ESSA Bancorp, Inc.
Form 10-Q
August 09, 2016
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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 June 30, 2016

OR

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ________ to ________

Commission File 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 August 2, 2016 there were 11,393,543 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)

	June 30, 2016	September 30, 2015
	(dollars in thousands)	
Cash and due from banks	$ 24,049	$ 15,905
Interest-bearing deposits with other institutions	1,929	2,853
Total cash and cash equivalents	25,978	18,758
Certificates of deposit	1,500	1,750
Investment securities available for sale, at fair value	393,523	379,407
Loans receivable (net of allowance for loan losses of $9,390 and $8,919)	1,233,479	1,102,118
Regulatory stock, at cost	16,811	13,831
Premises and equipment, net	16,977	16,553
Bank-owned life insurance	31,348	30,655
Foreclosed real estate	2,244	2,480
Intangible assets, net	2,662	1,759
Goodwill	13,801	10,259
Deferred income taxes	9,981	11,149
Other assets	18,377	17,825
TOTAL ASSETS	$ 1,766,681	$ 1,606,544
LIABILITIES		
Deposits	$ 1,169,340	$ 1,096,754
Short-term borrowings	153,162	91,339
Other borrowings	240,601	229,101
Advances by borrowers for taxes and insurance	12,154	4,273
Other liabilities	13,974	13,797
TOTAL LIABILITIES	1,589,231	1,435,264
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; 11,384,720 and 11,353,244 outstanding at June 30, 2016 and September 30, 2015)	181	181

Additional paid in capital	182,063	182,295
Unallocated common stock held by the Employee Stock Ownership Plan (ESOP)	(9,287)	(9,627)
Retained earnings	87,048	83,658
Treasury stock, at cost; 6,748,375 and 6,779,851 shares outstanding at June 30, 2016 and September 30, 2015, respectively	(82,482)	(82,832)
Accumulated other comprehensive loss	(73)	(2,395)
TOTAL STOCKHOLDERS EQUITY	177,450	171,280
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 1,766,681	$ 1,606,544

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 June 30,		For the Nine Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in thousands, except per share data)		(dollars in thousands, except per share data)	
INTEREST INCOME				
Loans receivable, including fees	$ 12,377	$ 11,398	$ 36,756	$ 33,947
Investment securities:				
Taxable	1,863	1,741	5,584	5,429
Exempt from federal income tax	277	248	776	721
Other investment income	206	181	581	759
Total interest income	14,723	13,568	43,697	40,856
INTEREST EXPENSE				
Deposits	1,903	1,800	5,692	5,643
Short-term borrowings	175	118	384	324
Other borrowings	786	639	2,386	1,826
Total interest expense	2,864	2,557	8,462	7,793
NET INTEREST INCOME	11,859	11,011	35,235	33,063
Provision for loan losses	600	525	1,800	1,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	11,259	10,486	33,435	31,563
NONINTEREST INCOME				
Service fees on deposit accounts	919	842	2,657	2,426
Services charges and fees on loans	272	274	849	863
Trust and investment fees	196	218	603	660
Gain on sale of investments	413	194	781	398
Earnings on Bank-owned life insurance	229	231	693	701
Insurance commissions	221	183	637	582
Other	46	6	170	33
Total noninterest income	2,296	1,948	6,390	5,663
NONINTEREST EXPENSE				

Compensation and employee benefits	5,930	5,213	17,511	15,559
Occupancy and equipment	1,340	996	3,871	3,111
Professional fees	588	517	1,713	1,438
Data processing	998	861	2,996	2,566
Advertising	297	373	537	725
Federal Deposit Insurance Corporation (FDIC) premiums	312	269	912	850
(Gain)/loss on foreclosed real estate	(77)	8	74	(167)
Merger related costs			245	
Amortization of intangible assets	191	157	588	486
Other	1,072	965	3,096	2,855
Total noninterest expense	10,651	9,359	31,543	27,423
Income before income taxes	2,904	3,075	8,282	9,803
Income taxes	792	618	2,084	2,318
NET INCOME	$ 2,112	$ 2,457	$ 6,198	$ 7,485
Earnings per share				
Basic	$ 0.20	$ 0.24	$ 0.60	$ 0.72
Diluted	$ 0.20	$ 0.23	$ 0.59	$ 0.71
Dividends per share	$ 0.09	$ 0.09	$ 0.27	$ 0.25

See accompanying notes to the unaudited consolidated financial statements.

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ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Net income	$ 2,112	$ 2,457	$ 6,198	$ 7,485
Other comprehensive income (loss):				
Investment securities available for sale:				
Unrealized holding gain (loss)	2,360	(3,496)	3,942	1,617
Tax effect	(802)	1,188	(1,341)	(550)
Reclassification of gains recognized in net income	(413)	(194)	(781)	(398)
Tax effect	141	66	266	135
Net of tax amount	1,286	(2,436)	2,086	804
Pension plan adjustment:				
Related to actuarial losses	119	60	358	181
Tax effect	(41)	(21)	(122)	(62)
Net of tax amount	78	39	236	119
Total other comprehensive income (loss)	1,364	(2,397)	2,322	923
Comprehensive income	$ 3,476	$ 60	$ 8,520	$ 8,408

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	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)				
Balance, September 30, 2015	11,353,244	$ 181	$ 182,295	$ (9,627)	$ 83,658	$ (82,832)	$ (2,395)	$ 171,280
Net income					6,198			6,198
Other comprehensive income							2,322	2,322
Cash dividends declared ($0.27 per share)					(2,808)			(2,808)
Stock based compensation			141					141
Allocation of ESOP stock			115	340				455
Allocation of treasury shares to incentive plan	54,176		(488)			488		
Treasury shares purchased	(22,700)					(138)		(138)
Balance, June 30, 2016	11,384,720	$ 181	$ 182,063	$ (9,287)	$ 87,048	$ (82,482)	$ (73)	$ 177,450

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 Nine Months Ended June 30, 2016	2015
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net income	$ 6,198	$ 7,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,800	1,500
Provision for depreciation and amortization	1,314	980
Amortization and accretion of discounts and premiums, net	2,851	322
Gain on sale of investment securities	(781)	(398)
Compensation expense on ESOP	455	415
Stock based compensation	141	81
Increase in accrued interest receivable	(518)	(54)
Increase in accrued interest payable	218	99
Earnings on bank-owned life insurance	(693)	(701)
Deferred federal income taxes	(687)	(507)
Loss/(gain) on foreclosed real estate, net	74	(167)
Amortization of identifiable intangible assets	588	486
Other, net	2,840	4,478
Net cash provided by operating activities	13,800	14,019
INVESTING ACTIVITIES		
Certificates of deposit maturities	250	17
Investment securities available for sale:		
Proceeds from sale of investment securities	45,739	5,904
Proceeds from principal repayments and maturities	61,662	46,953
Purchases	(82,454)	(50,532)
Increase in loans receivable, net	(12,692)	(37,329)
Redemption of regulatory stock	11,867	11,660
Purchase of regulatory stock	(13,958)	(11,913)
Proceeds from sale of foreclosed real estate	1,375	2,543
Acquisition, net of cash acquired	(16,174)	
Capital improvements to foreclosed real estate		30
Purchase of premises, equipment, and software	(766)	(604)
Net cash used for investing activities	(5,151)	(33,271)

FINANCING ACTIVITIES

Decrease in deposits, net		(79,687)		(58,336)
Net increase in short-term borrowings		61,823		12,836
Proceeds from other borrowings		92,300		66,705
Repayment of other borrowings		(80,800)		(9,200)
Increase in advances by borrowers for taxes and insurance		7,881		7,524
Purchase of treasury stock shares		(138)		(2,277)
Dividends on common stock		(2,808)		(2,609)
Net cash (used for) provided by financing activities		(1,429)		14,643
Increase (decrease) in cash and cash equivalents		7,220		(4,609)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		18,758		22,301
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	25,978	$	17,692

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	For the Nine Months Ended June 30,	
	2016	2015
	(dollars in thousands)	
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash Paid:		
Interest	$ 8,180	$ 7,693
Income taxes	600	250
Noncash items:		
Transfers from loans to foreclosed real estate	1,213	2,242
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.

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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, 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. 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 nine month period ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending September 30, 2016.

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 and nine month periods ended June 30, 2016 and 2015.

	Three Months Ended	Nine Months Ended

	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Weighted-average common shares outstanding	18,133,095	18,133,095	18,133,095	18,133,095
Average treasury stock shares	(6,753,180)	(6,709,111)	(6,780,144)	(6,671,091)
Average unearned ESOP shares	(922,238)	(967,514)	(933,598)	(978,875)
Average unearned non-vested shares	(31,373)	(25,008)	(36,174)	(19,045)
Weighted average common shares and common stock equivalents used to calculate basic earnings per share	10,426,304	10,431,462	10,383,179	10,464,084
Additional common stock equivalents (non-vested stock) used to calculate diluted earnings per share	297	627		
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	126,538	133,034	125,297	69,620
Weighted average common shares and common stock equivalents used to calculate diluted earnings per share	10,553,138	10,565,123	10,508,476	10,533,704

At June 30, 2016 there were 43,692 shares of nonvested stock outstanding at an average weighted price of $12.93 per share that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive. At June 30, 2015 there were 35,057 shares of nonvested stock outstanding at a price of $12.27 per share and options to purchase 317,910 shares of common stock outstanding at a price of $12.35 per share that were not included in the computation of diluted earnings per share 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 (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 June 2014, the FASB issued ASU 2014-12, *Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments when the Terms of an Award Provide that a Performance Target Could Be Achieved After the Requisite Service Period*. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this Update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. Entities may apply the amendments in this Update either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this Update as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. Additionally, if retrospective transition is adopted, an entity may use hindsight in measuring and recognizing the compensation cost. This Update is not expected to have a significant impact on the Company s financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements Going Concern (Subtopic* 205-40). The amendments in this Update provide guidance in accounting principles generally accepted in the United States of America about management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern and to provide related footnote disclosures. The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. This Update is not expected to have a significant impact on the Company s financial statements.

In November 2014, the FASB issued ASU 2014-16, *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity (a consensus of the FASB Emerging Issues Task Force).* This Update clarifies how current U.S. GAAP should be interpreted in subjectively evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Public business entities are required to implement the new requirements in fiscal years and interim periods within those fiscal years beginning after December 15, 2015. This Update is not expected to have a significant impact on the Company s financial statements.

In January 2015, the FASB issued ASU 2015-01, *Income Statement Extraordinary and Unusual Items,* as part of its initiative to reduce complexity in accounting standards. This Update eliminates from U.S. GAAP the concept of extraordinary items. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity may also apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. This Update is not expected to have a significant impact on the Company s financial statements.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810)*. The amendments in this Update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related-party relationships; and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The

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amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. This Update is not expected to have a significant impact on the Company s financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of Interest (Subtopic 835-30)*, as part of its initiative to reduce complexity in accounting standards. To simplify presentation of debt issuance costs, the amendments in this Update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this Update. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, 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, 2015, and interim periods within fiscal years beginning after December 15, 2016. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. This Update is not expected to have a significant impact on the Company s financial statements.

In April 2015, the FASB issued ASU 2015-04, *Compensation Retirement Benefits (Topic 715),* as part of its initiative to reduce complexity in accounting standards. For an entity with a fiscal year-end that does not coincide with a month-end, the amendments in this Update provide a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity s fiscal year-end and apply that practical expedient consistently from year to year. The practical expedient should be applied consistently to all plans if an entity has more than one plan. The amendments in this Update are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, 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, 2016, and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted. This Update is not expected to have a significant impact on the Company s financial statements.

In May 2015, the FASB issued ASU 2015-09, *Financial Services Insurance (Topic 944): Disclosure About Short-Duration Contracts*. The amendments apply to all insurance entities that issue short-duration contracts as defined in Topic 944, *Financial Services Insurance*. The amendments require insurance entities to disclose for annual reporting periods certain information about the liability for unpaid claims and claim adjustment expenses. The amendments also require insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including reasons for the change and the effects on the financial statements. Additionally, the amendments require insurance entities to disclose for annual and interim reporting periods a rollforward of the liability for unpaid claims and claim adjustment expenses, described in Topic 944. For health insurance claims, the amendments require the disclosure of the total of incurred-but-not-reported liabilities plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. For all other entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within annual periods beginning after December 15, 2017. This Update is not expected to have a significant impact on the Company s financial statements.

In June 2015, the FASB issued ASU 2015-10, *Technical Corrections and Improvements*. The amendments in this Update represent changes to clarify the FASB Accounting Standards Codification (Codification), correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Transition guidance varies based on the amendments in this Update. The amendments in this Update that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments will be effective upon the issuance of this Update. This Update is not expected to have a significant impact on the Company s financial statements.

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 September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805).* The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this Update require that the acquirer record, in the same period s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this Update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. This Update is not expected to have a significant impact on the Company s financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. The amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this Update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. This Update is not expected to have a significant impact on the Company s financial statements.

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 2016-04, *Liabilities - Extinguishments of Liabilities (Subtopic 405-20).* The standard provides that liabilities related to the sale of prepaid stored-value products within the scope of this Update are financial liabilities. The amendments in the Update provide a narrow-scope exception to the guidance in Subtopic 405-20 to require that breakage for those liabilities be accounted for consistent with the breakage guidance in Topic 606. The amendments in this Update are effective for public business entities, certain not-for-profit entities, and certain employee benefit plans for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Earlier application 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 2016-05, *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 heading 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.

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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 is currently evaluating the impact the adoption of the standard will have on the Company s financial position or results of operations.

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 2016-11, *Revenue Recognition (Topic 605) and Derivative and Hedging (Topic 815*), which rescinds SEC paragraphs pursuant to two SEC Staff Announcements at the March 3, 2016, Emerging Issues Task Force meeting. This Update did not have a significant impact on the Company s financial statements.

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.

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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):

	June 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
Fannie Mae	$ 124,384	$ 2,458	$ (142)	$ 126,700
Freddie Mac	89,428	1,669	(55)	91,042
Governmental National Mortgage Association	13,303	96	(38)	13,361
Other mortgage-backed securities	2,332		(16)	2,316
Total mortgage-backed securities	229,447	4,223	(251)	233,419
Obligations of states and political subdivisions	66,727	2,868	(7)	69,588
U.S. government agency securities	29,539	399	(2)	29,936
Corporate obligations	34,825	363	(347)	34,841
Trust-preferred securities	1,635	115		1,750
Other debt securities	23,726	395	(157)	23,964
Total debt securities	385,899	8,363	(764)	393,498
Equity securities - financial services	25			25
Total	$ 385,924	$ 8,363	$ (764)	$ 393,523

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	September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
Fannie Mae	$ 130,476	$ 2,052	$ (541)	$ 131,987
Freddie Mac	88,514	1,063	(286)	89,291
Governmental National Mortgage Association	13,201	103	(52)	13,252
Other mortgage-backed securities	2,494		(17)	2,477
Total mortgage-backed securities	234,685	3,218	(896)	237,007
Obligations of states and political subdivisions	50,094	1,676	(145)	51,625
U.S. government agency securities	45,799	399	(12)	46,186
Corporate obligations	22,440	157	(237)	22,360
Trust-preferred securities	1,613	98		1,711
Other debt securities	20,313	216	(36)	20,493
Total debt securities	374,944	5,764	(1,326)	379,382
Equity securities - financial services	25			25
Total	$ 374,969	$ 5,764	$ (1,326)	$ 379,407

The amortized cost and fair value of debt securities at June 30, 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	$ 2,748	$ 2,757
Due after one year through five years	51,533	52,273
Due after five years through ten years	71,360	72,965
Due after ten years	260,258	265,503
Total	$ 385,899	$ 393,498

For the three months ended June 30, 2016, the Company realized gross gains of $413,000 and no gross losses on proceeds from the sale of investment securities of $16.7 million. For the nine months ended June 30, 2016, the Company realized gross gains of $781,000 and no gross losses on proceeds from the sale of investment securities of $45.7 million. During the first quarter of 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. For the three months ended June 30, 2015, the Company realized gross gains of $194,000 and no gross losses on proceeds from the sale of investment securities of $2.6 million. For the nine months ended June 30, 2015 the Company realized gross gains of $398,000 and no gross losses on proceeds from the sale of investment securities of $5.9 million.

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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 (dollars in thousands):

	June 30, 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	14	$ 2,390	$ (5)	$ 13,030	$ (137)	$ 15,420	$ (142)
Freddie Mac	7	1,410	(2)	6,786	(53)	8,196	(55)
Governmental National Mortgage Association	6	5,145	(28)	812	(10)	5,957	(38)
Other mortgage-backed securities	3			2,316	(16)	2,316	(16)
Obligations of states and political subdivisions	3	3,586	(7)			3,586	(7)
U.S. government agency securities	1			1,024	(2)	1,024	(2)
Corporate obligations	9	6,652	(266)	2,581	(81)	9,233	(347)
Other debt securities	8	4,312	(102)	3,268	(55)	7,580	(157)
Total	51	$ 23,495	$ (410)	$ 29,818	$ (354)	$ 53,312	$ (764)

	September 30, 2015						
	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	22	$ 7,238	$ (28)	$ 23,609	$ (513)	$ 30,847	$ (541)
Freddie Mac	12	1,487	(1)	15,477	(285)	16,964	(286)
Governmental National Mortgage Association	2			2,209	(52)	2,209	(52)
Other mortgage-backed securities	3			2,477	(17)	2,477	(17)
Obligations of states and political subdivisions	14	9,184	(57)	4,667	(88)	13,851	(145)
U.S. government agency securities	3	3,246	(12)			3,246	(12)
Corporate obligations	10	9,263	(207)	970	(30)	10,233	(237)
Other debt securities	6	5,232	(26)	1,748	(10)	6,980	(36)
Total	72	$ 35,650	$ (331)	$ 51,157	$ (995)	$ 86,807	$ (1,326)

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, other mortgage backed securities, debt obligations of a U.S. state or political subdivision, corporate debt obligations, trust preferred securities and equity securities.

The Company reviews its position quarterly and has asserted that at June 30, 2016, the declines outlined in the above table represent temporary declines and the Company would not be required to sell the above securities before their 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.

7. Loans Receivable, Net and Allowance for Loan Losses
Loans receivable consist of the following (in thousands):

	June 30, 2016	September 30, 2015
Real estate loans:		
Residential	$ 597,704	$ 610,582
Construction	3,479	878
Commercial	287,946	200,004
Commercial	45,324	34,314
Obligations of states and political subdivisions	57,169	59,820
Home equity loans and lines of credit	48,866	39,903
Auto Loans	199,034	162,193
Other	3,347	3,343
	1,242,869	1,111,037
Less allowance for loan losses	9,390	8,919
Net loans	$ 1,233,479	$ 1,102,118

Included in the June 30, 2016 balances are loans acquired from Eagle National Bank, as of the acquisition date of December 4, 2015 as follows (in thousands):

	2015
Real estate loans:	
Residential	$ 10,743
Commercial	87,336
Commercial	16,604
Home equity loans and lines of credit	8,632
Other	65
Total loans	$ 123,380

Purchased loans acquired in a business combination are recorded at fair value on their purchase date without a carryover of the related allowance for loan losses.

Upon acquisition, the Company evaluated whether each acquired loan (regardless of size) was within the scope of ASC 310-30, Receivables-Loans and Debt Securities Acquired with Deteriorated Credit Quality. Purchased credit-impaired loans are loans that have evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all contractually required principal and interest payments. The fair value of purchased credit-impaired loans, on the acquisition date of December 4, 2015, was determined, primarily based on the fair value of loan collateral. The carrying value of all purchased loans acquired with deteriorated credit quality was $5.9 million at June 30, 2016.

On the acquisition date, the preliminary estimate of the unpaid principal balance for all loans evidencing credit impairment acquired in the Eagle National Bancorp, Inc. (ENB) acquisition was $3.5 million and the estimated fair value of the loans was $2.0 million. Total contractually required payments on these loans, including interest, at the acquisition date was $4.2 million. However, the Company s preliminary estimate of expected cash flows was $2.2 million. At such date, the Company established a credit risk related non-accretable discount (a discount representing amounts which are not expected to be collected from the customer nor liquidation of collateral) of $2.0 million relating to these impaired loans, reflected in the recorded net fair value. Such amount is reflected as a non-accretable fair value adjustment to loans. The Company further estimated the timing and amount of expected cash flows in excess of the estimated fair value and established an accretable discount of $240,000 on the acquisition date relating to these impaired loans.

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The carrying value of the loans acquired and accounted for in accordance with ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, was determined by projecting discounted contractual cash flows. The table below presents the components of the purchase accounting adjustments related to the purchased impaired loans acquired in the ENB acquisition as of December 4, 2015 (in thousands):

Unpaid principal balance	$ 3,468
Interest	717
Contractual cash flows	4,185
Non-accretable discount	(1,973)
Expected cash flows	2,212
Accretable discount	(240)
Estimated fair value	$ 1,972

Changes in the accretable yield for purchased credit-impaired loans were as follows, since acquisition, for the periods ended June 30, 2016 and June 30, 2015 (in thousands):

	Three Months Ended June 30,	
	2016	2015
Balance at beginning of period	$ 365	$ 156
Reclassification, new additions and other	153	228
Accretion	(66)	(49)
Balance at end of period	$ 452	$ 335

	Nine Months Ended June 30,	
	2016	2015
Balance at beginning of period	$ 258	$ 170
Reclassification, new additions and other	240	228
Accretion	(46)	(63)
Balance at end of period	$ 452	$ 335

The following table presents additional information regarding loans acquired and accounted for in accordance with ASC 310-30 (in thousands):

	June 30, 2016	September 30, 2015

	Acquired Loans with Specific Evidence or Deterioration in Credit Quality (ASC 310-30)		Acquired Loans with Specific Evidence or Deterioration in Credit Quality (ASC 310-30)	
Outstanding balance	$	7,395	$	4,779
Carrying amount	$	5,927	$	4,162

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The following table shows the amount of loans in each category that was individually and collectively evaluated for impairment at the dates indicated (in thousands):

	Total Loans	Individually Evaluated for Impairment	Loans Acquired with Deteriorated Credit Quality	Collectively Evaluated for Impairment
June 30, 2016				
Real estate loans:				
Residential	$ 597,704	$ 8,655	$	$ 589,049
Construction	3,479			3,479
Commercial	287,946	12,581	4,890	270,475
Commercial	45,324	1,723	411	43,190
Obligations of states and political subdivisions	57,169			57,169
Home equity loans and lines of credit	48,866	562	626	47,678
Auto loans	199,034	811		198,223
Other	3,347	35		3,312
Total	$ 1,242,869	$ 24,367	$ 5,927	$ 1,212,575

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	Total Loans	Individually Evaluated for Impairment	Loans Acquired with Deteriorated Credit Quality	Collectively Evaluated for Impairment
September 30, 2015				
Real estate loans:				
Residential	$ 610,582	$ 11,985	$	$ 598,597
Construction	878			878
Commercial	200,004	15,100	4,108	180,796
Commercial	34,314	204	54	34,056
Obligations of states and political subdivisions	59,820			59,820
Home equity loans and lines of credit	39,903	795		39,108
Auto loans	162,193	625		