

ESSA Bancorp, Inc.
Form 10-Q
February 10, 2014
Table of Contents

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, 2013

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, 2014 there were 11,892,664 shares of the Registrant's common stock, par value \$0.01 per share, outstanding.

Table of Contents

ESSA Bancorp, Inc.

FORM 10-Q

Table of Contents

	Page
<u>Part I. Financial Information</u>	
Item 1. <u>Financial Statements (unaudited)</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	34
Item 4. <u>Controls and Procedures</u>	34
<u>Part II. Other Information</u>	
Item 1. <u>Legal Proceedings</u>	35
Item 1A. <u>Risk Factors</u>	35
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
Item 3. <u>Defaults Upon Senior Securities</u>	35
Item 4. <u>Mine Safety Disclosures</u>	35
Item 5. <u>Other Information</u>	35
Item 6. <u>Exhibits</u>	36
<u>Signature Page</u>	37

Table of Contents**Part I. Financial Information****Item 1. Financial Statements**

ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	December 31, 2013	September 30, 2013
	(dollars in thousands)	
Cash and due from banks	\$ 11,293	\$ 22,393
Interest-bearing deposits with other institutions	3,524	4,255
Total cash and cash equivalents	14,817	26,648
Certificates of deposit	1,767	1,767
Investment securities available for sale, at fair value	315,829	315,622
Loans receivable (net of allowance for loan losses of \$8,369 and \$8,064)	922,286	928,230
Regulatory stock, at cost	10,024	9,415
Premises and equipment, net	15,542	15,747
Bank-owned life insurance	29,025	28,797
Foreclosed real estate	2,618	2,111
Intangible assets, net	2,229	2,466
Goodwill	8,817	8,817
Deferred income taxes	12,024	11,183
Other assets	20,218	21,512
TOTAL ASSETS	\$ 1,355,196	\$ 1,372,315
LIABILITIES		
Deposits	\$ 996,391	\$ 1,041,059
Short-term borrowings	33,000	23,000
Other borrowings	145,760	129,260
Advances by borrowers for taxes and insurance	7,360	4,962
Other liabilities	6,136	7,588
TOTAL LIABILITIES	1,188,647	1,205,869
STOCKHOLDERS EQUITY		
Preferred Stock (\$.01 par value; 10,000,000 shares authorized, none issued)		
Common stock (\$.01 par value; 40,000,000 shares authorized, 18,133,095 issued; 11,927,964 and 11,945,564 outstanding at December 31, 2013 and September 30,	181	181

2013)		
Additional paid in capital	182,506	182,440
Unallocated common stock held by the Employee Stock Ownership Plan (ESOP)	(10,419)	(10,532)
Retained earnings	73,169	71,709
Treasury stock, at cost; 6,205,131 and 6,187,531 shares outstanding at December 31, 2013 and September 30, 2013, respectively	(76,313)	(76,117)
Accumulated other comprehensive loss	(2,575)	(1,235)
TOTAL STOCKHOLDERS EQUITY	166,549	166,446
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 1,355,196	\$ 1,372,315

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	For the Three Months Ended December 31,	
	2013	2012
	(dollars in thousands, except per share data)	
INTEREST INCOME		
Loans receivable, including fees	\$ 10,523	\$ 12,237
Investment securities:		
Taxable	1,527	1,630
Exempt from federal income tax	73	54
Other investment income	59	29
Total interest income	12,182	13,950
INTEREST EXPENSE		
Deposits	1,988	1,971
Short-term borrowings	23	36
Other borrowings	680	1,224
Total interest expense	2,691	3,231
NET INTEREST INCOME	9,491	10,719
Provision for loan losses	750	1,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,741	9,719
NONINTEREST INCOME		
Service fees on deposit accounts	792	807
Services charges and fees on loans	185	229
Trust and investment fees	211	215
Gain on sale of investments, net		30
Gain on sale of loans, net		334
Earnings on Bank-owned life insurance	228	226
Insurance commissions	193	175
Other	18	10

Total noninterest income	1,627	2,026
NONINTEREST EXPENSE		
Compensation and employee benefits	4,308	4,556
Occupancy and equipment	918	949
Professional fees	409	312
Data processing	680	663
Advertising	106	110
Federal Deposit Insurance Corporation (FDIC) premiums	229	185
Loss (Gain) on foreclosed real estate	42	(226)
Merger related costs	258	
Amortization of intangible assets	237	250
Other	561	706
Total noninterest expense	7,748	7,505
Income before income taxes	2,620	4,240
Income taxes	616	1,361
NET INCOME	\$ 2,004	\$ 2,879
Earnings per share		
Basic	\$ 0.18	\$ 0.24
Diluted	\$ 0.18	\$ 0.24
Dividends per share	\$ 0.05	\$ 0.05

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended December 31,	
	2013	2012
Net income	\$ 2,004	\$ 2,879
Other comprehensive loss:		
Investment securities available for sale:		
Unrealized holding loss	(2,036)	(932)
Tax effect	691	318
Reclassification of gains recognized in net income		(30)
Tax effect		10
Net of tax amount	(1,345)	(634)
Pension plan adjustment:		
Related to actuarial losses and prior service cost	7	97
Tax effect	(2)	(33)
Net of tax amount	5	64
Total other comprehensive loss	(1,340)	(570)
Comprehensive income	\$ 664	\$ 2,309

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	Common Stock		Unallocated Common Stock Held by			Accumulated Other Comprehensive		Total
	Number of Shares	Amount	Additional Paid In Capital	the ESOP	Retained Earnings	Treasury Stock	Loss	Stockholders Equity
	(Dollars in thousands)							
Balance, September 30, 2013	11,945,564	\$ 181	\$ 182,440	\$ (10,532)	\$ 71,709	\$ (76,117)	\$ (1,235)	\$ 166,446
Net income					2,004			2,004
Other comprehensive loss							(1,340)	(1,340)
Cash dividends declared (\$.05 per share)					(544)			(544)
Stock based compensation			55					55
Allocation of ESOP stock			11	113				124
Treasury shares purchased	(17,600)					(196)		(196)
Balance, December 31, 2013	11,927,964	\$ 181	\$ 182,506	\$ (10,419)	\$ 73,169	\$ (76,313)	\$ (2,575)	\$ 166,549

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended December 31,	
	2013	2012
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 2,004	\$ 2,879
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	750	1,000
Provision for depreciation and amortization	291	286
Amortization and accretion of discounts and premiums, net	240	369
Net gain on sale of investment securities		(30)
Gain on sale of loans, net		(334)
Origination of mortgage loans sold		(12,963)
Proceeds from sale of mortgage loans originated for sale		11,547
Compensation expense on ESOP	124	114
Stock based compensation	55	527
Decrease in accrued interest receivable	106	360
Increase (decrease) in accrued interest payable	309	(13)
Earnings on bank-owned life insurance	(228)	(226)
Deferred federal income taxes	(151)	307
Decrease in prepaid FDIC premiums		175
(Gain) loss on foreclosed real estate, net	42	(226)
Amortization of identifiable intangible assets	237	250
Other, net	(606)	2,038
Net cash provided by operating activities	3,173	6,060
INVESTING ACTIVITIES		
Purchase of certificates of deposit		(500)
Investment securities available for sale:		
Proceeds from sale of investment securities		1,106
Proceeds from principal repayments and maturities	12,952	37,955
Purchases	(15,457)	(42,306)
Decrease in loans receivable, net	4,586	8,214
Redemption of FHLB stock	626	2,860
Purchase of FHLB stock	(1,235)	
Investment in limited partnership		(110)
Proceeds from sale of foreclosed real estate	82	1,246
Purchase of premises, equipment, and software	(48)	(245)

Net cash provided by investing activities	1,506	8,220
FINANCING ACTIVITIES		
Decrease in deposits, net	(44,668)	(21,745)
Net increase in short-term borrowings	10,000	41,219
Proceeds from other borrowings	21,500	7,000
Repayment of other borrowings	(5,000)	(39,000)
Increase in advances by borrowers for taxes and insurance	2,398	3,511
Purchase of treasury stock shares	(196)	(293)
Dividends on common stock	(544)	(605)
Net cash used for financing activities	(16,510)	(9,913)
Increase (decrease) in cash and cash equivalents	(11,831)	4,367
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	26,648	15,550
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 14,817	\$ 19,917
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash Paid:		
Interest	\$ 2,382	\$ 3,244
Income taxes		5
Noncash items:		
Transfers from loans to foreclosed real estate	\$ 631	\$ 525
Treasury stock payable		116

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

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), and 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. The Company is subject to regulation and supervision as a savings and loan holding company by the Federal Reserve Board. 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 is subject to regulation and supervision by the Pennsylvania Banking Department 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. 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 as a former subsidiary of First Star Bank. The Company acquired First Star Bank in a transaction that closed on July 31, 2012. Integrated Financial Corporation is currently inactive. Integrated Abstract Incorporated is a Pennsylvania Corporation that provides title insurance services. 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 periods ended December 31, 2013 are not necessarily indicative of the results that may be expected for the year ending September 30, 2014.

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, 2013 and 2012.

Three months ended

Edgar Filing: ESSA Bancorp, Inc. - Form 10-Q

	December 31, 2013	December 31, 2012
Weighted-average common shares outstanding	18,133,095	18,133,095
Average treasury stock shares	(6,190,794)	(4,906,440)
Average unearned ESOP shares	(1,035,427)	(1,080,703)
Average unearned non-vested shares	(16,718)	(57,827)
Weighted average common shares and common stock equivalents used to calculate basic earnings per share	10,890,156	12,088,125
Additional common stock equivalents (non-vested stock) used to calculate diluted earnings per share		
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	16,073	
Weighted average common shares and common stock equivalents used to calculate diluted earnings per share	10,906,229	12,088,125

Table of Contents

At December 31, 2013 and 2012 there were options to purchase 317,910 and 1,458,379 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, 2013 and 2012 there were 14,997 and 47,913 shares, respectively, of nonvested stock outstanding at prices of \$10.94 and \$12.35 per share, respectively, that were not included in the computation of diluted EPS 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 significantly from those estimates.

4. Recent Accounting Pronouncements:

In February 2013, the FASB issued ASU 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date*. The ASU requires the measurement of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement with its co-obligors as well as any additional amount that the entity expects to pay on behalf of its co-obligors. The new standard is effective retrospectively for fiscal years and interim periods within those years, beginning after December 15, 2013, and early adoption is permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In April 2013, the FASB issued ASU 2013-07, *Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting*. The amendments in this update are being issued to clarify when an entity should apply the liquidation basis of accounting. In addition, the guidance provides principles for the recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. The amendments require an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is imminent when the likelihood is remote that the entity will return from liquidation and either (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties or (b) a plan for liquidation is being imposed by other forces (for example, involuntary bankruptcy). If a plan for liquidation was specified in the entity's governing documents from the entity's inception (for example, limited-life entities), the entity should apply the liquidation basis of accounting only if the approved plan for liquidation differs from the plan for liquidation that was specified at the entity's inception. The amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Entities should apply the requirements prospectively from the day that liquidation becomes imminent. Early adoption is permitted. Entities that use the liquidation basis of accounting as of the effective date in accordance with other Topics (for example, terminating employee benefit plans) are not required to apply the amendments. Instead, those entities should continue to apply the guidance in those other Topics until they have completed liquidation. This ASU is not expected to have a significant impact on the Company's financial statements.

In June 2013, the FASB issued ASU 2013-08, *Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements*. The amendments in this update affect the scope,

measurement, and disclosure requirements for investment companies under U.S. GAAP. The amendments do all of the following: 1. Change the approach to the investment company assessment in Topic 946, clarify the characteristics of an investment company, and provide comprehensive guidance for assessing whether an entity is an investment Company. 2. Require an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. 3. Require the following additional disclosures: (a) the fact that the entity is an investment company and is applying the guidance in Topic 946, (b) information about changes, if any, in an entity's status as an investment company, and (c) information about financial support provided or contractually required to be provided by an investment company to any of its investees. The amendments in this update are effective for an entity's interim and annual reporting periods in fiscal years that begin after December 15, 2013. Earlier application is prohibited. This ASU is not expected to have a significant impact on the Company's financial statements.

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the

Table of Contents

tax position at the reporting date. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In January 2014, FASB issued ASU 2014-01, *Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*. The amendments in this update permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The amendments in this Update should be applied retrospectively to all periods presented. A reporting entity that uses the effective yield method to account for its investments in qualified affordable housing projects before the date of adoption may continue to apply the effective yield method for those preexisting investments. The amendments in this update are effective for public business entities for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. Early adoption is permitted. This ASU is not expected to have a significant impact on the Company's financial statements.

In January 2014, the FASB issued ASU 2014-04, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. The amendments in this update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in this update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. An entity can elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. This ASU is not expected to have a significant impact on the Company's financial statements.

Table of Contents**5. Investment Securities**

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

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
Fannie Mae	\$ 118,067	\$ 1,166	\$ (2,088)	\$ 117,145
Freddie Mac	57,856	760	(1,628)	56,988
Governmental National Mortgage Association	37,054	246	(267)	37,033
Other mortgage-backed securities	3,111		(16)	3,095
Total mortgage-backed securities	216,088	2,172	(3,999)	214,261
Obligations of states and political subdivisions	24,079	555	(622)	24,012
U.S. government agency securities	52,503	188	(738)	51,953
Corporate obligations	12,727	187	(180)	12,734
Trust-preferred securities	4,967	500		5,467
Other debt securities	5,369	45	(37)	5,377
Total debt securities	315,733	3,647	(5,576)	313,804
Equity securities - financial services	2,025			2,025
Total	\$ 317,758	\$ 3,647	\$ (5,576)	\$ 315,829

	September 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
Fannie Mae	\$ 114,927	\$ 1,691	\$ (1,595)	\$ 115,023
Freddie Mac	60,111	838	(1,252)	59,697
Governmental National Mortgage Association	39,692	289	(230)	39,751
Other mortgage-backed securities	3,385		(19)	3,366
Total mortgage-backed securities	218,115	2,818	(3,096)	217,837
Obligations of states and political subdivisions	23,754	654	(499)	23,909
U.S. government agency securities	52,775	225	(480)	52,520
Corporate obligations	12,756	186	(169)	12,773
Trust-preferred securities	4,943	471		5,414
Other debt securities	1,147	7		1,154

Edgar Filing: ESSA Bancorp, Inc. - Form 10-Q

Total debt securities	313,490	4,361	(4,244)	313,607
Equity securities - financial services	2,025		(10)	2,015
Total	\$ 315,515	\$ 4,361	\$ (4,254)	\$ 315,622

The amortized cost and fair value of debt securities at December 31, 2013, 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	Fair
	Cost	Value
Due in one year or less	\$ 2,871	\$ 2,879
Due after one year through five years	40,356	40,616
Due after five years through ten years	68,652	68,104
Due after ten years	203,854	202,205
Total	\$ 315,733	\$ 313,804

Table of Contents

For the three months ended December 31, 2013, the Company did not sell any investment securities. For the three months ended December 31, 2012, the Company realized gross gains of \$31,000 and gross losses of \$1,000 on proceeds from the sale of investment securities of \$1.1 million.

6. 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):

	Number of Securities	December 31, 2013					
		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	42	\$ 56,551	\$ (1,581)	\$ 10,839	\$ (507)	\$ 67,390	\$ (2,088)
Freddie Mac	22	29,338	(1,257)	6,704	(371)	36,042	(1,628)
Governmental National Mortgage Association	7	6,280	(196)	3,649	(71)	9,929	(267)
Other mortgage backed securities	3	2,245	(11)	850	(5)	3,095	(16)
Obligations of states and political subdivisions	9	5,393	(288)	3,450	(334)	8,843	(622)
U.S. government agency securities	13	33,663	(737)	999	(1)	34,662	(738)
Corporate obligations	7	6,002	(180)			6,002	(180)
Other debt securities	1	1,971	(37)			1,971	(37)
Total	104	\$ 141,443	\$ (4,287)	\$ 26,491	\$ (1,289)	\$ 167,934	\$ (5,576)

	Number of Securities	September 30, 2013					
		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	30	\$ 47,814	\$ (1,589)	\$ 1,057	\$ (6)	\$ 48,871	\$ (1,595)
Freddie Mac	20	32,781	(1,252)			32,781	(1,252)
Governmental National Mortgage Association	6	10,301	(230)			10,301	(230)
Other mortgage-backed securities	3	3,366	(19)			3,366	(19)

Obligations of states and political subdivisions	7	8,064	(499)			8,064	(499)
U.S. government agency securities	10	30,084	(479)	999	(1)	31,083	(480)
Corporate obligations	5	5,042	(169)		(0)	5,042	(169)
Equity securities	1	1,990	(10)			1,990	(10)
Total	82	\$ 139,442	\$ (4,247)	\$ 2,056	\$ (7)	\$ 141,498	\$ (4,254)

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, 2013, 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.

Table of Contents

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.

7. Loans Receivable, Net and Allowance for Loan Losses