

ESSA Bancorp, Inc.
Form 10-Q
May 11, 2015
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 March 31, 2015

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)
(570) 421-0531

18360
(Zip Code)

(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 May 5, 2015 there were 11,434,378 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>	2
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	44
Item 4. <u>Controls and Procedures</u>	44
<u>Part II. Other Information</u>	
Item 1. <u>Legal Proceedings</u>	45
Item 1A. <u>Risk Factors</u>	45
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
Item 3. <u>Defaults Upon Senior Securities</u>	45
Item 4. <u>Mine Safety Disclosures</u>	45
Item 5. <u>Other Information</u>	45
Item 6. <u>Exhibits</u>	46
<u>Signature Page</u>	47

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

ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	March 31, 2015	September 30, 2014
	(dollars in thousands)	
Cash and due from banks	\$ 13,392	\$ 20,884
Interest-bearing deposits with other institutions	3,218	1,417
Total cash and cash equivalents	16,610	22,301
Certificates of deposit	1,752	1,767
Investment securities available for sale, at fair value	383,350	383,078
Loans receivable (net of allowance for loan losses of \$8,668 and \$8,634)	1,078,495	1,058,267
Regulatory stock, at cost	13,644	14,284
Premises and equipment, net	16,838	16,957
Bank-owned life insurance	30,190	29,720
Foreclosed real estate	2,479	2,759
Intangible assets, net	2,067	2,396
Goodwill	10,259	10,259
Deferred income taxes	9,978	12,027
Other assets	18,909	21,000
TOTAL ASSETS	\$ 1,584,571	\$ 1,574,815
LIABILITIES		
Deposits	\$ 1,103,797	\$ 1,133,889
Short-term borrowings	110,001	108,020
Other borrowings	179,960	151,300
Advances by borrowers for taxes and insurance	8,565	4,093
Other liabilities	9,743	10,204
TOTAL LIABILITIES	1,412,066	1,407,506
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; 11,434,378 and 11,590,378 outstanding at March 31, 2015 and September 30,	181	181

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

2014)		
Additional paid in capital	182,580	182,486
Unallocated common stock held by the Employee Stock Ownership Plan (ESOP)	(9,853)	(10,079)
Retained earnings	80,772	77,413
Treasury stock, at cost; 6,698,717 and 6,542,717 shares outstanding at March 31, 2015 and September 30, 2014, respectively	(81,916)	(80,113)
Accumulated other comprehensive income (loss)	741	(2,579)
TOTAL STOCKHOLDERS EQUITY	172,505	167,309
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 1,584,571	\$ 1,574,815

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 for the Six Months Ended
March 31, March 31,
2015 2014 2015 2014
(dollars in thousands, except per share data)

	For the Three Months Ended		for the Six Months Ended	
	March 31,		March 31,	
	2015	2014	2015	2014
	(dollars in thousands, except per share data)			
INTEREST INCOME				
Loans receivable, including fees	\$ 11,100	\$ 9,843	\$ 22,549	\$ 20,366
Investment securities:				
Taxable	1,799	1,523	3,688	3,050
Exempt from federal income tax	239	72	473	145
Other investment income	442	85	578	144
Total interest income	13,580	11,523	27,288	23,705
INTEREST EXPENSE				
Deposits	1,878	1,906	3,843	3,894
Short-term borrowings	103	27	206	50
Other borrowings	597	652	1,187	1,332
Total interest expense	2,578	2,585	5,236	5,276
NET INTEREST INCOME	11,002	8,938	22,052	18,429
Provision for loan losses	525	750	975	1,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	10,477	8,188	21,077	16,929
NONINTEREST INCOME				
Service fees on deposit accounts	757	722	1,584	1,514
Services charges and fees on loans	274	104	589	289
Trust and investment fees	204	230	442	441
Gain on sale of investments, net	204	236	204	236
Earnings on Bank-owned life insurance	231	225	470	453
Insurance commissions	217	227	399	420
Other	14	8	27	26
Total noninterest income	1,901	1,752	3,715	3,379

NONINTEREST EXPENSE				
Compensation and employee benefits	5,232	4,357	10,346	8,665
Occupancy and equipment	1,134	1,065	2,115	1,983
Professional fees	407	498	921	907
Data processing	892	769	1,705	1,449
Advertising	224	114	352	220
Federal Deposit Insurance Corporation (FDIC) premiums	289	235	581	464
Gain on foreclosed real estate	(137)	(93)	(175)	(51)
Merger related costs		88		346
Amortization of intangible assets	163	237	329	474
Other	894	614	1,890	1,175
Total noninterest expense	9,098	7,884	18,064	15,632
Income before income taxes	3,280	2,056	6,728	4,676
Income taxes	848	554	1,700	1,170
NET INCOME	\$ 2,432	\$ 1,502	\$ 5,028	\$ 3,506

Earnings per share

Basic	\$ 0.23	\$ 0.14	\$ 0.48	\$ 0.32
Diluted	\$ 0.23	\$ 0.14	\$ 0.48	\$ 0.32
Dividends per share	\$ 0.09	\$ 0.07	\$ 0.16	\$ 0.12

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		Six Months	
	March 31,		Ended	
	2015	2014	2015	2014
	(dollars in thousands)			
Net income	\$ 2,432	\$ 1,502	\$ 5,028	\$ 3,506
Other comprehensive income (loss):				
Investment securities available for sale:				
Unrealized holding gain (loss)	2,374	1,333	5,112	(703)
Tax effect	(807)	(453)	(1,737)	239
Reclassification of gains recognized in net income	(204)	(236)	(204)	(236)
Tax effect	69	80	69	80
Net of tax amount	1,432	724	3,240	(620)
Pension plan adjustment:				
Related to actuarial losses and prior service cost	60	7	120	14
Tax effect	(20)	(2)	(40)	(5)
Net of tax amount	40	5	80	9
Total other comprehensive income (loss)	1,472	729	3,320	(611)
Comprehensive income	\$ 3,904	\$ 2,231	\$ 8,348	\$ 2,895

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			Treasury Stock	Accumulated Other Comprehensive	Total Stockholders' Equity
	Number of Shares	Amount	Paid In Capital	the ESOP	Retained Earnings		Income (Loss)	
Balance, September 30, 2014	11,590,378	\$ 181	\$ 182,486	\$ (10,079)	\$ 77,413	\$ (80,113)	\$ (2,579)	\$ 167,309
Net income					5,028			5,028
Other comprehensive income							3,320	3,320
Cash dividends declared (\$.16 per share)					(1,669)			(1,669)
Stock based compensation			51					51
Allocation of ESOP stock			43	226				269
Treasury shares purchased	(156,000)					(1,803)		(1,803)
Balance, March 31, 2015	11,434,378	\$ 181	\$ 182,580	\$ (9,853)	\$ 80,772	\$ (81,916)	\$ 741	\$ 172,505