer installment loans that are evaluated collectively for impairment. Reserves for probable credit losses related to these loans are based on historical loss ratios and are included in the formula portion of the allowance for credit losses. See additional discussion under the caption "Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

A loan is considered a troubled debt restructuring ("TDR") if a borrower is experiencing financial difficulties and a creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. Loans are identified to be restructured when signs of impairment arise such as borrower interest rate reduction request, slowness to pay, or when an inability to repay becomes evident. The terms being offered are evaluated to determine if they are more liberal than those that would be indicated by policy or industry standards for similar, untroubled credits. In those situations where the terms or the interest rates are considered to be more favorable than industry standards or the current underwriting guidelines of the Company's banking subsidiary, Shore United Bank (the "Bank"), the loan is classified as a TDR. All loans designated as TDRs are considered impaired loans and may be on either accrual or nonaccrual status. In instances where the loan has been placed on nonaccrual status, six consecutive months of timely payments are required prior to returning the loan to accrual status.

All loans classified as TDRs which are restructured and accrue interest under revised terms require a full and comprehensive review of the borrower's financial condition, capacity for repayment, realistic assessment of collateral values, and the assessment of risk entered into any workout agreement. Current financial information on the borrower, guarantor, and underlying collateral is analyzed to determine if it supports the ultimate collection of principal and interest. For commercial loans, the cash flows are analyzed, both for the underlying project and globally. For consumer loans, updated salary, credit history and cash flow information is obtained. Current market conditions are also considered. Following a full analysis, the determination of the appropriate loan structure is made.

In the normal course of banking business, risks related to specific loan categories are as follows:

Construction loans – Construction loans generally finance the construction of residential real estate for builders and individuals for single family dwellings. In addition, the Bank periodically finances the construction of commercial projects. Credit risk factors include the borrower's ability to successfully complete the construction on time and within budget, changing market conditions which could affect the value and marketability of projects, changes in the borrower's ability or willingness to repay the loan and potentially rising interest rates which can impact both the borrower's ability to repay and the collateral value.

Residential real estate – Residential real estate loans are typically made to consumers and are secured by residential real estate. Credit risk arises from the borrower's continuing financial stability, which can be adversely impacted by job loss, divorce, illness, or personal bankruptcy, among other factors. Also impacting credit risk would be a shortfall in the value of the residential real estate in relation to the outstanding loan balance in the event of a default or subsequent liquidation of the real estate collateral.

Commercial real estate – Commercial real estate loans consist of both loans secured by owner occupied properties and non-owner occupied where an established banking relationship exists and involves investment properties for warehouse, retail, and office space with a history of occupancy and cash flow. These loans are subject to adverse changes in the local economy and commercial real estate markets. Credit risk associated with owner occupied properties arises from the borrower's financial stability and the ability of the borrower and the business to repay the loan. Non-owner occupied properties carry the risk of a tenant's deteriorating credit strength, lease expirations in soft markets and sustained vacancies which can adversely impact cash flow.

Commercial – Commercial loans are secured or unsecured loans for business purposes. Loans are typically secured by accounts receivable, inventory, equipment and/or other assets of the business. Credit risk arises from the successful operation of the business which may be affected by competition, rising interest rates, regulatory changes and adverse conditions in the local and regional economy.

Consumer – Consumer loans include home equity loans and lines, installment loans and personal lines of credit. Credit risk is similar to residential real estate loans above as it is subject to the borrower's continuing financial stability and the value of the collateral securing the loan.

The following tables include impairment information relating to loans and the allowance for credit losses as of September 30, 2016 and December 31, 2015.

(Dollars in thousands)	Construction	Residential real estate	Commercial real estate	Commercial	Consumer	Unallocated	Total
September 30, 2016							
Loans individually evaluated for impairment	$ 9,554	$ 7,928	$ 7,145	$ 36	$ 99	$ -	$ 24,762
Loans collectively evaluated for impairment	69,651	316,545	371,661	70,884	7,050	-	835,791
Total loans	$ 79,205	$ 324,473	$ 378,806	$ 70,920	$ 7,149	$ -	$ 860,553
Allowance for credit losses allocated to:							
Loans individually evaluated for impairment	$ 831	$ 179	$ 201	$ -	$ -	$ -	$ 1,211
Loans collectively evaluated for impairment	1,187	1,901	2,986	917	154	258	7,403
Total loans	$ 2,018	$ 2,080	$ 3,187	$ 917	$ 154	$ 258	$ 8,614

(Dollars in thousands)	Construction	Residential real estate	Commercial real estate	Commercial	Consumer	Unallocated	Total
December 31, 2015							
Loans individually evaluated for impairment	$ 11,598	$ 7,946	$ 7,762	$ 161	$ 121	$ -	$ 27,588
Loans collectively evaluated for impairment	74,034	299,117	322,491	64,750	7,134	-	767,526
Total loans	$ 85,632	$ 307,063	$ 330,253	$ 64,911	$ 7,255	$ -	$ 795,114
Allowance for credit							

losses allocated to:							
Loans individually evaluated for impairment	$ 619	$ 435	$ 340	$ -	$ 7	$ -	$ 1,401
Loans collectively evaluated for impairment	1,027	1,746	2,659	558	149	776	6,915
Total loans	$ 1,646	$ 2,181	$ 2,999	$ 558	$ 156	$ 776	$ 8,316

The following tables provide information on impaired loans and any related allowance by loan class as of September 30, 2016 and December 31, 2015. The difference between the unpaid principal balance and the recorded investment is the amount of partial charge-offs that have been taken.

(Dollars in thousands)	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Related allowance	Quarter-to-date average recorded investment	Year-to-date average recorded investment	Interest income recognized
September 30, 2016							
Impaired nonaccrual loans:							
Construction	$ 10,943	$ 2,495	$ 2,860	$ 810	$ 5,361	$ 6,022	$ -
Residential real estate	4,152	2,213	1,613	25	4,012	3,406	-
Commercial real estate	2,822	1,974	200	112	2,177	2,265	-
Commercial	48	36	-	-	108	143	-
Consumer	99	99	-	-	99	109	-
Total	$ 18,064	$ 6,817	$ 4,673	$ 947	$ 11,757	$ 11,945	$ -
Impaired accruing TDRs:							
Construction	$ 4,199	$ 3,485	$ 714	$ 21	$ 4,213	$ 4,166	$ 74
Residential real estate	4,102	2,892	1,210	154	4,100	4,900	149
Commercial real estate	4,971	1,583	3,388	89	4,982	5,137	127
Commercial	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-
Total	$ 13,272	$ 7,960	$ 5,312	$ 264	$ 13,295	$ 14,203	$ 350
Total impaired loans:							
Construction	$ 15,142	$ 5,980	$ 3,574	$ 831	$ 9,574	$ 10,188	$ 74
Residential real estate	8,254	5,105	2,823	179	8,112	8,306	149
Commercial real estate	7,793	3,557	3,588	201	7,159	7,402	127
Commercial	48	36	-	-	108	143	-
Consumer	99	99	-	-	99	109	-
Total	$ 31,336	$ 14,777	$ 9,985	$ 1,211	$ 25,052	$ 26,148	$ 350

(Dollars in thousands)	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Related allowance	September 30, 2015 Quarter-to-date average recorded investment	Year-to-date average recorded investment	Interest income recognized
December 31, 2015							
Impaired nonaccrual loans:							
Construction	$ 11,850	$ 4,647	$ 2,882	$ 588	$ 8,025	$ 8,121	$ -
Residential real estate	2,563	1,773	487	208	3,812	2,710	-
Commercial real estate	2,988	1,813	209	9	2,137	2,511	-
Commercial	175	161	-	-	170	105	-
Consumer	128	98	23	7	123	123	-
Total	$ 17,704	$ 8,492	$ 3,601	$ 812	$ 14,267	$ 13,570	$ -
Impaired accruing TDRs:							
Construction	$ 4,069	$ 3,266	$ 803	$ 31	$ 4,099	$ 4,076	$ 65
Residential real estate	5,686	2,380	3,306	227	7,520	7,084	250
Commercial real estate	5,740	1,702	4,038	331	5,687	6,065	194
Commercial	-	-	-	-	27	38	1
Consumer	-	-	-	-	-	-	-
Total	$ 15,495	$ 7,348	$ 8,147	$ 589	$ 17,333	$ 17,263	$ 510
Total impaired loans:							
Construction	$ 15,919	$ 7,913	$ 3,685	$ 619	$ 12,124	$ 12,197	$ 65
Residential real estate	8,249	4,153	3,793	435	11,332	9,794	250
Commercial real estate	8,728	3,515	4,247	340	7,824	8,576	194
Commercial	175	161	-	-	197	143	1
Consumer	128	98	23	7	123	123	-
Total	$ 33,199	$ 15,840	$ 11,748	$ 1,401	$ 31,600	$ 30,833	$ 510

The following tables provide a roll-forward for troubled debt restructurings as of September 30, 2016 and September 30, 2015.

(Dollars in thousands)	1/1/2016 TDR Balance	New TDRs	Disbursements (Payments)	Charge offs	Reclassifications/ Transfer In/(Out)	Payoffs	9/30/2016 TDR Balance	Related Allowance
For nine months ended September 30, 2016								
Accruing TDRs								
Construction	$ 4,069	$ -	$ 130	$ -	$ -	$ -	$ 4,199	$ 21
Residential real estate	5,686	565	(375)	-	(1,595)	(179)	4,102	154
Commercial real estate	5,740	495	(689)	(117)	(458)	-	4,971	89
Commercial	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-
Total	$ 15,495	$ 1,060	$ (934)	$ (117)	$ (2,053)	$ (179)	$ 13,272	$ 264
Nonaccrual TDRs								
Construction	$ 4,960	$ 2,570	$ (2,012)	$ (263)	$ -	$ -	$ 5,255	$ 810
Residential real estate	445	-	(294)	-	1,595	-	1,746	25
Commercial real estate	-	-	-	(258)	458	-	200	112
Commercial	-	-	-	-	-	-	-	-
Consumer	23	-	(23)	-	-	-	-	-
Total	$ 5,428	$ 2,570	$ (2,329)	$ (521)	$ 2,053	$ -	$ 7,201	$ 947
Total	$ 20,923	$ 3,630	$ (3,263)	$ (638)	$ -	$ (179)	$ 20,473	$ 1,211

(Dollars in thousands)	1/1/2015 TDR Balance	New TDRs	Disbursements (Payments)	Charge offs	Reclassifications/ Transfer In/(Out)	Payoffs	9/30/2015 TDR Balance	Related Allowance

For nine months ended September 30, 2015								
Accruing TDRs								
Construction	$ 4,022	$ -	$ (83)	$ -	$ 142	$ -	$ 4,081	$ 33
Residential real estate	6,368	1,837	(206)	-	(1,324)	-	6,675	207
Commercial real estate	6,237	-	(562)	-	-	-	5,675	180
Commercial	47	-	(6)	-	(41)	-	-	-
Consumer	-	-	-	-	-	-	-	-
Total	$ 16,674	$ 1,837	$ (857)	$ -	$ (1,223)	$ -	$ 16,431	$ 420
Nonaccrual TDRs								
Construction	$ 3,321	$ -	$ (207)	$ (1,058)	$ 2,911	$ -	$ 4,967	$ 643
Residential real estate	3,382	-	(21)	-	(2,911)	-	450	89
Commercial real estate	346	-	(4)	(40)	(302)	-	-	-
Commercial	-	-	-	-	-	-	-	-
Consumer	25	-	(2)	-	-	-	23	-
Total	$ 7,074	$ -	$ (234)	$ (1,098)	$ (302)	$ -	$ 5,440	$ 732
Total	$ 23,748	$ 1,837	$ (1,091)	$ (1,098)	$ (1,525)	$ -	$ 21,871	$ 1,152

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The following tables provide information on loans that were modified and considered TDRs during the nine months ended September 30, 2016 and September 30, 2015.

(Dollars in thousands)	Number of contracts	Premodification outstanding recorded investment	Postmodification outstanding recorded investment	Related allowance
TDRs:				
For nine months ended September 30, 2016				
Construction	-	$ -	$ -	$ -
Residential real estate	3	667	699	-
Commercial real estate	1	495	495	-
Commercial	-	-	-	-
Consumer	-	-	-	-
Total	4	$ 1,162	$ 1,194	$ -
For nine months ended September 30, 2015				
Construction	-	$ -	$ -	$ -
Residential real estate	10	1,835	1,837	19
Commercial real estate	-	-	-	-
Commercial	-	-	-	-
Consumer	-	-	-	-
Total	10	$ 1,835	$ 1,837	$ 19

During the nine months ended September 30, 2016, there were four TDRs which were modified. The modifications to these TDRs consisted of reductions in principal, interest and rate as well as payment frequency for one of the TDRs.

The following tables provide information on TDRs that defaulted during the nine months ended September 30, 2016 and September 30, 2015. Generally, a loan is considered in default when principal or interest is past due 90 days or more.

(Dollars in thousands)	Number of contracts	Recorded investment	Related allowance
TDRs that subsequently defaulted:			
For nine months ended September 30, 2016			
Construction	1	$ 241	$ -
Residential real estate	-	-	-
Commercial real estate	2	375	-
Commercial	-	-	-
Consumer	-	-	-
Total	3	$ 616	$ -
For nine months ended September 30, 2015			
Construction	-	$ -	$ -
Residential real estate	-	-	-
Commercial real estate	2	279	-
Commercial	-	-	-
Consumer	-	-	-
Total	2	$ 279	$ -

Management uses risk ratings as part of its monitoring of the credit quality in the Company's loan portfolio. Loans that are identified as special mention, substandard or doubtful are adversely rated. They are assigned higher risk ratings than favorably rated loans in the calculation of the formula portion of the allowance for credit losses.

The following tables provide information on loan risk ratings as of September 30, 2016 and December 31, 2015.

(Dollars in thousands)	Pass/Performing	Special Mention	Substandard	Doubtful	Total
September 30, 2016					
Construction	$ 66,025	$ 3,905	$ 9,275	$ -	$ 79,205
Residential real estate	309,936	7,542	6,995	-	324,473
Commercial real estate	354,866	14,590	9,350	-	378,806
Commercial	69,869	761	290	-	70,920
Consumer	7,050	-	99	-	7,149
Total	$ 807,746	$ 26,798	$ 26,009	$ -	$ 860,553

(Dollars in thousands)	Pass/Performing	Special Mention	Substandard	Doubtful	Total
December 31, 2015					
Construction	$ 70,214	$ 3,903	$ 11,515	$ -	$ 85,632
Residential real estate	290,857	8,837	7,369	-	307,063
Commercial real estate	302,438	18,699	9,116	-	330,253
Commercial	63,628	1,075	208	-	64,911
Consumer	7,107	26	122	-	7,255
Total	$ 734,244	$ 32,540	$ 28,330	$ -	$ 795,114

The following tables provide information on the aging of the loan portfolio as of September 30, 2016 and December 31, 2015.

	Accruing						
		30-59 days	60-89 days	Greater than	Total		
(Dollars in thousands)	Current	past due	past due	90 days	past due	Nonaccrual	Total
September 30, 2016							
Construction	$ 73,850	$ -	$ -	$ -	$ -	$ 5,355	$ 79,205
Residential real estate	317,245	2,164	1,180	58	3,402	3,826	324,473
Commercial real estate	375,039	260	1,333	-	1,593	2,174	378,806
Commercial	70,840	27	12	5	44	36	70,920
Consumer	7,012	33	4	1	38	99	7,149
Total	$ 843,986	$ 2,484	$ 2,529	$ 64	$ 5,077	$ 11,490	$ 860,553
Percent of total loans	98.1 %	0.3 %	0.3 %	- %	0.6 %	1.3 %	100.0 %

	Accruing						
		30-59 days	60-89 days	Greater than	Total		
(Dollars in thousands)	Current	past due	past due	90 days	past due	Nonaccrual	Total
December 31, 2015							
Construction	$ 78,082	$ 21	$ -	$ -	$ 21	$ 7,529	$ 85,632
Residential real estate	300,562	2,139	2,102	-	4,241	2,260	307,063
Commercial real estate	327,370	-	861	-	861	2,022	330,253
Commercial	64,670	49	31	-	80	161	64,911
Consumer	7,108	13	6	7	26	121	7,255
Total	$ 777,792	$ 2,222	$ 3,000	$ 7	$ 5,229	$ 12,093	$ 795,114
Percent of total loans	97.8 %	0.3 %	0.4 %	- %	0.7 %	1.5 %	100.0 %

Management evaluates the adequacy of the allowance for credit losses at least quarterly and adjusts the provision for credit losses based on this analysis. The following tables provide a summary of the activity in the allowance for credit losses allocated by loan class for the three months and nine months ended September 30, 2016 and 2015. Allocation of a portion of the allowance to one loan class does not preclude its availability to absorb losses in other loan classes.

Management re-evaluated the allowance methodology during the third quarter of 2016, the result of the consolidation of the two former bank subsidiaries. Prior to consolidation, each bank subsidiary applied a separate allowance methodology based on their respective loan portfolios. The revised methodology incorporates both previous methodologies to align with a consolidated loan portfolio.

(Dollars in thousands)	Construction	Residential real estate	Commercial real estate	Commercial	Consumer	Unallocated	Total
For three months ended September 30, 2016							
Allowance for credit losses:							
Beginning Balance	$ 1,744	$ 2,035	$ 2,871	$ 677	$ 206	$ 825	$ 8,358
Charge-offs	(9)	(407)	-	(139)	(13)	-	(568)
Recoveries	8	121	10	79	1	-	219
Net charge-offs	(1)	(286)	10	(60)	(12)	-	(349)
Provision	275	331	306	300	(40)	(567)	605
Ending Balance	$ 2,018	$ 2,080	$ 3,187	$ 917	$ 154	$ 258	$ 8,614

(Dollars in thousands)	Construction	Residential real estate	Commercial real estate	Commercial	Consumer	Unallocated	Total
For three months ended September 30, 2015							
Allowance for credit losses:							
Beginning Balance	$ 1,852	$ 2,318	$ 2,616	$ 505	$ 168	$ 458	$ 7,917
Charge-offs	(479)	(26)	-	(136)	-	-	(641)

Recoveries	9	102	233	60	8	-	412
Net charge-offs	(470)	76	233	(76)	8	-	(229)
Provision	460	(103)	(38)	70	(20)	41	410
Ending Balance	$ 1,842	$ 2,291	$ 2,811	$ 499	$ 156	$ 499	$ 8,098

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(Dollars in thousands)	Construction	Residential real estate	Commercial real estate	Commercial	Consumer	Unallocated	Total
For nine months ended September 30, 2016							
Allowance for credit losses:							
Beginning Balance	$ 1,646	$ 2,181	$ 2,999	$ 558	$ 156	$ 776	$ 8,316
Charge-offs	(263)						