ESSA Bancorp, Inc.
Form 10-Q
February 09, 2017

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 December 31, 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 No. 001-33384

ESSA Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	20-8023072 (I.R.S. Employer Identification Number)
200 Palmer Street, Stroudsburg, Pennsylvania (Address of Principal Executive Offices)	18360 (Zip Code)

(570) 421-0531

(Registrant's telephone number)

N/A

(Former name or former address, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such 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 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 definition of "large accelerated filer" and "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	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

As of February 3, 2017 there were 11,498,042 shares of the Registrant's common stock, par value $0.01 per share, outstanding.

ESSA Bancorp, Inc.

FORM 10-Q

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Part I. Financial Information

Item 1. Financial Statements
ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	December 31, 2016	September 30, 2016
	(dollars in thousands)	
Cash and due from banks	$32,683	$31,815
Interest-bearing deposits with other institutions	7,168	11,843
Total cash and cash equivalents	39,851	43,658
Certificates of deposit	1,000	1,250
Investment securities available for sale, at fair value	392,113	390,410
Loans receivable (net of allowance for loan losses of $9,342 and $9,056)	1,224,021	1,219,213
Regulatory stock, at cost	16,680	15,463
Premises and equipment, net	16,674	16,844
Bank-owned life insurance	36,856	36,593
Foreclosed real estate	2,436	2,659
Intangible assets, net	2,324	2,487
Goodwill	13,801	13,801
Deferred income taxes	14,932	11,885
Other assets	17,922	18,216
TOTAL ASSETS	$1,778,610	$1,772,479
LIABILITIES		
Deposits	$1,192,941	$1,214,820
Short-term borrowings	174,918	129,460
Other borrowings	215,571	230,601
Advances by borrowers for taxes and insurance	7,719	4,956
Other liabilities	16,022	16,298
TOTAL LIABILITIES	1,607,171	1,596,135
STOCKHOLDERS' EQUITY		
Preferred Stock ($0.01 par value; 10,000,000 shares authorized, none issued)		
Common stock ($0.01 par value; 40,000,000 shares authorized, 18,133,095 issued; 11,463,785 and 11,393,558 outstanding at December 31, 2016 and September 30, 2016)	181	181
Additional paid in capital	181,072	181,900
Unallocated common stock held by the Employee Stock Ownership Plan (ESOP)	(9,061)	(9,174)
Retained earnings	88,628	87,638
Treasury stock, at cost; 6,669,310 and 6,739,537 shares outstanding at December 31,	(81,486)	(82,369)

2016 and September 30, 2016, respectively		
Accumulated other comprehensive loss	(7,895)	(1,832)
TOTAL STOCKHOLDERS' EQUITY	171,439	176,344
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,778,610	$1,772,479

See accompanying notes to the unaudited consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	For the Three Months Ended December 31,	
	2016	2015
	(dollars in thousands, except per share data)	
INTEREST INCOME		
Loans receivable, including fees	$12,251	$11,574
Investment securities:		
Taxable	1,874	1,818
Exempt from federal income tax	309	244
Other investment income	216	179
Total interest income	14,650	13,815
INTEREST EXPENSE		
Deposits	2,012	1,845
Short-term borrowings	251	94
Other borrowings	755	784
Total interest expense	3,018	2,723
NET INTEREST INCOME	11,632	11,092
Provision for loan losses	750	600
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	10,882	10,492
NONINTEREST INCOME		
Service fees on deposit accounts	864	863
Services charges and fees on loans	354	280
Trust and investment fees	150	213
Gain on sale of investments	—	3
Earnings on Bank-owned life insurance	263	230
Insurance commissions	193	199
Other	33	29
Total noninterest income	1,857	1,817
NONINTEREST EXPENSE		
Compensation and employee benefits	6,177	5,578
Occupancy and equipment	1,091	1,109
Professional fees	745	453
Data processing	934	919

Advertising	305	87
Federal Deposit Insurance Corporation (FDIC) premiums	187	278
Gain on foreclosed real estate	(96)	(10)
Merger related costs	—	245
Amortization of intangible assets	163	174
Other	896	953
Total noninterest expense	10,402	9,786
Income before income taxes	2,337	2,523
Income taxes	400	566
NET INCOME	$1,937	$1,957
Earnings per share		
Basic	$0.18	$0.19
Diluted	$0.18	$0.19
Dividends per share	$0.09	$0.09

See accompanying notes to the unaudited consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(UNAUDITED)

	Three Months Ended December 31, 2016	2015
	(dollars in thousands)	
Net income	$1,937	$1,957
Other comprehensive loss:		
Investment securities available for sale:		
Unrealized holding loss	(10,232)	(3,398)
Tax effect	3,479	1,154
Reclassification of gains recognized in net income	—	(3)
Tax effect	—	1
Net of tax amount	(6,753)	(2,246)
Pension plan adjustment:		
Reclassification adjustment related to actuarial losses	136	120
Tax effect	(46)	(41)
Net of tax amount	90	79
Derivative and hedging activities adjustments:		
Changes in unrealized holding gains on derivative included in net income	1,052	—
Tax effect	(459)	—
Reclassification adjustment for gains on derivatives included in net income	11	—
Tax effect	(4)	—
Net of tax amount	600	—
Total other comprehensive loss	(6,063)	(2,167)
Comprehensive loss	$(4,126)	$(210)

See accompanying notes to the unaudited consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(UNAUDITED)

	Common Stock Number of Shares	Amount	Additional Paid In Capital	Unallocated Common Stock Held by the ESOP	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	(dollars in thousands except per share data)							
Balance, September 30, 2016	11,393,558	$ 181	$ 181,900	$ (9,174)	$ 87,638	$ (82,369)	$ (1,832)	$ 176,344
Net income					1,937			1,937
Other comprehensive loss							(6,063)	(6,063)
Cash dividends declared ($0.09 per share)					(947)			(947)
Stock based compensation			66					66
Allocation of ESOP stock			53	113				166
Allocation of treasury shares to incentive plan	20,675		(253)			253		—
Stock options exercised	49,552		(694)			630		(64)
Balance, December 31, 2016	11,463,785	$ 181	$ 181,072	$ (9,061)	$ 88,628	$ (81,486)	$ (7,895)	$ 171,439

See accompanying notes to the unaudited consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

	For the Three Months Ended December 31,	
	2016	2015
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net income	$1,937	$1,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	750	600
Provision for depreciation and amortization	351	392
Amortization and accretion of discounts and premiums, net	1,123	832
Gain on sale of investment securities	—	(3)
Compensation expense on ESOP	166	151
Stock based compensation	66	39
Increase in accrued interest receivable	(181)	(348)
(Decrease) increase in accrued interest payable	(17)	171
Earnings on bank-owned life insurance	(263)	(230)
Deferred federal income taxes	78	114
Increase in accrued pension liability	339	296
Gain on foreclosed real estate, net	(96)	(10)
Amortization of identifiable intangible assets	163	174
Other, net	978	(780)
Net cash provided by operating activities	5,394	3,355
INVESTING ACTIVITIES		
Certificates of deposit maturities	250	250
Investment securities available for sale:		
Proceeds from sale of investment securities	—	17,365
Proceeds from principal repayments and maturities	15,506	31,094
Purchases	(27,912)	(30,134)
Increase in loans receivable, net	(6,758)	(3,972)
Redemption of regulatory stock	5,123	4,345
Purchase of regulatory stock	(6,340)	(4,304)
Proceeds from sale of foreclosed real estate	867	202
Acquisition, net of cash acquired	—	(16,174)
Purchase of premises, equipment and software	(238)	(400)
Net cash used for investing activities	(19,502)	(1,728)
FINANCING ACTIVITIES		
Decrease in deposits, net	(21,879)	(8,857)
Net increase (decrease) in short-term borrowings	45,458	(7,287)

Proceeds from other borrowings	4,750	47,300
Repayment of other borrowings	(19,780)	(27,300)
Increase in advances by borrowers for taxes and insurance	2,763	2,719
Purchase of treasury stock shares	—	(301)
Proceeds from the exercise of stock options	(64)	—
Dividends on common stock	(947)	(931)
Net cash provided by financing activities	$10,301	$5,343
Increase (decrease) in cash and cash equivalents	(3,807)	6,970
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	43,658	18,758
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$39,851	$25,728
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash Paid:		
Interest	$3,035	$2,489
Income taxes	(325)	—

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	For the Three Months Ended December 31, 2016	2015
	(dollars in thousands)	
Noncash items:		
Transfers from loans to foreclosed real estate	548	416
Acquisition of Eagle National Bank assets and liabilities		
Noncash assets acquired		
Investment securities, available for sale	—	36,275
Loans receivable	—	123,380
Federal Home Loan Bank stock	—	889
Premises and equipment	—	945
Accrued interest receivable	—	185
Intangible assets	—	1,491
Goodwill	—	3,542
Deferred tax assets	—	715
Other assets	—	1,989
Liabilities assumed:		
Certificates of deposit	—	32,408
Deposits other than certificates of deposit	—	119,865
Accrued interest payable	—	64
Other liabilities	—	900
Net noncash assets acquired	—	16,174
Cash acquired	—	8,481

See accompanying notes to the unaudited consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(unaudited)

1. Nature of Operations and Basis of Presentation

The consolidated financial statements include the accounts of ESSA Bancorp, Inc. (the "Company"), its wholly owned subsidiary, ESSA Bank & Trust (the "Bank"), and the Bank's wholly owned subsidiaries, ESSACOR Inc.; Pocono Investments Company; ESSA Advisory Services, LLC; Integrated Financial Corporation; and Integrated Abstract Incorporated, a wholly owned subsidiary of Integrated Financial Corporation. The primary purpose of the Company is to act as a holding company for the Bank. On November 6, 2014, the Company converted its status from a savings and loan holding company to a bank holding company. In addition, the Bank converted from a Pennsylvania-chartered savings association to a Pennsylvania-chartered savings bank. The Bank's primary business consists of the taking of deposits and granting of loans to customers generally in Monroe, Northampton, Lehigh, Delaware, Chester, Montgomery, Lackawanna, and Luzerne Counties, Pennsylvania. The Bank is subject to regulation and supervision by the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation. The investment in subsidiary on the parent company's financial statements is carried at the parent company's equity in the underlying net assets.

ESSACOR, Inc. is a Pennsylvania corporation that has been used to purchase properties at tax sales that represent collateral for delinquent loans of the Bank and is currently inactive. Pocono Investment Company is a Delaware corporation formed as an investment company subsidiary to hold and manage certain investments, including certain intellectual property. ESSA Advisory Services, LLC is a Pennsylvania limited liability company owned 100 percent by ESSA Bank & Trust. ESSA Advisory Services, LLC is a full-service insurance benefits consulting company offering group services such as health insurance, life insurance, short-term and long-term disability, dental, vision, and 401(k) retirement planning as well as individual health products. Integrated Financial Corporation is a Pennsylvania corporation that provided investment advisory services to the general public and is currently inactive. Integrated Abstract Incorporated is a Pennsylvania corporation that provided title insurance services and is currently inactive. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements reflect all adjustments, which in the opinion of management, are necessary for a fair presentation of the results of the interim periods and are of a normal and recurring nature. Operating results for the three month period ended December 31, 2016 are not necessarily indicative of the results that may be expected for the year ending September 30, 2017.

2. Earnings per Share

The following table sets forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation for the three month period ended December 31, 2016 and 2015.

	Three Months Ended	
	December 31, 2016	December 31, 2015
Weighted-average common shares outstanding	18,133,095	18,133,095
Average treasury stock shares	(6,720,901)	(6,793,627)

Average unearned ESOP shares	(899,601)	(944,875)
Average unearned non-vested shares	(37,561)	(30,168)
Weighted average common shares and common stock equivalents used to calculate basic earnings per share	10,475,032	10,364,425
Additional common stock equivalents (non-vested stock) used to calculate diluted earnings per share	1,018	618
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	128,022	170,530
Weighted average common shares and common stock equivalents used to calculate diluted earnings per share	10,604,072	10,535,573

At December 31, 2016 there were 20,194 shares of nonvested stock outstanding at a price of $16.57 per share that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive. At December 31, 2015 there were 18,021 shares of nonvested stock outstanding at a price of $13.05 per share that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive.

3. Use of Estimates in the Preparation of Financial Statements

The accounting principles followed by the Company and its subsidiaries and the methods of applying these principles conform to U.S. generally accepted accounting principles (“GAAP”) and to general practice within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the Consolidated Balance Sheet date and related revenues and expenses for the period. Actual results could differ from those estimates.

4. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (a new revenue recognition standard). The Update’s core principle is that a company will recognize revenue to depict the transfer of 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 addition, this Update specifies the accounting for certain costs to obtain or fulfill a contract with a customer and expands disclosure requirements for revenue recognition. This Update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is evaluating the effect of adopting this new accounting Update.

In August 2015, the FASB issued ASU 2015-14, Revenue from Contract with Customers (Topic 606). The amendments in this Update defer the effective date of ASU 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. All other entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Company is evaluating the effect of adopting this new accounting Update.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This Update applies to all entities that hold financial assets or owe financial liabilities and is intended to provide more useful information on the recognition, measurement, presentation, and disclosure of financial instruments. Among other things, this Update (a) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (b) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (c) eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; (d) eliminates the requirement for public business entities to disclose the method(s) 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; (e) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (f) 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; (g) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (h) clarifies 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. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities, including not-for-profit entities and employee benefit plans within the scope of Topics 960 through 965 on plan accounting, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. All entities that are not public business entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. 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. A short-term lease is defined as one in which (a) the lease term is 12 months or less and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect to recognize lease payments over the lease term on a straight-line basis. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s financial position or results of operations.

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815). The amendments in this Update apply to all reporting entities for which there is a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815. The standards in this Update clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. An entity has an option to apply the amendments in this Update on either a prospective basis or a modified retrospective basis. Early adoption is permitted, including adoption in an interim period. This Update is not expected to have a significant impact on the Company’s financial statements.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 815). The amendments apply to all entities that are issuers of or investors in debt instruments (or hybrid financial instruments that are determined to have a debt host) with embedded call (put) options. The amendments in this Update clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt host. An entity performing the assessment under the amendments in this Update is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. For entities other than public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. This Update is not expected to have a significant impact on the Company’s financial statements.

In March 2016, the FASB issued ASU 2016-07, Investments - Equity Method and Joint Ventures (Topic 323). The Update affects all entities that have an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. The amendments in this Update eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments in this Update require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. This Update is not expected to have a significant impact on the Company’s financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606). The amendments in this Update affect entities with transactions included within the scope of Topic 606, which includes entities that enter into contracts with customers to transfer goods or services (that are an output of the entity's ordinary activities) in exchange for consideration. The amendments in this Update do not change the core principle of the guidance in Topic 606; they simply clarify the implementation guidance on principal versus agent considerations. The amendments in this Update are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The amendments in this Update affect the guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements of Update 2014-09. ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, defers the effective date of Update 2014-09 by one year. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718). The amendments in this Update affect all entities that issue share-based payment awards to their employees. The standards in this Update provide simplification for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as with equity or liabilities, and classification on the statement of cash flows. Some of the areas for simplification apply only to nonpublic entities. In addition to those simplifications, the amendments eliminate the guidance in Topic

718 that was indefinitely deferred shortly after the issuance of FASB Statement No. 123 (revised 2004), Share-Based Payment. This should not result in a change in practice because the guidance that is being superseded was never effective. 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. For all other entities, the amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for any entity in any interim or annual period. The Company adopted this standard for the interim period ended December 31, 2016. The adoption of this standard resulted in recognition of all excess tax benefits for share-based payment awards to be recognized in income taxes for the three months ended December 31, 2016. Previously, such tax benefits were recognized in additional paid in capital.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606). The amendments in this Update affect entities with transactions included within the scope of Topic 606, which includes entities that enter into contracts with customers to transfer goods or services in exchange for consideration. The amendments in this Update do not change the core principle for revenue recognition in Topic 606. Instead, the amendments provide (1) more detailed guidance in a few areas and (2) additional implementation guidance and examples based on feedback the FASB received from its stakeholders. The amendments are expected to reduce the degree of judgment necessary to comply with Topic 606, which the FASB expects will reduce the potential for diversity arising in practice and reduce the cost and complexity of applying the guidance. The amendments in this Update affect the guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, defers the effective date of Update 2014-09 by one year. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s financial position or results of operations.

In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606), which among other things clarifies the objective of the collectability criterion in Topic 606, as well as certain narrow aspects of Topic 606. The amendments in this Update affect the guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements for Topic 606 (and any other Topic amended by Update 2014-09). ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, defers the effective date of Update 2014-09 by one year. This Update is not expected to have a significant impact on the Company’s financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which changes the impairment model for most financial assets. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the ASU is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management’s current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be effected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted for annual and interim periods beginning after December 15, 2018. With certain exceptions, transition to the new requirements will be through a cumulative effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is currently evaluating the impact the adoption of the standard will have on the Company’s financial position or results of operations.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), which addresses eight specific cash flow issues with the objective of reducing diversity in practice. Among these include recognizing cash payments for debt prepayment or debt extinguishment as cash outflows for financing activities; cash proceeds received from the settlement of insurance claims should be classified on the basis of the related insurance coverage; and cash proceeds received from the settlement of bank-owned life insurance policies should be classified as cash inflows from investing activities while the cash payments for premiums on bank-owned policies may be classified as cash outflows for investing activities, operating activities, or a combination of investing and operating activities. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim 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 amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company is currently evaluating the impact the adoption of the standard will have on the Company's statement of cash flows.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805), Clarifying the Definition of a Business "ASU 2017-01", which provides a more robust framework to use in determining when a set of assets and activities (collectively referred to as a "set") is a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. Public business entities should apply the amendments in this Update to annual periods beginning after December 15, 2017, including interim periods within those periods. All other entities should apply the amendments to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The amendments in this Update should be applied prospectively on or after the effective date. This Update is not expected to have a significant impact on the Company's financial statements.

5. Investment Securities

The amortized cost, gross unrealized gains and losses, and fair value of investment securities available for sale are summarized as follows (in thousands):

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
Fannie Mae	$119,196	$ 206	$ (1,747)	$117,655
Freddie Mac	92,341	42	(1,345)	91,038
Governmental National Mortgage Association	15,267	39	(236)	15,070
Total mortgage-backed securities	226,804	287	(3,328)	223,763
Obligations of states and political subdivisions	70,720	1,135	(1,334)	70,521
U.S. government agency securities	25,689	111	—	25,800
Corporate obligations	39,492	135	(839)	38,788
Other debt securities	33,627	165	(576)	33,216
Total debt securities	396,332	1,833	(6,077)	392,088
Equity securities - financial services	25	—	—	25
Total	$396,357	$ 1,833	$ (6,077)	$392,113

	September 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
Fannie Mae	$115,535	$ 1,891	$ (173)	$117,253
Freddie Mac	84,486	1,369	(85)	85,770

Governmental National Mortgage Association	16,091	76	(28)	16,139
Total mortgage-backed securities	216,112	3,336	(286)	219,162
Obligations of states and political subdivisions	71,323	2,432	(65)	73,690
U.S. government agency securities	25,669	272	—	25,941
Corporate obligations	38,331	599	(512)	38,418
Other debt securities	32,962	428	(216)	33,174
Total debt securities	384,397	7,067	(1,079)	390,385
Equity securities - financial services	25	—	—	25
Total	$384,422	$ 7,067	$ (1,079)	$390,410

The amortized cost and fair value of debt securities at December 31, 2016, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands):

	Available For Sale	
	Amortized Cost	Fair Value
Due in one year or less	$11,401	$11,454
Due after one year through five years	41,094	41,037
Due after five years through ten years	84,276	83,653
Due after ten years	259,561	255,944
Total	$396,332	$392,088

For the three months ended December 31, 2016, the Company realized no gross gains or gross losses on proceeds from the sale of investment securities. For the three months ended December 31, 2015, the Company realized gross gains of $3,000 and no gross losses on proceeds from the sale of investment securities of $17.4 million. During the first quarter of fiscal 2016, the Company sold $16.2 million of investment securities which were acquired in the merger with Eagle National Bancorp, Inc ("ENB"). The Company realized no gain or loss from the sale of these securities.

The following table shows the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position (dollars in thousands):

	December 31, 2016						
	Number of Securities	Less than Twelve Months		Twelve Months or Greater		Total	
		Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fannie Mae	63	$81,136	$ (1,348)	$11,667	$ (399)	$92,803	$ (1,747)
Freddie Mac	54	72,423	(1,076)	7,015	(269)	79,438	(1,345)
Governmental National Mortgage Association	9	7,556	(199)	2,598	(37)	10,154	(236)
Obligations of states and political subdivisions	37	42,064					