

NORWOOD FINANCIAL CORP
Form 10-Q
August 08, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

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 number 0-28364

Norwood Financial Corp.
(Exact name of registrant as specified in its charter)

Pennsylvania 23-2828306
(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification no.)

717 Main Street, Honesdale, Pennsylvania 18431
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (570) 253-1455

N/A

Former name, former address and former fiscal year, if changed since last report.

Indicate by check (x) 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 filing 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 (§232.405 of this chapter) 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of August 1, 2018
Common stock, par value \$0.10 per share	6,263,159

NORWOOD FINANCIAL CORP.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NORWOOD FINANCIAL CORP.

Consolidated Balance Sheets (unaudited)

(dollars in thousands, except share and per share data)

	June 30, 2018	December 31, 2017
ASSETS		
Cash and due from banks	\$ 15,193	\$ 16,212
Interest-bearing deposits with banks	914	485
Cash and cash equivalents	16,107	16,697
Securities available for sale, at fair value	259,442	281,121
Loans receivable	803,773	764,092
Less: Allowance for loan losses	8,326	7,634
Net loans receivable	795,447	756,458
Regulatory stock, at cost	2,313	3,505
Bank premises and equipment, net	13,894	13,864
Bank owned life insurance	37,485	37,060
Accrued interest receivable	3,672	3,716
Foreclosed real estate owned	1,386	1,661
Goodwill	11,331	11,331
Other intangibles	394	462
Deferred tax asset	5,885	4,781
Other assets	3,237	2,260
TOTAL ASSETS	\$ 1,150,593	\$ 1,132,916
LIABILITIES		
Deposits:		
Non-interest bearing demand	\$ 216,472	\$ 205,138
Interest-bearing	734,417	724,246
Total deposits	950,889	929,384
Short-term borrowings	43,325	42,530
Other borrowings	30,283	35,945
Accrued interest payable	1,461	1,434
Other liabilities	9,102	7,884
TOTAL LIABILITIES	1,035,060	1,017,177
STOCKHOLDERS' EQUITY		
Common stock, \$.10 par value per share, authorized 10,000,000 shares; issued 2018: 6,266,388 shares, 2017: 6,256,063 shares	627	626
Surplus	47,815	47,431
Retained earnings	74,315	70,426
Treasury stock at cost: 2018: 5,729 shares, 2017: 2,608 shares	(188)	(77)
Accumulated other comprehensive loss	(7,036)	(2,667)
TOTAL STOCKHOLDERS' EQUITY	115,533	115,739
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,150,593	\$ 1,132,916

See accompanying notes to the unaudited consolidated financial statements.

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NORWOOD FINANCIAL CORP.

Consolidated Statements of Income (unaudited)

(dollars in thousand ds, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
INTEREST INCOME				
Loans receivable, including fees	\$ 8,857	\$ 7,925	\$ 17,344	\$ 15,731
Securities	1,536	1,633	3,060	3,251
Other	43	24	61	35
Total interest income	10,436	9,582	20,465	19,017
INTEREST EXPENSE				
Deposits	1,052	797	2,082	1,563
Short-term borrowings	38	28	90	56
Other borrowings	131	101	271	244
Total interest expense	1,221	926	2,443	1,863
NET INTEREST INCOME	9,215	8,656	18,022	17,154
PROVISION FOR LOAN LOSSES	425	600	975	1,200
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,790	8,056	17,047	15,954
OTHER INCOME				
Service charges and fees	1,101	1,016	2,082	1,951
Income from fiduciary activities	175	128	311	235
Net realized gains on sales of securities	58	31	200	37
Gain on sale of loans, net	-	67	-	67
Gain on sale of deposits	-	-	-	209
Earnings and proceeds on bank owned life insurance	279	275	552	530
Other	161	139	323	270
Total other income	1,774	1,656	3,468	3,299
OTHER EXPENSES				
Salaries and employee benefits	3,406	3,212	6,868	6,430
Occupancy, furniture & equipment, net	857	809	1,749	1,720
Data processing and related operations	340	324	658	668
Taxes, other than income	153	227	327	460
Professional fees	229	240	459	489
Federal Deposit Insurance Corporation insurance	86	91	178	186
Foreclosed real estate	114	152	95	724
Amortization of intangibles	33	39	68	80
Other	1,135	1,036	2,198	1,987
Total other expenses	6,353	6,130	12,600	12,744
INCOME BEFORE INCOME TAXES	4,211	3,582	7,915	6,509
INCOME TAX EXPENSE	698	858	1,273	1,409
NET INCOME	\$ 3,513	\$ 2,724	\$ 6,642	\$ 5,100
BASIC EARNINGS PER SHARE (1)	\$ 0.57	\$ 0.44	\$ 1.07	\$ 0.82

DILUTED EARNINGS PER SHARE (1)	\$ 0.56	\$ 0.43	\$ 1.06	\$ 0.81
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(1) Per share data for 2017 has been restated to give retroactive effect to the 50% stock dividend declared on August 8, 2017.

See accompanying notes to the unaudited consolidated financial statements.

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NORWOOD FINANCIAL CORP.

Consolidated Statements of Comprehensive (Loss) Income (unaudited)

(dollars in thousands)

	Three Months Ended June 30,	
	2018	2017
Net income	\$ 3,513	\$ 2,724
Other comprehensive (loss) income:		
Investment securities available for sale:		
Unrealized holding (loss) gain	(840)	2,735
Tax effect	177	(930)
Reclassification of investment securities gains recognized in net income	(58)	(31)
Tax effect	12	11
Other comprehensive (loss) income	(709)	1,785
Comprehensive Income	\$ 2,804	\$ 4,509
	Six Months Ended June 30,	
	2018	2017
Net income	\$6,642	\$5,100
Other comprehensive (loss) income:		
Investment securities available for sale:		
Unrealized holding (loss) gain	(5,330)	3,957
Tax effect	1,119	(1,346)
Reclassification of investment securities gains recognized in net income	(200)	(37)
Tax effect	42	13
Other comprehensive (loss) income	(4,369)	2,587
Comprehensive Income	\$2,273	\$7,687

See accompanying notes to the unaudited consolidated financial statements.

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NORWOOD FINANCIAL CORP.

Consolidated Statements of Changes in Stockholders' Equity (unaudited)

Six Months Ended June 30, 2018

(dollars in thousands, except share and per share data)

	Common Stock		Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss		Total
	Shares	Amount Surplus		Shares	Amount			
Balance, December 31, 2017	6,256,063	\$ 626	\$47,431	\$70,426	2,608	\$(77)	\$(2,667)	\$115,739
Net Income	-	-	-	6,642	-	-	-	6,642
Other comprehensive loss	-	-	-	-	-	-	(4,369)	(4,369)
Cash dividends declared (\$0.44 per share)	-	-	-	(2,753)	-	-	-	(2,753)
Compensation expense related to restricted stock	-	-	102	-	-	-	-	102
Acquisition of treasury stock	-	-	-	-	5,446	(179)	-	(179)
Stock options exercised	10,325	1	164	-	(2,325)	68	-	233
Compensation expense related to stock options	-	-	118	-	-	-	-	118
Balance, June 30, 2018	6,266,388	\$ 627	\$47,815	\$74,315	5,729	\$(188)	\$(7,036)	\$115,533

See accompanying notes to the unaudited consolidated financial statements.

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NORWOOD FINANCIAL CORP.

Consolidated Statements of Cash Flows (Unaudited)

(dollars in thousands)

	Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 6,642	\$ 5,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	975	1,200
Depreciation	437	468
Amortization of intangible assets	68	80
Deferred income taxes	(202)	(525)
Net amortization of securities premiums and discounts	885	1,120
Net realized gain on sales of securities	(200)	(37)
Gain on sale of deposits	-	(209)
Earnings and proceeds on bank owned life insurance	(552)	(530)
Loss on sales and writedowns of fixed assets and foreclosed real estate owned	9	529
Gain on sale of loans	-	(67)
Loans originated for sale	-	(1,693)
Proceeds from sale of loans originated for sale	-	1,760
Compensation expense related to stock options	118	46
Compensation expense related to restricted stock	102	71
Decrease in accrued interest receivable	44	226
Increase (decrease) in accrued interest payable	27	(127)
Other, net	853	1,338
Net cash provided by operating activities	9,206	8,750
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available for sale:		
Proceeds from sales	14,583	1,835
Proceeds from maturities and principal reductions on mortgage-backed securities	15,151	14,792
Purchases	(14,269)	(11,893)
Purchase of regulatory stock	(1,158)	(1,378)
Redemption of regulatory stock	2,350	1,062
Net increase in loans	(40,393)	(21,481)
Purchase of premises and equipment	(467)	(155)
Proceeds from sales of fixed assets and foreclosed real estate owned	467	515
Net cash used in investing activities	(23,736)	(16,703)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	21,505	20,954
Deposits sold	-	(13,659)
Net decrease in short-term borrowings	795	9,381
Repayments of other borrowings	(5,662)	(16,671)
Proceeds from other borrowings	-	10,000
Stock options exercised	233	694
Purchase of treasury stock	(179)	(854)
Cash dividends paid	(2,752)	(2,663)
Net cash provided by financing activities	13,940	7,182

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Decrease in cash and cash equivalents	(590)	(771)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	16,697		17,174	
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 16,107		\$ 16,403	

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NORWOOD FINANCIAL CORP.

Consolidated Statements of Cash Flows (Unaudited) (continued)

(dollars in thousands)

	Six Months Ended June 30,	
	2018	2017
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest on deposits and borrowings	\$ 2,416	\$ 1,990
Income taxes paid, net of refunds	\$ 1,097	\$ 505
Supplemental Schedule of Noncash Investing Activities:		
Transfers of loans to foreclosed real estate and repossession of other assets	\$ 333	\$ 71
Cash dividends declared	\$ 2,753	\$ 2,665

See accompanying notes to the unaudited consolidated financial statements.

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Notes to the Unaudited Consolidated Financial Statements

1. Basis of Presentation

The unaudited consolidated financial statements include the accounts of Norwood Financial Corp. (Company) and its wholly-owned subsidiary, Wayne Bank (Bank) and the Bank's wholly-owned subsidiaries, WCB Realty Corp., Norwood Investment Corp., Norwood Settlement Services, LLC, and WTRO Properties, Inc. On June 13, 2017, the Company approved and adopted a Plan of Dissolution for Norwood Settlement Services, LLC. Effective May 29, 2018, the existence of Norwood Settlement Services, LLC was terminated. All activity prior to the dissolution is included in the consolidated financial statements. All significant intercompany transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in conformity with generally accepted accounting principles for interim financial statements and with instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. The financial statements reflect, in the opinion of management, all normal, recurring adjustments necessary to present fairly the financial position and results of operations of the Company. The operating results for the three month and six month periods ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018 or any other future interim period.

Stock Dividend

On August 8, 2017, the Company declared a 50% stock dividend to stockholders of record on August 22, 2017 which was payable September 15, 2017. Share and per share information has been adjusted for this dividend.

2. Revenue Recognition

Effective January 1, 2018, the Company adopted ASU 2014-09 Revenue from Contracts with Customers – Topic 606 and all subsequent ASCs that modified ASC 606. The Company has elected to apply the standard utilizing the modified retrospective approach with a cumulative effect of adoption for the impact from uncompleted contracts as the date of adoption. The implementation of the new standard had no material impact to the measurement or recognition of revenue of prior periods.

Management determined that the primary sources of revenue emanating from interest income on loans and investments along with noninterest revenue resulting from investment security gains, loan servicing, gains on the sale of loans, commitment fees, and fees from financial guarantees are not within the scope of ASC 606. As a result, no changes were made during the period related to these sources of revenue, which cumulatively comprise 94.2% percent of the total revenue of the Company.

The main types of noninterest income within the scope of the standard are as follows:

Service charges on deposit accounts – The Company has contracts with its deposit customers where fees are charged if the account balance falls below predetermined levels defined as compensating balances. The agreements can be cancelled at any time by either the Company or the deposit customer. Revenue from the transactions is recognized on a monthly basis as the Company has an unconditional right to the fee consideration. The Company also has transaction fees related to specific transactions or activities resulting from a customer request or activity that include overdraft fees, online banking fees, and other transaction fees. All of these fees are attributable to specific

performance obligations of the Company where the revenue is recognized at a defined point in time or at the completion of the requested service/transaction.

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Fiduciary/trust fees – Typical contracts for trust services are based on a fixed percentage of assets earned ratably over a defined period and billed on a monthly or quarterly basis. Fees charged to customers' accounts are recognized as revenue over the period during which the Company fulfills its performance obligation under the contract (i.e. holding client assets in a managed fiduciary trust account). For these accounts, the performance obligation of the Company is typically satisfied by holding and managing the customer's assets over time. Other fees related to specific customer requests are attributable to specific performance obligations of the Company where the revenue is recognized at a defined point in time or at the completion of the requested service/transaction.

The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Income was not necessary. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity.

3. Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

The following table sets forth the weighted average shares outstanding used in the computations of basic and diluted earnings per share. All 2017 share and per share information has been restated to reflect the retroactive effect of the 50% stock dividend declared on August 8, 2017.

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Weighted average shares outstanding	6,256	6,240	6,256	6,242
Less: Unvested restricted shares	31	29	31	29
Basic EPS weighted average shares outstanding	6,225	6,211	6,225	6,213
Basic EPS weighted average shares outstanding	6,225	6,211	6,225	6,213
Add: Dilutive effect of stock options	50	50	51	51
Diluted EPS weighted average shares outstanding	6,275	6,261	6,276	6,264

For the three and six month periods ending June 30, 2018, there were no stock options that would be anti-dilutive to the earnings per share calculations based upon the closing price of Norwood common stock of \$36.02 per share on June 30, 2018.

For the three and six month periods ending June 30, 2017, there were no anti-dilutive options based on Norwood's closing price of \$28.17 per share, after adjusting for the 50% stock dividend declared on August 8, 2017.

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No awards were granted during the six-month period ending June 30, 2018. As of June 30, 2018, there was \$119,000 of total unrecognized compensation cost related to non-vested options granted in 2017 under the 2014 Equity Incentive Plan, which will be fully amortized by December 31, 2018. Compensation costs related to stock options amounted to \$118,000 and \$46,000 during the six-month periods ended June 30, 2018 and 2017, respectively.

A summary of the Company's stock option activity for the six-month period ended June 30, 2018 is as follows, after adjusting for the 50% stock dividend declared on August 8, 2017:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Yrs.	Aggregate Intrinsic Value (\$000)
Outstanding at January 1, 2018	212,725	\$ 20.76	6.1	Yrs.	\$ 2,604
Granted	-	-	-		-
Exercised	(12,650)	18.41	4.8	Yrs.	160
Forfeited	(750)	32.81	9.5	Yrs.	25
Outstanding at June 30, 2018	199,325	\$ 20.86	5.6	Yrs.	\$ 1,932
Exercisable at June 30, 2018	165,325	\$ 18.41	4.8	Yrs.	\$ 1,932

Intrinsic value represents the amount by which the market price of the stock on the measurement date exceeded the exercise price of the option. The stock price was \$36.02 as of June 30, 2018 and \$33.00 as of December 31, 2017.

A summary of the Company's restricted stock activity for the six-month periods ended June 30, 2018 and 2017 is as follows, after adjusting for the 50% stock dividend declared on August 8, 2017:

	2018		2017	
	Number of Restricted Stock	Weighted-Average Grant Date Fair Value	Number of Restricted Stock	Weighted-Average Grant Date Fair Value
Non-vested, January 1,	30,415	\$ 24.46	28,035	\$ 20.64
Granted	-	-	-	-
Vested	-	-	-	-
Forfeited	-	-	-	-
Non-vested, June 30,	30,415	\$ 24.46	28,035	\$ 20.64

The expected future compensation expense relating to the 30,415 shares of non-vested restricted stock outstanding as of June 30, 2018 is \$642,000. This cost will be recognized over the remaining vesting period of 4.5 years. Compensation costs related to restricted stock amounted to \$102,000 and \$71,000 during the six-month periods ended June 30, 2018 and 2017, respectively.

Table of Contents5. Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in accumulated other comprehensive loss (in thousands) by component net of tax for the three months and six months ended June 30, 2018 and 2017:

	Unrealized gains (losses) on available for sale securities (a)	
Balance as of March 31, 2018	\$ (6,327)
Other comprehensive loss before reclassification	(663)
Amount reclassified from accumulated other comprehensive loss	(46)
Total other comprehensive loss	(709)
Balance as of June 30, 2018	\$ (7,036)
	Unrealized gains (losses) on available for sale securities (a)	
Balance as of March 31, 2017	\$ (3,317)
Other comprehensive income before reclassification	1,805)
Amount reclassified from accumulated other comprehensive income	(20)
Total other comprehensive income	1,785)
Balance as of June 30, 2017	\$ (1,532)
	Unrealized gains (losses) on available for sale securities (a)	
Balance as of December 31, 2017	\$ (2,667)
Other comprehensive loss before reclassification	(4,211)
Amount reclassified from accumulated other comprehensive loss	(158)
Total other comprehensive loss	(4,369)
Balance as of June 30, 2018	\$ (7,036)
	Unrealized gains (losses) on available for sale securities (a)	
Balance as of December 31, 2016	\$ (4,119)
Other comprehensive income before reclassification	2,611)
Amount reclassified from accumulated other comprehensive loss	(24)
Total other comprehensive income	2,587)
Balance as of June 30, 2017	\$ (1,532)

(a) All amounts are net of tax. Amounts in parentheses indicate debits.

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The following table presents significant amounts reclassified out of each component of accumulated other comprehensive loss (in thousands) for the three months and six months ended June 30, 2018 and 2017:

Details about other comprehensive income	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) (a)		Affected Line Item in Consolidated Statements of Income
	Three months ended June 30, 2018 2017		
Unrealized gains on available for sale securities	\$ 58	\$ 31	Net realized gains on sales of securities
	(12)	(11)) Income tax expense
	\$ 46	\$ 20	
	Six months ended June 30, 2018 2017		
Unrealized gains on available for sale securities	\$ 200	\$ 37	Net realized gains on sales of securities
	(42)	(13)) Income tax expense
	\$ 158	\$ 24	

(a) Amounts in parentheses indicate debits to net income

6. Off-Balance Sheet Financial Instruments and Guarantees

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the Bank's financial instrument commitments is as follows:

(in thousands)	June 30, 2018 2017	
Commitments to grant loans	\$43,280	\$51,583
Unfunded commitments under lines of credit	72,359	69,171
Standby letters of credit	5,733	7,802
	\$121,372	\$128,556

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Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer and generally consists of real estate.

The Bank does not issue any guarantees that would require liability recognition or disclosure, other than its standby letters of credit. Standby letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Generally, all letters of credit, when issued, have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as those that are involved in extending loan facilities to customers. The Bank, generally, holds collateral and/or personal guarantees supporting these commitments. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of June 30, 2018 for guarantees under standby letters of credit issued is not material.

7. Securities

The amortized cost, gross unrealized gains and losses, and fair value of securities available for sale were as follows:

	June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available for Sale:				
States and political subdivisions	\$104,115	\$ 477	\$ (2,620)	\$101,972
Corporate obligations	8,980	-	(270)	8,710
Mortgage-backed securities-government sponsored entities	155,725	3	(6,968)	148,760
Total debt securities	\$268,820	\$ 480	\$ (9,858)	\$259,442

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available for Sale:				