ESSA Bancorp, Inc.
Form 10-Q
February 09, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended December 31, 2011

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	**20-8023072**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
200 Palmer Street, Stroudsburg, Pennsylvania	**18360**
(Address of Principal Executive Offices)	**(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 x NO ¨.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	x
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 x

As of February 6, 2012 there were 12,109,622 shares of the Registrant s common stock, par value $0.01 per share, outstanding.

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Part I. Financial Information

Item 1. Financial Statements

ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	December 31, 2011	September 30, 2011
	(dollars in thousands)	
Cash and due from banks	$ 9,087	$ 9,801
Interest-bearing deposits with other institutions	19,977	31,893
Total cash and cash equivalents	29,064	41,694
Investment securities available for sale, at fair value	254,746	245,393
Loans receivable (net of allowance for loan losses of $8,393 and $8,170)	742,100	738,619
Federal Home Loan Bank stock, at cost	16,038	16,882
Premises and equipment, net	11,470	11,494
Bank-owned life insurance	23,454	23,256
Foreclosed real estate	2,103	2,356
Intangible assets, net	1,744	1,825
Goodwill	40	40
Other assets	16,312	15,921
TOTAL ASSETS	$ 1,097,071	$ 1,097,480
LIABILITIES		
Deposits	$ 640,344	$ 637,924
Short-term borrowings	10,000	4,000
Other borrowings	273,410	284,410
Advances by borrowers for taxes and insurance	3,728	1,381
Other liabilities	8,072	8,086
TOTAL LIABILITIES	935,554	935,801
STOCKHOLDERS EQUITY		
Preferred Stock ($.01 par value; 10,000,000 shares authorized, none issued)		
Common stock ($.01 par value; 40,000,000 shares authorized, 16,980,900 issued; 12,109,622 outstanding at December 31, 2011 and September 30, 2011)	170	170
Additional paid in capital	167,300	166,758
Unallocated common stock held by the Employee Stock Ownership Plan (ESOP)	(11,325)	(11,438)
Retained earnings	67,555	67,215
Treasury stock, at cost; 4,871,278 shares at December 31, 2011 and September 30, 2011	(61,612)	(61,612)
Accumulated other comprehensive (loss)/income	(571)	586
TOTAL STOCKHOLDERS EQUITY	161,517	161,679
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 1,097,071	$ 1,097,480

See accompanying notes to the unaudited consolidated financial statements.

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ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	For the Three Months Ended December 31, 2011	2010
	(dollars in thousands)	
INTEREST INCOME		
Loans receivable, including fees	$ 9,341	$ 9,844
Investment securities:		
Taxable	1,638	1,922
Exempt from federal income tax	48	78
Other investment income	2	
Total interest income	11,029	11,844
INTEREST EXPENSE		
Deposits	1,911	1,696
Short-term borrowings	5	22
Other borrowings	2,405	2,996
Total interest expense	4,321	4,714
NET INTEREST INCOME	6,708	7,130
Provision for loan losses	500	480
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,208	6,650
NONINTEREST INCOME		
Service fees on deposit accounts	727	762
Services charges and fees on loans	184	210
Trust and investment fees	215	211
Gain on sale of loans, net		3
Earnings on bank-owned life insurance	198	137
Insurance commissions	191	
Other	9	12
Total noninterest income	1,524	1,335
NONINTEREST EXPENSE		
Compensation and employee benefits	3,936	3,880
Occupancy and equipment	756	777
Professional fees	490	429
Data processing	482	449
Advertising	86	186
Federal Deposit Insurance Corporation (FDIC) premiums	162	184
Loss on foreclosed real estate, net	67	106
Amortization of intangible assets	81	

Other	602	627
Total noninterest expense	6,662	6,638
Income before income taxes	1,070	1,347
Income taxes	184	335
NET INCOME	$ 886	$ 1,012
Earnings per share		
Basic	$ 0.08	$ 0.09
Diluted	$ 0.08	$ 0.09
Dividends per share	$ 0.05	$ 0.05

See accompanying notes to the unaudited consolidated financial statements.

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ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(UNAUDITED)

	Common Stock Number of Shares	Common Stock Amount	Additional Paid In Capital	Unallocated Common Stock Held by the ESOP	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders Equity
				(Dollars in thousands)				
Balance, September 30, 2011	12,109,622	$ 170	$ 166,758	$ (11,438)	$ 67,215	$ (61,612)	$ 586	$ 161,679
Net income					886			886
Other comprehensive loss:								
Unrealized loss on securities available for sale, net of income tax benefit of $636							(1,235)	(1,235)
Change in unrecognized pension cost, net of income taxes of $41							78	78
Cash dividends declared ($.05 per share)					(546)			(546)
Stock based compensation			534					534
Allocation of ESOP stock			8	113				121
Balance, December 31, 2011	12,109,622	$ 170	$ 167,300	$ (11,325)	$ 67,555	$ (61,612)	$ (571)	$ 161,517

See accompanying notes to the unaudited consolidated financial statements.

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ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

	For the Three Months Ended December 31, 2011	For the Three Months Ended December 31, 2010
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net income	$ 886	$ 1,012
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	500	480
Provision for depreciation and amortization.	240	292
Amortization of discounts and premiums, net	423	379
Gain on sale of loans, net		(3)
Origination of mortgage loans sold		(97)
Proceeds from sale of mortgage loans originated for sale		100
Compensation expense on ESOP	121	147
Stock based compensation	534	560
Decrease in accrued interest receivable	326	328
Increase in accrued interest payable	226	135
Earnings on bank-owned life insurance	(198)	(137)
Deferred federal income taxes	510	(126)
Decrease in prepaid FDIC premiums	146	166
Loss on foreclosed real estate, net	67	106
Amortization of intangible assets	81	
Other, net	51	(12)
Net cash provided by operating activities	3,913	3,330
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from principal repayments and maturities	21,253	34,940
Purchases	(32,895)	(36,687)
Investment securities held to maturity:		
Proceeds from principal repayments and maturities		1,353
Increase in loans receivable, net	(4,272)	(17,860)
Redemption of FHLB stock	844	1,037
Investment in limited partnership	(945)	
Proceeds from sale of foreclosed real estate	472	
Capital improvements to foreclosed real estate		(20)
Purchase of premises, equipment, and software	(221)	(142)
Net cash used for investing activities	(15,764)	(17,379)
FINANCING ACTIVITIES		
Increase in deposits, net	2,420	40,860
Net increase/(decrease) in short-term borrowings	6,000	(2,863)
Proceeds from other borrowings		8,300
Repayment of other borrowings	(11,000)	(33,000)
Increase in advances by borrowers for taxes and insurance	2,347	1,826
Purchase of treasury shares.		(4,019)

Dividends on common stock	(546)	(599)
Net cash (used for)/provided by financing activities	(779)	10,505
Decrease in cash and cash equivalents	(12,630)	(3,544)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	41,694	10,890
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 29,064	$ 7,346
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash Paid:		
Interest	$ 4,096	$ 4,579
Income taxes		375
Noncash items:		
Transfers from loans to foreclosed real estate	286	412
Treasury stock payable		$ (175)

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 unaudited, consolidated financial statements include the accounts of ESSA Bancorp, Inc. (the Company), and its wholly owned subsidiary, ESSA Bank & Trust (the Bank), and the Bank s wholly owned subsidiaries, ESSACOR Inc, Pocono Investment Company and ESSA Advisory Services, LLC. The primary purpose of the Company is to act as a holding company for the Bank. The Company has been subject to regulation and supervision as a savings and loan holding company by the Office of Thrift Supervision (the OTS). As of July 21, 2011, the Federal Reserve Board assumed regulation and supervision of savings and loan holding companies as required by the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010. The Bank is a Pennsylvania chartered savings association located in Stroudsburg, Pennsylvania. The Bank s primary business consists of the taking of deposits and granting of loans to customers generally in Monroe, Northampton and Lehigh counties, Pennsylvania. The Bank has been subject to regulation and supervision by the Pennsylvania Banking Department and the OTS. Pursuant to the Dodd Frank Act referred to above, the role of the OTS was assumed by the Federal Deposit Insurance Corporation as of July 21, 2011. 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 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. All intercompany 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, 2011 are not necessarily indicative of the results that may be expected for the year ending September 30, 2012.

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 months ended December 31, 2011.

	Three months ended	
	December 31, 2011	**December 31, 2010**
Weighted-average common shares outstanding	16,980,900	16,980,900
Average treasury stock shares	(4,871,278)	(3,658,950)
Average unearned ESOP shares	(1,125,979)	(1,171,255)
Average unearned non-vested shares	(176,045)	(293,358)
Weighted average common shares and common stock equivalents used to calculate basic earnings per share	10,807,598	11,857,337
Additional common stock equivalents (stock options) used to calculate diluted earnings per share		2,873
Weighted average common shares and common stock equivalents used to calculate diluted earnings per share	10,807,598	11,860,210

At December 31, 2011 and 2010 there were options to purchase 1,458,379 and 317,910 shares, respectively, of common stock outstanding at a price of $12.35 per share that were not included in the computation of diluted EPS because to do so would have been anti-dilutive. At December 31, 2011 and 2010 there were 165,958 and 283,264 shares, respectively, of nonvested stock outstanding at a price of $12.35 per share that were not included in the computation of diluted EPS because to do so would have been anti-dilutive.

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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 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 significantly from those estimates.

4. Comprehensive Loss

The components of comprehensive loss are as follows (in thousands):

	Three Months Ended December 31	
	2011	**2010**
Net income	$ 886	$ 1,012
Unrealized loss on securities available for sale	(1,871)	(4,253)
Change in unrecognized pension cost	119	103
Other comprehensive loss before tax	(1,752)	(4,150)
Income tax benefit related to comprehensive loss	(595)	(1,411)
Other comprehensive loss	(1,157)	(2,739)
Comprehensive loss	$ (271)	$ (1,727)

5. Recent Accounting Pronouncements

In April 2011, the FASB issued ASU 2011-02, *Receivables (Topic 310): A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring*. The amendments in this Update provide additional guidance or clarification to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The amendments in this Update are effective for the first interim or annual reporting period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. For purposes of measuring impairment of those receivables, an entity should apply the amendments prospectively for the first interim or annual period beginning on or after June 15, 2011. The Company has provided the necessary disclosures in Note 8, herein.

In April 2011, the FASB issued ASU 2011-03, *Transfers and Services (Topic 860): Reconsideration of Effective Control for Repurchase Agreements*. The main objective in developing this Update is to improve the accounting for repurchase agreements (repos) and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The amendments in this Update apply to all entities, both public and nonpublic. The amendments affect all entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The guidance in this Update is effective for the first interim or annual period beginning on or after December 15, 2011 and should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. This ASU is not expected to have a significant impact on the Company s financial statements.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* The

amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Early application by public entities is not permitted. This ASU is not expected to have a significant impact on the Company s financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income.* The amendments in this Update improve the comparability, clarity, consistency, and transparency of financial reporting and increase the prominence of items reported in other comprehensive income. To increase the prominence of items reported in other comprehensive income and to facilitate convergence of U.S. GAAP and IFRS, the option to present components of other comprehensive income as part of the statement of changes in stockholders equity was eliminated. The amendments require that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. All entities that report items of comprehensive income, in any period presented, will be affected by the changes in this Update. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. The amendments in this Update should be applied retrospectively, and early adoption is permitted. This ASU is not expected to have a significant impact on the Company s financial statements.

In September 2011, the FASB issued ASU 2011-08, *Intangibles Goodwill and Other Topics (Topic 350), Testing Goodwill for Impairment*. The objective of this update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments in the Update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Under the amendments in this Update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The amendments in this Update apply to all entities, both public and nonpublic, that have goodwill reported in their financial statements and are effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. This ASU is not expected to have a significant impact on the Company s financial statements.

In September 2011, the FASB issued ASU 2011-09, *Compensation-Retirement Benefits-Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer s Participation in a Multiemployer Plan*. The amendments in this Update will require additional disclosures about an employer s participation in a multiemployer pension plan to enable users of financial statements to assess the potential cash flow implications relating to an employer s participation in multiemployer pension plans. The disclosures also will indicate the financial health of all of the significant plans in which the employer participates and assist a financial statement user to access additional information that is available outside the financial statements. For public entities, the amendments in this Update are effective for annual periods for fiscal years ending after December 15, 2011, with early adoption permitted. For nonpublic entities, the amendments are effective for annual periods of fiscal years ending after December 15, 2012, with early adoption permitted. The amendments should be applied retrospectively for all prior periods presented. This ASU is not expected to have a significant impact on the Company s financial statements.

In December 2011, the FASB issued ASU 2011-10, *Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate-a Scope Clarification.* The amendments in this Update affect entities that cease to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s nonrecourse debt. Under the amendments in this Update, when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s nonrecourse debt, the reporting entity should apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in substance real estate. Generally, a reporting entity would not satisfy the requirements to derecognize the in substance real estate before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse indebtedness. That is, even if the reporting entity ceases to have a controlling financial interest under Subtopic 810-10, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary s operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. The amendments in this Update should be applied on a prospective basis to deconsolidation events occurring after the effective date. Prior periods should not be adjusted even if the reporting entity has continuing involvement with previously derecognized in substance real estate entities. For public entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2013, and interim and annual periods thereafter. Early adoption is permitted. This ASU is not expected to have a significant impact on the Company s financial.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The amendments in this Update affect all entities that have financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement. The requirements amend the disclosure requirements on offsetting in Section 210-20-50. This information will enable users of an entity s financial statements to evaluate the effect or potential effect of netting arrangements on an entity s financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments in the scope of this Update. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This ASU is not expected to have a significant impact on the Company s financial statements.

In December 2011, the FASB issued ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. In order to defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in this Update supersede certain pending paragraphs in Update 2011-05. Entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before Update 2011-05. All other requirements in Update 2011-05 are not affected by this Update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after December 15, 2011. Nonpublic entities should begin applying these requirements for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. This ASU is not expected to have a significant impact on the Company s financial statements.

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6. Investment Securities

The amortized cost and fair value of investment securities available for sale and held to maturity are summarized as follows (in thousands):

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
Fannie Mae	$ 120,276	$ 3,469	$ (15)	$ 123,730
Freddie Mac	46,549	1,638	(7)	48,180
Governmental National Mortgage Association	35,817	789	(62)	36,544
Total mortgage-backed securities	202,642	5,896	(84)	208,454
Obligations of states and political subdivisions	19,584	865	(47)	20,402
U.S. government agency securities	19,710	228	(6)	19,932
Corporate obligations	6,084	39	(185)	5,938
Total debt securities	248,020	7,028	(322)	254,726
Equity securities - financial services	12	8		20
Total	$ 248,032	$ 7,036	$ (322)	$ 254,746

	September 30, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
Fannie Mae	$ 118,945	$ 4,618	$ (11)	$ 123,552
Freddie Mac	47,449	2,207		49,656
Governmental National Mortgage Association	30,247	802	(48)	31,001
Total mortgage-backed securities	196,641	7,627	(59)	204,209
Obligations of states and political subdivisions	13,760	789	(50)	14,499
U.S. government agency securities	21,797	289	(3)	22,083
Corporate obligations	4,598	26	(40)	4,584
Total debt securities	236,796	8,731	(152)	245,375
Equity securities - financial services	11	7		18
Total	$ 236,807	$ 8,738	$ (152)	$ 245,393

The amortized cost and fair value of debt securities at December 31, 2011, 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	$ 4,146	$ 4,169
Due after one year through five years	14,980	15,080
Due after five years through ten years	55,077	56,313
Due after ten years	173,817	179,164

Total	$ 248,020	$ 254,726

The Company did not sell any investment securities during the three months ended December 31, 2011.

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7. Unrealized Losses on 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 (in thousands):

	December 31, 2011						
		Less than Twelve Months		Twelve Months or Greater		Total	
	Number of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fannie Mae	3	$ 4,882	$ (15)	$	$	$ 4,882	$ (15)
Freddie Mac	1	1,820	(7)			1,820	(7)
Governmental National Mortgage Association	5	4,869	(27)	4,325	(35)	9,194	(62)
Obligations of states and political subdivisions	2	1,482	(12)	904	(35)	2,386	(47)
U.S. government agency securities	3	4,049	(6)			4,049	(6)
Corporate obligations	5	2,315	(185)			2,315	(185)
Total	19	$ 19,417	$ (252)	$ 5,229	$ (70)	$ 24,646	$ (322)

	September 30, 2011						
		Less than Twelve Months		Twelve Months or Greater		Total	
	Number of Securities	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fannie Mae	3	$ 5,156	$ (11)	$	$	$ 5,156	$ (11)
Governmental National Mortgage Association	4	2,723	(11)	4,440	(37)	7,163	(48)
Obligations of states and political subdivisions	2	1,403	(50)			1,403	(50)
U.S. government agency securities	2	3,045	(3)			3,045	(3)
Corporate obligations	3	1,460	(40)			1,460	(40)
Total	14	$ 13,787	$ (115)	$ 4,440	$ (37)	$ 18,227	$ (152)

The Company s investment securities portfolio contains unrealized losses on securities, including mortgage-related instruments issued or backed by the full faith and credit of the United States government, or generally viewed as having the implied guarantee of the U.S. government, debt obligations of a U.S. state or political subdivision and corporate debt obligations.

The Company reviews its position quarterly and has asserted that at December 31, 2011, the declines outlined in the above table represent temporary declines and the Company would not be required to sell the security before its anticipated recovery in market value.

The Company has concluded that any impairment of its investment securities portfolio is not other than temporary but is the result of interest rate changes that are not expected to result in the non-collection of principal and interest during the period.

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8. Loans Receivable, Net and Allowance for Loan Losses

Loans receivable consist of the following (in thousands):

	December 31, 2011	September 30, 2011
Real Estate Loans:		
Residential	$ 591,443	$ 583,599
Construction	1,164	691
Commercial	102,141	105,231
Commercial	13,925	14,766
Home equity loans and lines of credit	39,735	40,484
Other	2,085	2,018
	750,493	746,789
Less allowance for loan losses	8,393	8,170
Net loans	$ 742,100	$ 738,619

	Real Estate Loans						
	Residential	Construction	Commercial	Commercial Loans	Home Equity and Lines of Credit	Other Loans	Total
				(dollars in thousands)			
December 31, 2011							
Total Loans	$ 591,443	$ 1,164	$ 102,141	$ 13,925	$ 39,735	$ 2,085	$ 750,493
Individually evaluated for impairment	5,363		13,606	366	263	58	19,656
Collectively evaluated for impairment	586,080	1,164	88,535	13,559	39,472	2,027	730,837

	Real Estate Loans						
	Residential	Construction	Commercial	Commercial Loans	Home Equity and Lines of Credit	Other Loans	Total
				(dollars in thousands)			
September 30, 2011							
Total Loans	$ 583,599	$ 691	$ 105,231	$ 14,766	$ 40,484	$ 2,018	$ 746,789
Individually evaluated for impairment	5,441		11,916	490	314	58	18,219
Collectively evaluated for impairment	578,158	691	93,315	14,276	40,170	1,960	728,570

We maintain a loan review system, which allows for a periodic review of our loan portfolio and the early identification of potential impaired loans. Such system takes into consideration, among other things, delinquency status, size of loans, type and market value of collateral and financial condition of the borrowers. Specific loan loss allowances are established for identified losses based on a review of such information. A loan evaluated for impairment is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. All loans identified as impaired are evaluated independently. We do not aggregate such loans for evaluation purposes. Impairment is measured on a loan-by-loan basis for commercial and construction loans by the present value of expected future cash flows discounted at the loan s effective interest rate, the loan s obtainable market price, or the fair value of the collateral if the loan is collateral-dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential mortgage loans for impairment disclosures, unless such loans are part of a larger relationship that is impaired, or are classified as a troubled debt restructuring.

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A loan is considered to be a troubled debt restructuring (TDR) loan when the Company grants a concession to the borrower because of the borrower s financial condition that it would not otherwise consider. Such concessions include the reduction of interest rates, forgiveness of principal or interest, or other modifications of interest rates that are less than the current market rate for new obligations with similar risk. TDR loans that are in compliance with their modified terms and that yield a market rate may be removed from the TDR status after a period of performance.

The following table includes the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount, if applicable. Also presented are the average recorded investments in the impaired loans and the related amount of interest recognized during the time within the period that the impaired loans were impaired.

	Recorded Investment	Unpaid Principal Balance	Associated Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2011					
With no specific allowance recorded:					
Real Estate Loans					
Residential	$ 2,612	$ 2,614	$	$ 3,003	$
Construction					
Commercial	10,932	10,972		10,016	8
Commercial	136	136		204	2
Home equity loans and lines of credit	126	126		163	
Other	58	58		58	
Total	13,864	13,906		13,444	10
With an allowance recorded:					
Real Estate Loans					
Residential					