FIRST BUSINESS FINANCIAL SERVICES, INC.
Form 10-Q
April 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
þ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2016
OR
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission file number 001-34095
FIRST BUSINESS FINANCIAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Wisconsin	39-1576570
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

401 Charmany Drive, Madison, WI	53719
(Address of Principal Executive Offices)	(Zip Code)

(608) 238-8008
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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 þ 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. (Check one):

Large accelerated filer ¨	Accelerated filer þ	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 Exchange Act). Yes ¨ No þ

The number of shares outstanding of the registrant's sole class of common stock, par value $0.01 per share, on April 22, 2016 was 8,700,172 shares.

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PART I. Financial Information
Item 1. Financial Statements
First Business Financial Services, Inc.
Consolidated Balance Sheets

	March 31, 2016 (unaudited)	December 31, 2015
	(In Thousands, Except Share Data)	
Assets		
Cash and due from banks	$13,094	$14,640
Short-term investments	91,760	98,924
Cash and cash equivalents	104,854	113,564
Securities available-for-sale, at fair value	140,823	140,548
Securities held-to-maturity, at amortized cost	36,485	37,282
Loans held for sale	1,697	2,702
Loans and leases receivable, net of allowance for loan and lease losses of $16,684 and $16,316, respectively	1,431,902	1,414,649
Premises and equipment, net	3,868	3,954
Foreclosed properties	1,677	1,677
Cash surrender value of bank-owned life insurance	28,541	28,298
Investment in Federal Home Loan Bank and Federal Reserve Bank stock, at cost	2,734	2,843
Accrued interest receivable and other assets	24,945	24,071
Goodwill and other intangible assets	12,606	12,493
Total assets	$1,790,132	$1,782,081
Liabilities and Stockholders' Equity		
Deposits	$1,581,588	$1,577,231
Federal Home Loan Bank and other borrowings	35,011	34,740
Junior subordinated notes	9,993	9,990
Accrued interest payable and other liabilities	8,341	9,288
Total liabilities	1,634,933	1,631,249
Stockholders' equity:		
Preferred stock, $0.01 par value, 2,500,000 shares authorized, none issued or outstanding	—	—
Common stock, $0.01 par value, 25,000,000 shares authorized, 8,923,236 and 8,922,375 shares issued, 8,700,172 and 8,699,410 shares outstanding, at March 31, 2016 and December 31, 2015, respectively	89	89
Additional paid-in capital	76,851	76,549
Retained earnings	84,089	80,584
Accumulated other comprehensive income (loss)	482	(80)
Treasury stock, 223,064 and 222,965 shares at March 31, 2016 and December 31, 2015, respectively, at cost	(6,312)	(6,310)
Total stockholders' equity	155,199	150,832
Total liabilities and stockholders' equity	$1,790,132	$1,782,081

See accompanying Notes to Unaudited Consolidated Financial Statements.

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First Business Financial Services, Inc.
Consolidated Statements of Income (Unaudited)

	For the Three Months Ended March 31,	
	2016	2015
	(In Thousands, Except Per Share Data)	
Interest income:		
Loans and leases	$18,445	$17,325
Securities income	722	776
Short-term investments	176	115
Total interest income	19,343	18,216
Interest expense:		
Deposits	3,053	2,569
Notes payable and other borrowings	474	443
Junior subordinated notes	277	274
Total interest expense	3,804	3,286
Net interest income	15,539	14,930
Provision for loan and lease losses	525	684
Net interest income after provision for loan and lease losses	15,014	14,246
Non-interest income:		
Trust and investment services fee income	1,273	1,207
Gain on sale of SBA loans	1,376	505
Gain on sale of residential mortgage loans	145	148
Service charges on deposits	742	696
Loan fees	609	502
Increase in cash surrender value of bank-owned life insurance	243	234
Other	206	556
Total non-interest income	4,594	3,848
Non-interest expense:		
Compensation	8,370	7,354
Occupancy	508	500
Professional fees	861	989
Data processing	651	530
Marketing	734	642
Equipment	280	308
FDIC insurance	291	213
Collateral liquidation costs	47	302
Net gain on foreclosed properties	—	(16)
Other	957	910
Total non-interest expense	12,699	11,732
Income before income tax expense	6,909	6,362
Income tax expense	2,362	2,170
Net income	$4,547	$4,192
Earnings per common share:		
Basic	$0.52	$0.48
Diluted	$0.52	$0.48

Dividends declared per share	$0.12	$0.11

See accompanying Notes to Unaudited Consolidated Financial Statements.

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First Business Financial Services, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)

	For the Three Months Ended March 31,	
	2016	2015
	(In Thousands)	
Net income	$4,547	$4,192
Other comprehensive income, before tax		
Securities available-for-sale:		
Net unrealized securities gains arising during the period	876	765
Securities held-to-maturity:		
Amortization of net unrealized losses transferred from available-for-sale	40	63
Income tax expense	(354)	(320)
Total other comprehensive income	$562	$508
Comprehensive income	$5,109	$4,700

See accompanying Notes to Unaudited Consolidated Financial Statements.

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First Business Financial Services, Inc.
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

	Common shares outstanding	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock	Total
	(In Thousands, Except Share Data)						
Balance at December 31, 2014	8,671,854	$ 45	$ 74,963	$ 67,886	$ 218	$ (5,364)	$ 137,748
Net income	—	—	—	4,192	—	—	4,192
Other comprehensive income	—	—	—	—	508	—	508
Exercise of stock options	24,000	1	300	—	—	—	301
Share-based compensation - restricted shares	(5,788)	—	234	—	—	—	234
Share-based compensation - tax benefits	—	—	74	—	—	—	74
Cash dividends ($0.11 per share)	—	—	—	(954)	—	—	(954)
Treasury stock purchased	(17,744)	—	—	—	—	(414)	(414)
Balance at March 31, 2015	8,672,322	$ 46	$ 75,571	$ 71,124	$ 726	$ (5,778)	$ 141,689

	Common shares outstanding	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock	Total
	(In Thousands, Except Share Data)						
Balance at December 31, 2015	8,699,410	$ 89	$ 76,549	$ 80,584	$ (80)	$ (6,310)	$ 150,832
Net income	—	—	—	4,547	—	—	4,547
Other comprehensive income	—	—	—	—	562	—	562
Issuance of common stock	1,250	—	27	—	—	—	27
Share-based compensation - restricted shares	(389)	—	269	—	—	—	269
Share-based compensation - tax benefits	—	—	6	—	—	—	6
Cash dividends ($0.12 per share)	—	—	—	(1,042)	—	—	(1,042)
Treasury stock purchased	(99)	—	—	—	—	(2)	(2)
Balance at March 31, 2016	8,700,172	$ 89	$ 76,851	$ 84,089	$ 482	$ (6,312)	$ 155,199

See accompanying Notes to Unaudited Consolidated Financial Statements.

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First Business Financial Services, Inc.
Consolidated Statements of Cash Flows (Unaudited)

	For the Three Months Ended March 31, 2016	2015
	(In Thousands)	
Operating activities		
Net income	$4,547	$4,192
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes, net	(98)	648
Provision for loan and lease losses	525	684
Depreciation, amortization and accretion, net	355	(660)
Share-based compensation	296	234
Increase in cash surrender value of bank-owned life insurance	(243)	(234)
Origination of loans for sale	(17,802)	(15,499)
Sale of loans originated for sale	26,104	15,096
Gain on sale of loans originated for sale	(1,521)	(653)
Net gain on foreclosed properties, including impairment valuation	—	(16)
Excess tax benefit from share-based compensation	(6)	(74)
Increase in accrued interest receivable and other assets	(657)	(394)
Decrease in accrued interest payable and other liabilities	(1,685)	(562)
Net cash provided by operating activities	9,815	2,762
Investing activities		
Proceeds from maturities, redemptions and paydowns of available-for-sale securities	9,126	10,845
Proceeds from maturities, redemptions and paydowns of held-to-maturity securities	802	984
Purchases of available-for-sale securities	(8,802)	(8,636)
Proceeds from sale of foreclosed properties	—	143
Net increase in loans and leases	(23,321)	(14,413)
Distributions from limited partnerships	—	332
Investment in FHLB and FRB Stock	(7)	(458)
Proceeds from sale of FHLB Stock	116	—
Purchases of leasehold improvements and equipment, net	(113)	(119)
Net cash used in investing activities	(22,199)	(11,322)
Financing activities		
Net increase in deposits	4,412	47,704
Repayment of FHLB advances	(1,500)	—
Net increase in short-term borrowed funds	1,800	500
Excess tax benefit from share-based compensation	6	74
Cash dividends paid	(1,042)	(954)
Exercise of stock options	—	300
Purchase of treasury stock	(2)	(414)
Net cash provided by financing activities	3,674	47,210
Net (decrease) increase in cash and cash equivalents	(8,710)	38,650
Cash and cash equivalents at the beginning of the period	113,564	103,237
Cash and cash equivalents at the end of the period	$104,854	$141,887
Supplementary cash flow information		
Cash paid during the period for:		
Interest paid on deposits and borrowings	$3,633	$3,117
Income taxes paid	1,521	525

Non-cash investing and financing activities:		
Transfer of loans from held-to-maturity to held-for-sale	5,776	2,130

See accompanying Notes to Unaudited Consolidated Financial Statements.

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Notes to Unaudited Consolidated Financial Statements

Note 1 — Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations. The accounting and reporting practices of First Business Financial Services, Inc. (the “Corporation”), its wholly owned subsidiaries, First Business Bank (“FBB”), First Business Bank – Milwaukee (“FBB – Milwaukee”) and Alterra Bank (“Alterra”), have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). FBB, FBB – Milwaukee and Alterra are sometimes referred to together as the “Banks.” FBB operates as a commercial banking institution in the Madison, Wisconsin market, consisting primarily of Dane County and the surrounding areas, with loan production offices in Northeast Wisconsin. FBB also offers trust and investment services through First Business Trust & Investments (“FBTI”), a division of FBB. FBB – Milwaukee operates as a commercial banking institution in the Milwaukee, Wisconsin market, consisting primarily of Waukesha County and the surrounding areas, with a loan production office in Kenosha, Wisconsin. Alterra operates as a commercial banking institution in the Kansas City market and the surrounding areas. The Banks provide a full range of financial services to businesses, business owners, executives, professionals and high net worth individuals. The Banks are subject to competition from other financial institutions and service providers and are also subject to state and federal regulations. FBB has the following wholly owned subsidiaries: First Business Capital Corp. (“FBCC”), First Madison Investment Corp. (“FMIC”), First Business Equipment Finance, LLC (“FBEF”), Rimrock Road Investment Fund, LLC (“Rimrock Road”) and BOC Investment, LLC (“BOC”). FMIC is located in and was formed under the laws of the state of Nevada. FBB-Milwaukee has one subsidiary, FBB – Milwaukee Real Estate, LLC (“FBBMRE”).

Basis of Presentation. The accompanying unaudited Consolidated Financial Statements were prepared in accordance with GAAP and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Corporation’s Consolidated Financial Statements and footnotes thereto included in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2015. The unaudited Consolidated Financial Statements include the accounts of the Corporation and its wholly owned subsidiaries. In accordance with the provisions of Accounting Standards Codification (“ASC”) Topic 810, the Corporation’s ownership interest in FBFS Statutory Trust II (“Trust II”) has not been consolidated into the financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Management of the Corporation is required 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 as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that could significantly change in the near-term include the value of foreclosed property, lease residuals, property under operating leases, securities, income taxes and the level of the allowance for loan and lease losses. The results of operations for the three-month period ended March 31, 2016 are not necessarily indicative of results that may be expected for any other interim period or the entire fiscal year ending December 31, 2015. Certain amounts in prior periods may have been reclassified to conform to the current presentation. Subsequent events have been evaluated through the date of the issuance of the Consolidated Financial Statements. No significant subsequent events have occurred through this date requiring adjustment to the financial statements or disclosures.

The Corporation has not changed its significant accounting and reporting policies from those disclosed in the Corporation’s Form 10-K for the year ended December 31, 2015 except as described further below in this Note 1.

Recent Accounting Pronouncements

In February 2015, the FASB issued ASU 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis.” The ASU changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity (“VIE”), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. It also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. The new guidance excludes money market funds that are required to comply with Rule 2a-7 of the Investment Company Act of 1940 and similar entities from the U.S. GAAP consolidation requirements. The new consolidation guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. At the effective date, all previous consolidation analysis that the guidance affects must be reconsidered. This includes the consolidation analysis for all VIEs and for all limited partnerships and similar entities that previously were consolidated by the general partner even though the entities were not VIEs. The Corporation adopted the standard during the first quarter of 2016, as required, with no material impact on its results of operations, financial position, or liquidity.

In April 2015, the FASB issued ASU 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” The ASU requires that debt issuance costs related to recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Prior to this ASU, debt issuance costs were required to be presented as an asset. The ASU is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. In August 2015, the FASB expanded this amendment to include SEC staff views related to debt issuance costs associated with line-of-credit arrangements. The SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This amendment is also effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Corporation adopted the standards during the first quarter of 2016, as required, and reclassified $792,000 and $810,000 of debt issuance costs from other assets and presented as a deduction from the debt liability as of March 31, 2016 and December 31, 2015, respectively. The adoption of the standards did not have a material impact on the Corporation’s consolidated results of operations, financial position, or liquidity.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” with an original effective date for annual reporting periods beginning after December 15, 2016. The ASU is a converged standard between the FASB and the IASB that provides a single comprehensive revenue recognition model for all contracts with customers across transactions and industries. The primary objective of the ASU is revenue recognition that represents 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. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 to annual and interim reporting periods in fiscal years beginning after December 15, 2017. Earlier application is permitted only as of annual and interim reporting periods in fiscal years beginning after December 15, 2016. In March 2016, the FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net.” The ASU intends to improve the operability and understandability of the implementation guidance of ASU 2014-09 on principal versus agent considerations. The Corporation intends to adopt the accounting standards during the first quarter of 2018, as required, and is currently evaluating the impact on its results of operations, financial position, and liquidity.

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations (Topic 805).” The ASU intends to simplify the accounting for measurement adjustments to prior business combinations. The amendment requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer must record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendment also requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This amendment is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this amendment with earlier application permitted for financial statements that have not been issued. The Corporation adopted the standard during the first quarter of 2016, as required, with no material impact on its results of operations, financial position, or liquidity.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments (Subtopic 825-10).” The ASU amends certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This amendment supersedes the guidance to classify equity securities with readily determinable fair values into different categories, requires equity securities to be measured at fair value with changes in the fair value recognized through net income, and simplifies the impairment assessment of equity investments without readily determinable fair values. The amendment requires public business entities that are required to disclose the fair value of financial instruments measured at amortized cost on the balance sheet to measure that fair value using the exit price notion. The amendment 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. The amendment requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the accompanying notes to the financial statements. The amendment reduces diversity in current practice by clarifying that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the entity’s other deferred tax assets. This amendment is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Entities should apply the amendment by means of a cumulative-effect adjustment as of the beginning of the fiscal year of adoption, with the exception of the amendment related to equity securities without readily determinable fair values, which should be applied prospectively to

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equity investments that exist as of the date of adoption. The Corporation intends to adopt the accounting standard during the first quarter of 2018, as required, and is currently evaluating the impact on its results of operations, financial position, and liquidity.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” The ASU intends to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities and disclosing key information about leasing arrangements. The ASU will require lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessees’ obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The ASU is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Corporation intends to adopt the accounting standard during the first quarter of 2019, as required, and is currently evaluating the impact on its results of operations, financial position, and liquidity.

Note 2 — Earnings Per Common Share

Earnings per common share are computed using the two-class method. Basic earnings per common share are computed by dividing net income allocated to common shares by the weighted average number of shares outstanding during the applicable period, excluding outstanding participating securities. Participating securities include unvested restricted shares. Unvested restricted shares are considered participating securities because holders of these securities receive non-forfeitable dividends at the same rate as holders of the Corporation’s common stock. Diluted earnings per share are computed by dividing net income allocated to common shares, adjusted for reallocation of undistributed earnings of unvested restricted shares, by the weighted average number of shares determined for the basic earnings per common share computation plus the dilutive effect of common stock equivalents using the treasury stock method. There were no anti-dilutive employee share-based awards for the three-month periods ended March 31, 2016 and 2015.

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	For the Three Months Ended March 31,	
	2016	2015
	(Dollars in Thousands, Except Per Share Data)	
Basic earnings per common share		
Net income	$4,547	$ 4,192
Less: earnings allocated to participating securities	70	73
Basic earnings allocated to common shareholders	$4,477	$ 4,119
Weighted-average common shares outstanding, excluding participating securities	8,565,05[illegible]	8,525,127
Basic earnings per common share	$0.52	$ 0.48
Diluted earnings per common share		
Earnings allocated to common shareholders, diluted	$4,477	$ 4,119
Weighted-average common shares outstanding, excluding participating securities	8,565,05[illegible]	8,525,127
Dilutive effect of share-based awards	—	4,531
Weighted-average diluted common shares outstanding, excluding participating securities	8,565,05[illegible]	8,529,658
Diluted earnings per common share	$0.52	$ 0.48

Note 3 — Share-Based Compensation

The Corporation adopted the 2012 Equity Incentive Plan (the “Plan”) during the quarter ended June 30, 2012. The Plan is administered by the Compensation Committee of the Board of Directors of the Corporation and provides for the grant of equity ownership opportunities through incentive stock options and nonqualified stock options (together, “Stock Options”), restricted stock, restricted stock units, dividend equivalent units, and any other type of award permitted by the Plan. As of March 31, 2016, 310,584 shares were available for future grants under the Plan. Shares covered by awards that expire, terminate or lapse will again be available for the grant of awards under the Plan. The Corporation may issue new shares and shares from treasury for shares delivered under the Plan.

Stock Options

The Corporation may grant Stock Options to senior executives and other employees under the Plan. Stock Options generally have an exercise price that is equal to the fair value of the common shares on the date the option is awarded. Stock Options granted under the Plan are subject to graded vesting, generally ranging from 4 years to 8 years, and have a contractual term of 10 years. For any new awards issued, compensation expense is recognized over the requisite service period for the entire award on a straight-line basis. No Stock Options have been granted since the Corporation became a reporting company under the Securities Exchange Act of 1934, as amended, and no Stock Options have been modified, repurchased or canceled since such time. For that reason, no stock-based compensation expense related to Stock Options was recognized in the Consolidated Financial Statements for the three months ended March 31, 2016 and 2015. The benefits of tax deductions as a result of disqualifying dispositions upon exercise of stock options are recognized as a financing cash flow. No Stock Options remained outstanding as of March 31, 2016 and December 31, 2015.

Restricted Stock

Under the Plan, the Corporation may grant restricted shares to plan participants, subject to forfeiture upon the occurrence of certain events until the dates specified in the participant’s award agreement. While the restricted shares are subject to forfeiture, the participant may exercise full voting rights and will receive all dividends and other distributions paid with respect to the

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restricted shares. The restricted shares granted under the Plan are typically subject to a vesting period. Compensation expense is recognized over the requisite service period of generally four years for the entire award on a straight-line basis. Upon vesting of restricted share awards, the benefit of tax deductions in excess of recognized compensation expense is recognized as a financing cash flow activity.
Restricted share activity for the year ended December 31, 2015 and the three months ended March 31, 2016 was as follows:

	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Nonvested balance as of December 31, 2014	154,998	$ 16.97
Granted	53,790	22.52
Vested	(64,874)	15.23
Forfeited	(8,443)	15.03
Nonvested balance as of December 31, 2015	135,471	20.13
Granted	2,905	21.68
Vested	(2,246)	21.35
Forfeited	(2,044)	14.50
Nonvested balance as of March 31, 2016	134,086	$ 20.23

As of March 31, 2016, the Corporation had $2.0 million of deferred compensation expense, which the Corporation expects to recognize over a weighted-average period of approximately 2.63 years. As of March 31, 2016, all restricted shares that vested were issued.

For the three months ended March 31, 2016 and 2015, share-based compensation expense related to restricted stock included in the Consolidated Statements of Income was as follows:

	For the Three Months Ended March 31,	
	2016	2015
	(In Thousands)	
Share-based compensation expense	$ 296	$ 234

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Note 4 — Securities

The amortized cost and estimated fair value of securities available-for-sale and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows:

	As of March 31, 2016			
	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
	(In Thousands)			
Available-for-sale:				
U.S. Government agency obligations - government-sponsored enterprises	$8,047	$ 34	$ (14)	$8,067
Municipal obligations	5,176	22	(4)	5,194
Asset-backed securities	1,279	—	(60)	1,219
Collateralized mortgage obligations - government issued	39,577	836	(32)	40,381
Collateralized mortgage obligations - government-sponsored enterprises	85,525	509	(72)	85,962
	$139,604	$ 1,401	$ (182)	$140,823

	As of December 31, 2015			
	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
	(In Thousands)			
Available-for-sale:				
U.S. Government agency obligations - government-sponsored enterprises	$8,047	$ 2	$ (32)	$8,017
Municipal obligations	4,278	12	(7)	4,283
Asset-backed securities	1,327	$ —	(58)	1,269
Collateralized mortgage obligations - government issued	43,845	814	(116)	44,543
Collateralized mortgage obligations - government-sponsored enterprises	82,707	145	(416)	82,436
	$140,204	$ 973	$ (629)	$140,548

The amortized cost and estimated fair value of securities held-to-maturity and the corresponding amounts of gross unrecognized gains and losses were as follows:

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	As of March 31, 2016			
	Amortized cost	Gross unrecognized holding gains	Gross unrecognized holding losses	Estimated fair value
	(In Thousands)			
Held-to-maturity:				
U.S. Government agency obligations - government-sponsored enterprises	$1,496	$ 6	$ (3)	$ 1,499
Municipal obligations	16,026	443	(7)	16,462
Collateralized mortgage obligations - government issued	11,176	144	(1)	11,319
Collateralized mortgage obligations - government-sponsored enterprises	7,787	146	—	7,933
	$36,485	$ 739	$ (11)	$ 37,213

	As of December 31, 2015			
	Amortized cost	Gross unrecognized holding gains	Gross unrecognized holding losses	Estimated fair value
	(In Thousands)			
Held-to-maturity:				
U.S. Government agency obligations - government-sponsored enterprises	$1,495	$ 1	$ (11)	$ 1,485
Municipal obligations	16,038	332	(5)	16,365
Collateralized mortgage obligations - government issued	11,718	32	(41)	11,709
Collateralized mortgage obligations - government-sponsored enterprises	8,031	12	(44)	7,999
	$37,282	$ 377	$ (101)	$ 37,558

U.S. Government agency obligations - government-sponsored enterprises represent securities issued by the Federal Home Loan Mortgage Corporation (“FHLMC”) and Federal National Mortgage Association (“FNMA”). Collateralized mortgage obligations - government issued represent securities guaranteed by the Government National Mortgage Association (“GNMA”). Collateralized mortgage obligations - government-sponsored enterprises include securities guaranteed by the FHLMC and the FNMA. Asset-backed securities represent securities issued by the Student Loan Marketing Association (“SLMA”) which are 97% guaranteed by the U.S. government. Municipal obligations include securities issued by various municipalities located primarily within the State of Wisconsin and are primarily general obligation bonds that are tax-exempt in nature. There were no sales of securities available-for-sale for the three months ended March 31, 2016 and 2015.

At March 31, 2016 and December 31, 2015, securities with a fair value of $21.2 million and $23.0 million, respectively, were pledged to secure interest rate swap contracts, outstanding Federal Home Loan Bank (“FHLB”) advances, if any, and additional FHLB availability.
The amortized cost and estimated fair value of securities by contractual maturity at March 31, 2016 are shown below. Actual maturities may differ from contractual maturities because issuers have the right to call or prepay certain obligations without call or prepayment penalties.

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	As of March 31, 2016			
	Available-for-Sale		Held-to-Maturity	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
	(In Thousands)			
Due in one year or less	$1,000	$1,000	$—	$—
Due in one year through five years	14,019	14,089	4,794	4,847
Due in five through ten years	91,048	91,897	12,727	13,113
Due in over ten years	33,537	33,837	18,964	19,253
	$139,604	$140,823	$36,485	$37,213

The tables below show the Corporation's gross unrealized losses and fair value of available-for-sale investments with unrealized losses, aggregated by investment category and length of time that individual investments were in a continuous loss position at March 31, 2016 and December 31, 2015. At March 31, 2016 , the Corporation held 35 available-for-sale securities that were in an unrealized loss position, respectively. Such securities have not experienced credit rating downgrades; however, they have primarily declined in value due to the current interest rate environment. At March 31, 2016, the Corporation held 10 available-for-sale securities that had been in a continuous unrealized loss position for twelve months or greater.

The Corporation also has not specifically identified available-for-sale securities in a loss position that it intends to sell in the near term and does not believe that it will be required to sell any such securities. The Corporation reviews its securities on a quarterly basis to monitor its exposure to other-than-temporary impairment. Consideration is given to such factors as the length of time and extent to which the security has been in an unrealized loss position, changes in security ratings, and an evaluation of the present value of expected future cash flows, if necessary. Based on the Corporation's evaluation, it is expected that the Corporation will recover the entire amortized cost basis of each security. Accordingly, no other than temporary impairment was recorded in the Consolidated Statements of Income for the three months ended March 31, 2016 and 2015.

A summary of unrealized loss information for securities available-for-sale, categorized by security type follows:

	As of March 31, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	(In Thousands)					
Available-for-sale:						
U.S. Government agency obligations - government-sponsored enterprises	$1,746	$ 4	$1,990	$ 10	$3,736	$ 14
Municipal obligations	913	2	414	2	1,327	4
Asset-backed securities	1,219	60	—	—	1,219	60
Collateralized mortgage obligations - government issued	442	1	2,865	31	3,307	32
Collateralized mortgage obligations - government-sponsored enterprises	19,558	56	1,682	16	21,240	72
	$23,878	$ 123	$6,951	$ 59	$30,829	$ 182

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	As of December 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	(In Thousands)					
Available-for-sale:						
U.S. Government agency obligations - government-sponsored enterprises	$3,536	$ 13	$1,981	$ 19	$5,517	$ 32
Municipal obligations	2,403	7	—	—	2,403	7
Asset-backed securities	1,269	$ 58	—	—	1,269	58
Collateralized mortgage obligations - government issued	3,373	19	5,687	97	9,060	116
Collateralized mortgage obligations - government-sponsored enterprises	59,992	373	1,717	43	61,709	416
	$70,573	$ 470	$9,385	$ 159	$79,958	$ 629

The tables below show the Corporation’s gross unrecognized losses and fair value of held-to-maturity investments, aggregated by investment category and length of time that individual investments were in a continuous loss position at March 31, 2016 and December 31, 2015. At March 31, 2016, the Corporation held five held-to-maturity securities that were in an unrecognized loss position, respectively. Such securities have not experienced credit rating downgrades; however, they have primarily declined in value due to the current interest rate environment. There were four held-to-maturity securities that were in a continuous unrecognized loss position for twelve months or greater as of March 31, 2016. It is expected that the Corporation will recover the entire amortized cost basis of each held-to-maturity security based upon an evaluation of the present value of the expected future cash flows. Accordingly, no other than temporary impairment was recorded in the Consolidated Statements of Income for the three months ended March 31, 2016.

A summary of unrecognized loss information for securities held-to-maturity, categorized by security type follows:

	As of March 31, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrecognized losses	Fair value	Unrecognized losses	Fair value	Unrecognized losses
	(In Thousands)					
Held-to-maturity:						
U.S. Government agency obligations - government-sponsored enterprises	$—	$ —	$1,000	$ 3	$1,000	$ 3
Municipal obligations	268	1	206	6	474	7
Collateralized mortgage obligations - government issued	—	—	605	1	605	1
Collateralized mortgage obligations - government-sponsored enterprises	—	—	—	—	—	—
	$268	$ 1	$1,811	$ 10	$2,079	$ 11

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	As of December 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrecognized losses	Fair value	Unrecognized losses	Fair value	Unrecognized losses
	(In Thousands)					
Held-to-maturity:						
U.S. Government agency obligations - government-sponsored enterprises	$—	$ —	$1,000	$ 11	$1,000	$ 11
Municipal obligations	436	4	199	1	635	5
Collateralized mortgage obligations - government issued	6,518	41	—	—	6,518	41
Collateralized mortgage obligations - government-sponsored enterprises	5,168	44	—	—	5,168	44
	$12,122	$ 89	$1,199	$ 12	$13,321	$ 101

Note 5 — Loan and Lease Receivables, Impaired Loans and Leases and Allowance for Loan and Lease Losses

Loan and lease receivables consist of the following:

	March 31, 2016	December 31, 2015
	(In Thousands)	
Commercial real estate		
Commercial real estate — owner occupied	$174,286	$ 176,322
Commercial real estate — non-owner occupied	441,539	436,901
Construction and land development	179,778	160,404
Multi-family	84,004	80,254
1-4 family (1)	52,620	51,607
Total commercial real estate	932,227	905,488
Commercial and industrial (2)	461,573	473,592
Direct financing leases, net	31,617	31,093
Consumer and other		
Home equity and second mortgages	7,366	8,237
Other	18,510	16,319
Total consumer and other	25,876	24,556
Total gross loans and leases receivable	1,451,293	1,434,729
Less:		
Allowance for loan and lease losses	16,684	16,316
Deferred loan fees	1,010	1,062
Loans and leases receivable, net	$1,433,599	$ 1,417,351

(1) Includes residential real estate loans held for sale totaling $1.7 million as of March 31, 2016 and $1.3 million as of December 31, 2015.

(2) Includes guaranteed portion of SBA loans held for sale totaling $1.4 million as of December 31, 2015. No guaranteed portion of SBA loans were held for sale as of March 31, 2016.

Loans transferred to third parties consist of the guaranteed portion of SBA loans as well as participation interests in other originated loans. The total principal amount of loans transferred during the three months ended March 31, 2016 and 2015 was $18.1 million and $15.8 million, respectively. Each of the transfers of these financial assets met the qualifications for sale accounting, including the requirements specific to loan participations, and therefore all of the loans transferred during the three months ended March 31, 2016 and December 31, 2015 have been derecognized in the unaudited Consolidated Financial Statements. The Corporation has a continuing involvement in each of the agreements by way of relationship management and servicing the loans; however, there are no further obligations to the third-party participant required of the Corporation, other than standard representations and warranties related to sold amounts, that would preclude the application of sale accounting treatment. The guaranteed portion of SBA loans were transferred at their fair value and the related gain was recognized upon the transfer as non-interest income in the unaudited Consolidated Financial Statements. No gain or loss was recognized on participation interests in other originated loans as they were transferred at or near the date of loan origination and the payments received for servicing the portion of the loans participated represents adequate compensation. The total amount of loan participations purchased on the Corporation's Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015 was $463,000 and $467,000, respectively.

The total amount of outstanding loans transferred to third parties as loan participations sold at March 31, 2016 and December 31, 2015 was $181.6 million and $169.2 million, respectively, all of which was treated as a sale and derecognized under the applicable accounting guidance at the time of the transfers of the financial assets. The Corporation's continuing involvement with these loans is by way of partial ownership, relationship management and all servicing responsibilities; however, there are no further obligations of the Corporation, other than standard representations and warranties to the sold amount, that would preclude the application of sale accounting treatment. As of March 31, 2016 and December 31, 2015, the total amount of the Corporation's partial ownership of loans on the Corporation's Consolidated Balance Sheets was $139.6 million and $136.8 million, respectively. As of March 31, 2016, $1.6 million loans in this participation sold portfolio were considered impaired as compared to $1.8 million as of December 31, 2015. The Corporation does not share in the participant's portion of the charge-offs.

The Corporation sells residential real estate loans, servicing released, in the secondary market. The total principal amount of residential real estate loans sold during the three months ended March 31, 2016 and March 31, 2015 was $7.2 million and $9.1 million, respectively. Each of the transfers of these financial assets met the qualifications for sale accounting, and therefore all of the loans transferred during the three months ended March 31, 2016 have been derecognized in the unaudited Consolidated Financial Statements. The Corporation has a continuing involvement in each of the transactions, including by way of relationship management and standard representations and warranties related to the sold amount; however, there are no further obligations of the Corporation that would would preclude the application of sale accounting treatment. The loans were transferred at their fair value and the related gain was recognized as non-interest income upon the transfer in the unaudited Consolidated Financial Statements.

According to ASC 310-30, Accounting for Certain Loans or Debt Securities Acquired in a Transfer, purchased credit-impaired loans exhibit evidence of deterioration in credit quality since origination for which it is probable at acquisition that the Corporation will be unable to collect all contractually required payments. Purchased credit-impaired loans are initially recorded at fair value, which is estimated by discounting the cash flows expected to be collected at the acquisition date. Because the estimate of expected cash flows reflects an estimate of future credit losses expected to be incurred over the life of the loans, an allowance for credit losses is not recorded at the acquisition date. The excess of cash flows expected at acquisition over the estimated fair value, referred to as the accretable yield, is recognized in interest income over the remaining life of the loan on a level-yield basis, contingent on the subsequent evaluation of future expected cash flows. The difference between the contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. A subsequent decrease in the estimate of cash flows expected to be received on purchased credit-impaired loans generally results in the recognition of an allowance for credit losses. Subsequent increases in cash flows result in reversal of any nonaccretable difference (or allowance for loan and lease losses to the extent any has been recorded) with a positive impact on interest income recognized. The measurement of cash flows involves assumptions and judgments for interest rates, prepayments, default rates, loss severity, and collateral values. All of these factors are inherently subjective and significant changes in the cash flow estimates over the life of the loan can result.

The following table reflects the contractually required payments receivable and fair value of the Corporation’s purchased credit impaired loans as of March 31, 2016 and December 31, 2015:

	March 31, 2016	December 31, 2015
	(In Thousands)	
Contractually required payments	$5,166	$ 5,291
Fair value of purchased credit impaired loans	$3,160	$ 3,250

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The following table presents a rollforward of the Corporation's accretable yield as of March 31, 2016 and December 31, 2015:

	As of and for the Three Months Ended March 31, 2016	As of and for the Year Ended December 31, 2015
	(In Thousands)	
Accretable yield, beginning of period	$414	$ 676
Accretion recognized in earnings	(33)	(50)
Reclassification to nonaccretable difference for loans with changing cash flows[1]	(9)	(60)
Changes in accretable yield for non-credit related changes in expected cash flows[2]	9	(152)
Accretable yield, end of period	$381	$ 414

(1) Represents changes in accretable yield for those loans that are driven primarily by credit performance.
(2) Represents changes in accretable yield for those loans that are driven primarily by changes in actual and estimated payments.

The following information illustrates ending balances of the Corporation's loan and lease portfolio, including impaired loans by class of receivable, and considering certain credit quality indicators as of March 31, 2016 and December 31, 2015:

As of March 31, 2016	Category I	II	III	IV	Total
	(Dollars in Thousands)				
Commercial real estate:					
Commercial real estate — owner occupied	$144,146	$14,184	$13,070	$2,886	$174,286
Commercial real estate — non-owner occupied	406,493	28,185	5,962	899	441,539
Construction and land development	165,735	6,215	3,127	4,701	179,778
Multi-family	83,487	517	—	—	84,004
1-4 family [1]	43,432	4,104	1,786	3,298	52,620
Total commercial real estate	843,293	53,205	23,945	11,784	932,227
Commercial and industrial	384,103	27,028	43,721	6,721	461,573
Direct financing leases, net	30,195	964	458	—	31,617
Consumer and other:					
Home equity and second mortgages	6,118	766	139	343	7,366
Other	17,846	23	—	641	18,510
Total consumer and other	23,964	789	139	984	25,876
Total gross loans and leases receivable	$1,281,555	$81,986	$68,263	$19,489	$1,451,293
Category as a % of total portfolio	88.31 %	5.65 %	4.70 %	1.34 %	100.00 %

(1) Includes residential real estate loans held for sale totaling $1.7 million in Category I.

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As of December 31, 2015	Category I	II	III	IV	Total
	(Dollars in Thousands)				
Commercial real estate:					
Commercial real estate — owner occupied	$156,379	$7,654	$9,311	$2,978	$176,322
Commercial real estate — non-owner occupied	410,517	20,662	3,408	2,314	436,901
Construction and land development	151,508	3,092	874	4,930	160,404
Multi-family	79,368	884	—	2	80,254
1-4 family (1)	42,389	3,985	1,865	3,368	51,607
Total commercial real estate	840,161	36,277	15,458	13,592	905,488
Commercial and industrial (2)	431,598	7,139	25,706	9,149	473,592
Direct financing leases, net	29,514	1,013	528	38	31,093
Consumer and other:					
Home equity and second mortgages	7,497	—	141	599	8,237
Other	15,616	48	—	655	16,319
Total consumer and other	23,113	48	141	1,254	24,556
Total gross loans and leases receivable	$1,324,386	$44,477	$41,833	$24,033	$1,434,729
Category as a % of total portfolio	92.30 %	3.10 %	2.92 %	1.68 %	100.00 %

(1) Includes residential real estate loans held for sale totaling $1.3 million in Category I.
(2) Includes guaranteed portion of SBA loans held for sale totaling $1.4 million in Category I.

Credit underwriting through a committee process is a key component of the Corporation's operating philosophy. Business development officers have relatively low individual lending authority limits, and thus a significant portion of the Corporation's new credit extensions require approval from a loan approval committee regardless of the type of loan or lease, asset quality grade of the credit, amount of the credit, or the related complexities of each proposal.

Each credit is evaluated for proper risk rating upon origination, at the time of each subsequent renewal, upon receipt and evaluation of updated financial information from the Corporation's borrowers, or as other circumstances dictate. The Corporation uses a nine grade risk rating system to monitor the ongoing credit quality of its loans and leases. The risk rating grades follow a consistent definition, and are then applied to specific loan types based on the nature of the loan. Each risk rating is subjective and, depending on the size and nature of the credit, subject to various levels of review and concurrence on the stated risk rating. In addition to its nine grade risk rating system, the Corporation groups loans into four loan and related risk categories which determine the level and nature of review by management.

Category I — Loans and leases in this category are performing in accordance with the terms of the contract and generally exhibit no immediate concerns regarding the security and viability of the underlying collateral, financial stability of the borrower, integrity or strength of the borrower's management team or the industry in which the borrower operates. Loans and leases in this category are not subject to additional monitoring procedures above and beyond what is required at the origination or renewal of the loan or lease. The Corporation monitors Category I loans and leases through payment performance, continued maintenance of its personal relationships with such borrowers and continued review of such borrowers' compliance with the terms of their respective agreements.

Category II — Loans and leases in this category are beginning to show signs of deterioration in one or more of the Corporation's core underwriting criteria such as financial stability, management strength, industry trends and collateral values. Management will place credits in this category to allow for proactive monitoring and resolution with the borrower to possibly mitigate the area of concern and prevent further deterioration or risk of loss to the Corporation. Category II loans are considered performing but are monitored frequently by the assigned business development officer and by subcommittees of the Banks’ loan committees.

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Category III — Loans and leases in this category are identified by management as warranting special attention. However, the balance in this category is not intended to represent the amount of adversely classified assets held by the Banks. Category III loans and leases generally exhibit undesirable characteristics such as evidence of adverse financial trends and conditions, managerial problems, deteriorating economic conditions within the related industry, or evidence of adverse public filings and may exhibit collateral shortfall positions. Management continues to believe that it will collect all contractual principal and interest in accordance with the original terms of the contracts relating to the loans and leases in this category, and therefore Category III loans are considered performing with no specific reserves established for this category. Category III loans are monitored by management and loan committees of the Banks on a monthly basis and the Banks' Boards of Directors at each of their regularly scheduled meetings.

Category IV — Loans and leases in this category are considered to be impaired. Impaired loans and leases have been placed on non-accrual as management has determined that it is unlikely that the Banks will receive the contractual principal and interest in accordance with the contractual terms of the agreement. Impaired loans are individually evaluated to assess the need for the establishment of specific reserves or charge-offs. When analyzing the adequacy of collateral, the Corporation obtains external appraisals at least annually for impaired loans and leases. External appraisals are obtained from the Corporation's approved appraiser listing and are independently reviewed to monitor the quality of such appraisals. To the extent a collateral shortfall position is present, a specific reserve or charge-off will be recorded to reflect the magnitude of the impairment. Loans and leases in this category are monitored by management and loan committees of the Banks on a monthly basis and the Banks' Boards of Directors at each of their regularly scheduled meetings.

Utilizing regulatory classification terminology, the Corporation identified $33.9 million and $26.8 million of loans and leases as Substandard as of March 31, 2016 and December 31, 2015, respectively. No loans were considered Special Mention, Doubtful or Loss as of either March 31, 2016 or December 31, 2015. The population of Substandard loans are a subset of Category III and Category IV loans.

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The delinquency aging of the loan and lease portfolio by class of receivable as of March 31, 2016 and December 31, 2015 is as follows:

As of March 31, 2016	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans
	(Dollars in Thousands)					
Accruing loans and leases						
Commercial real estate:						
Owner occupied	$—	$—	$—	$—	$171,469	$171,469
Non-owner occupied	234	354	—	588	440,689	441,277
Construction and land development	312	1,063	—	1,375	173,901	175,276
Multi-family	—	—	—	—	84,004	84,004
1-4 family	—	—	—	—	49,989	49,989
Commercial and industrial	—	—	—	—	454,855	454,855
Direct financing leases, net	—	—	—	—	31,617	31,617
Consumer and other:						
Home equity and second mortgages	—	—	—	—	7,076	7,076
Other	—	—	—	—	17,869	17,869
Total	546	1,417	—	1,963	1,431,469	1,433,432
Non-accruing loans and leases						
Commercial real estate:						
Owner occupied	$465	$—	$—	$465	$2,352	$2,817
Non-owner occupied	—	—	—	—	262	262
Construction and land development	—	—	391	391	4,111	4,502
Multi-family	—	—	—	—	—	—
1-4 family	—	741	945	1,686	945	2,631
Commercial and industrial	—	—	792	792	5,926	6,718
Direct financing leases, net	—	—	—	—	—	—
Consumer and other:						
Home equity and second mortgages	—	—	—	—	290	290
Other	—	—	641	641	—	641
Total	465	741	2,769	3,975	13,886	17,861
Total loans and leases						
Commercial real estate:						
Owner occupied	$465	$—	$—	$465	$173,821	$174,286
Non-owner occupied	234	354	—	588	440,951	441,539
Construction and land development	312	1,063	391	1,766	178,012	179,778
Multi-family	—	—	—	—	84,004	84,004
1-4 family	—	741	945	1,686	50,934	52,620
Commercial and industrial	—	—	792	792	460,781	461,573
Direct financing leases, net	—	—	—	—	31,617	31,617
Consumer and other:						
Home equity and second mortgages	—	—	—	—	7,366	7,366
Other	—	—	641	641	17,869	18,510
Total	$1,011	$2,158	$2,769	$5,938	$1,445,355	$1,451,293
Percent of portfolio	0.07 %	0.15 %	0.19 %	0.41 %	99.59 %	100.00 %

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As of December 31, 2015	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans
	(Dollars in Thousands)					
Accruing loans and leases						
Commercial real estate:						
Owner occupied	$ —	$ —	$ —	$ —	$ 173,416	$ 173,416
Non-owner occupied	—	—	—	—	435,222	435,222
Construction and land development	—	—	—	—	155,675	155,675
Multi-family	—	—	—	—	80,252	80,252
1-4 family	78	—	—	78	48,918	48,996
Commercial and industrial	—	—	—	—	464,456	464,456
Direct financing leases, net	—	—	—	—	31,055	31,055
Consumer and other:						
Home equity and second mortgages	—	—	—	—	7,695	7,695
Other	—	—	—	—	15,664	15,664
Total	78	—	—	78	1,412,353	1,412,431
Non-accruing loans and leases						
Commercial real estate:						