FIDELITY D & D BANCORP INC
Form 10-Q
November 08, 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 September 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 number: 333-90273

FIDELITY D & D BANCORP, INC.

STATE OF INCORPORATION: IRS EMPLOYER IDENTIFICATION NO:

PENNSYLVANIA 23-3017653

Address of principal executive offices:

BLAKELY & DRINKER ST.

DUNMORE, PENNSYLVANIA 18512

TELEPHONE:

570-342-8281

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 subjected to such filing requirements for the past 90 days. [X] 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). [X] 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [X]
(Do not check if a 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 [X] NO

The number of outstanding shares of Common Stock of Fidelity D & D Bancorp, Inc. on October 31, 2016, the latest practicable date, was 2,453,805 shares.

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FIDELITY D & D BANCORP, INC.

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PART I – Financial Information

Item 1: Financial Statements

Fidelity D & D Bancorp, Inc. and Subsidiary
Consolidated Balance Sheets
(Unaudited)

(dollars in thousands)	September 30, 2016	December 31, 2015
Assets:		
Cash and due from banks	$ 13,670	$ 12,259
Interest-bearing deposits with financial institutions	17,770	18
Total cash and cash equivalents	31,440	12,277
Available-for-sale securities	128,765	125,232
Federal Home Loan Bank stock	1,201	2,120
Loans and leases, net (allowance for loan losses of $9,196 in 2016; $9,527 in 2015)	562,222	546,682
Loans held-for-sale (fair value $2,528 in 2016, $1,444 in 2015)	2,480	1,421
Foreclosed assets held-for-sale	1,752	1,074
Bank premises and equipment, net	16,497	16,723
Cash surrender value of bank owned life insurance	11,346	11,082
Accrued interest receivable	2,113	2,210
Other assets	12,607	10,537
Total assets	$ 770,423	$ 729,358
Liabilities:		
Deposits:		
Interest-bearing	$ 511,678	$ 477,901
Non-interest-bearing	160,129	142,774
Total deposits	671,807	620,675
Accrued interest payable and other liabilities	6,061	4,128
Short-term borrowings	10,996	28,204
Total liabilities	688,864	653,007
Shareholders' equity:		
Preferred stock authorized 5,000,000 shares with no par value; none issued	-	-
Capital stock, no par value (10,000,000 shares authorized; shares issued and outstanding; 2,453,805 in 2016; and 2,443,405 in 2015)	27,073	26,700
Retained earnings	51,029	47,463
Accumulated other comprehensive income	3,457	2,188
Total shareholders' equity	81,559	76,351
Total liabilities and shareholders' equity	$ 770,423	$ 729,358

See notes to unaudited consolidated financial statements

Fidelity D & D Bancorp, Inc. and Subsidiary
Consolidated Statements of Income
(Unaudited)

(dollars in thousands except per share data)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Interest income:				
Loans and leases:				
Taxable	$ 5,960	$ 5,764	$ 17,571	$ 16,914
Nontaxable	195	170	579	471
Interest-bearing deposits with financial institutions	13	5	59	22
Investment securities:				
U.S. government agency and corporations	500	310	1,236	843
States and political subdivisions (nontaxable)	321	336	954	978
Other securities	17	27	58	126
Total interest income	7,006	6,612	20,457	19,354
Interest expense:				
Deposits	580	574	1,727	1,639
Securities sold under repurchase agreements	4	3	16	15
Other short-term borrowings and other	1	3	14	15
Long-term debt	-	-	-	255
Total interest expense	585	580	1,757	1,924
Net interest income	6,421	6,032	18,700	17,430
Provision for loan losses	225	200	650	500
Net interest income after provision for loan losses	6,196	5,832	18,050	16,930
Other income:				
Service charges on deposit accounts	564	447	1,567	1,305
Interchange fees	378	337	1,115	976
Fees from trust fiduciary activities	176	166	539	580
Fees from financial services	126	142	436	379
Service charges on loans	194	264	665	664
Fees and other revenue	201	204	593	584
Earnings on bank-owned life insurance	89	86	264	255
Gain (loss) on sale or disposal of:				
Loans	302	404	629	871
Investment securities	-	8	9	26
Premises and equipment	(6)	(35)	(6)	(34)
Total other income	2,024	2,023	5,811	5,606
Other expenses:				
Salaries and employee benefits	2,892	2,696	8,660	7,992
Premises and equipment	898	939	2,642	2,755
Advertising and marketing	198	276	656	926
Professional services	334	406	1,122	1,221

FDIC assessment	98	104	335	298
Loan collection	16	48	141	144
Other real estate owned	69	43	158	190
Office supplies and postage	110	95	352	308
Automated transaction processing	179	150	460	408
FHLB prepayment fee	-	-	-	570
Data processing and communication	261	187	720	395
PA shares tax	165	148	471	298
Other	189	147	449	565
Total other expenses	5,409	5,239	16,166	16,070
Income before income taxes	2,811	2,616	7,695	6,466
Provision for income taxes	776	687	2,031	1,184
Net income	$ 2,035	$ 1,929	$ 5,664	$ 5,282
Per share data:				
Net income - basic	$ 0.83	$ 0.79	$ 2.31	$ 2.17
Net income - diluted	$ 0.82	$ 0.79	$ 2.30	$ 2.16
Dividends	$ 0.29	$ 0.27	$ 0.85	$ 0.79

See notes to unaudited consolidated financial statements

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Fidelity D & D Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income (Unaudited) (dollars in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income	$ 2,035	$ 1,929	$ 5,664	$ 5,282
Other comprehensive income (loss), before tax:				
Unrealized holding gain (loss) on available-for-sale securities	(361)	949	1,932	(292)
Reclassification adjustment for net gains realized in income	-	(8)	(9)	(26)
Net unrealized gain (loss)	(361)	941	1,923	(318)
Tax effect	123	(320)	(654)	108
Unrealized gain (loss), net of tax	(238)	621	1,269	(210)
Other comprehensive income (loss), net of tax	(238)	621	1,269	(210)
Total comprehensive income, net of tax	$ 1,797	$ 2,550	$ 6,933	$ 5,072

See notes to unaudited consolidated financial statements

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Fidelity D & D Bancorp, Inc. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2016 and 2015
(Unaudited)

(dollars in thousands)	Capital stock Shares	Amount	Retained earnings	Accumulated other comprehensive income	Total
Balance, December 31, 2014	2,427,767	$ 26,272	$ 43,204	$ 2,743	$ 72,219
Net income			5,282		5,282
Other comprehensive loss				(210)	(210)
Issuance of common stock through Employee Stock Purchase Plan	4,358	102			102
Issuance of common stock from vested restricted share grants through stock compensation plans	7,780				
Stock-based compensation expense		177			177
Cash dividends declared			(1,937)		(1,937)
Balance, September 30, 2015	2,439,905	$ 26,551	$ 46,549	$ 2,533	$ 75,633
Balance, December 31, 2015	2,443,405	$ 26,700	$ 47,463	$ 2,188	$ 76,351
Net income			5,664		5,664
Other comprehensive income				1,269	1,269
Issuance of common stock through Employee Stock Purchase Plan	3,695	111			111
Issuance of common stock from vested restricted share grants through stock compensation plans	6,205				
Issuance of common stock through exercise of stock options	500	14			14
Stock-based compensation expense		248			248
Cash dividends declared			(2,098)		(2,098)
Balance, September 30, 2016	2,453,805	$ 27,073	$ 51,029	$ 3,457	$ 81,559

See notes to unaudited consolidated financial statements

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Fidelity D & D Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows

(Unaudited)	Nine months ended September 30,	
(dollars in thousands)	2016	2015
Cash flows from operating activities:		
Net income	$ 5,664	$ 5,282
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	2,519	2,652
Provision for loan losses	650	500
Deferred income tax expense	1,192	816
Stock-based compensation expense	385	177
Proceeds from sale of loans held-for-sale	34,623	37,663
Originations of loans held-for-sale	(32,155)	(34,350)
Earnings from bank-owned life insurance	(264)	(255)
Net gain from sales of loans	(629)	(871)
Net gain from sales of investment securities	(9)	(26)
Net loss from sale and write-down of foreclosed assets held-for-sale	57	42
Net loss from disposal of equipment	6	34
Change in:		
Accrued interest receivable	97	(68)
Other assets	(2,760)	1,532
Accrued interest payable and other liabilities	906	476
Net cash provided by operating activities	10,282	13,604
Cash flows from investing activities:		
Available-for-sale securities:		
Proceeds from sales	2,884	12,614
Proceeds from maturities, calls and principal pay-downs	15,139	14,435
Purchases	(20,707)	(57,456)
Decrease in FHLB stock	919	221
Net increase in loans and leases	(20,584)	(30,765)
Acquisition of bank premises and equipment	(1,075)	(1,214)
Proceeds from sale of bank premises and equipment	-	38
Proceeds from sale of foreclosed assets held-for-sale	354	1,364
Net cash used in investing activities	(23,070)	(60,763)
Cash flows from financing activities:		
Net increase in deposits	51,132	56,060
Net (decrease) increase in short-term borrowings	(17,208)	2,773
Repayment of long-term debt	-	(10,000)

Proceeds from employee stock purchase plan participants	111	102
Exercise of stock options	14	-
Dividends paid, net of dividends reinvested	(2,098)	(1,937)
Net cash provided by financing activities	31,951	46,998
Net increase (decrease) in cash and cash equivalents	19,163	(161)
Cash and cash equivalents, beginning	12,277	25,851
Cash and cash equivalents, ending	$ 31,440	$ 25,690

See notes to unaudited consolidated financial statements

FIDELITY D & D BANCORP, INC.

Notes to Consolidated Financial Statements

(Unaudited)

1. Nature of operations and critical accounting policies

Nature of operations

Fidelity Deposit and Discount Bank (the Bank) is a commercial bank chartered under the law of the Commonwealth of Pennsylvania and a wholly-owned subsidiary of Fidelity D & D Bancorp, Inc. (collectively, the Company). Having commenced operations in 1903, the Bank is committed to provide superior customer service, while offering a full range of banking products and financial and trust services to both our consumer and commercial customers from our main office located in Dunmore and other branches located throughout Lackawanna and Luzerne Counties.

Principles of consolidation

The accompanying unaudited consolidated financial statements of the Company and the Bank have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to this Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the financial condition and results of operations for the periods have been included. All significant inter-company balances and transactions have been eliminated in consolidation.

For additional information and disclosures required under GAAP, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

Management is responsible for the fairness, integrity and objectivity of the unaudited financial statements included in this report. Management prepared the unaudited financial statements in accordance with GAAP. In meeting its responsibility for the financial statements, management depends on the Company's accounting systems and related internal controls. These systems and controls are designed to provide reasonable but not absolute assurance that the financial records accurately reflect the transactions of the Company, the Company’s assets are safeguarded and that the financial statements present fairly the financial condition and results of operations of the Company.

In the opinion of management, the consolidated balance sheets as of September 30, 2016 and December 31, 2015 and the related consolidated statements of income and consolidated statements of comprehensive income for the three and nine months ended September 30, 2016 and 2015, and consolidated statements of changes in shareholders’ equity and consolidated statements of cash flows for the nine months ended September 30, 2016 and 2015 present fairly the financial condition and results of operations of the Company. All material adjustments required for a fair presentation have been made. These adjustments are of a normal recurring nature. Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

In preparing these consolidated financial statements, the Company evaluated the events and transactions that occurred after September 30, 2016 through the date these consolidated financial statements were issued.

This Quarterly Report on Form 10-Q should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015, and the notes included therein, included within the Company's Annual Report filed on Form 10-K.

Critical accounting policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan losses. Management believes that the allowance for loan losses at September 30, 2016 is adequate and reasonable. Given the subjective nature of identifying and estimating loan losses, it is likely that well-informed individuals could make different assumptions and could, therefore, calculate a materially different allowance amount. While management uses available information to recognize losses on loans, changes in economic conditions may necessitate revisions in the future. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize adjustments to the allowance based on their judgment of information available to them at the time of their examination.

Another material estimate is the calculation of fair values of the Company's investment securities. Fair values of investment securities are determined by pricing provided by a third-party vendor, who is a provider of financial market data, analytics and related services to financial institutions. Based on experience, management is aware that estimated fair values of investment securities tend to vary among valuation services. Accordingly, when selling investment securities, price quotes may be obtained from more than one source. All of the Company's investment securities are classified as available-for-sale (AFS). AFS securities are carried at fair value on the consolidated balance sheets, with unrealized gains and losses, net of income tax, reported separately within shareholders’ equity as a component of accumulated other comprehensive income (AOCI).

The fair value of residential mortgage loans, classified as held-for-sale (HFS), is obtained from the Federal National Mortgage Association (FNMA) or the Federal Home Loan Bank (FHLB). Generally, the market to which the Company sells residential mortgages it originates for sale is restricted and price quotes from other sources are not typically obtained. On occasion, the Company may transfer loans from the loan portfolio to loans HFS. Under these circumstances, pricing may be obtained from other entities and the residential mortgage loans are transferred at the lower of cost or market value and simultaneously sold. For other loans transferred to HFS, pricing may be obtained from other entities or modeled and the other loans are transferred at the lower of cost or market value and then sold. As of September 30, 2016 and December 31, 2015, loans classified as HFS consisted of residential mortgage loans.

Financing of automobiles, provided to customers under lease arrangements of varying terms, are accounted for as direct finance leases. Interest income on automobile direct finance leasing is determined using the interest method to arrive at a level effective yield over the life of the lease.

Foreclosed assets held-for-sale includes other real estate acquired through foreclosure (ORE) and may, from time-to-time, include repossessed assets such as automobiles. ORE is carried at the lower of cost (principal balance at date of foreclosure) or fair value less estimated cost to sell. Any write-downs at the date of foreclosure are charged to the allowance for loan losses. Expenses incurred to maintain ORE properties, subsequent write downs to the asset’s fair value, any rental income received and gains or losses on disposal are included as components of other real estate owned expense in the consolidated statements of income.

For purposes of the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, amounts due from banks and interest-bearing deposits with financial institutions. For the nine months ended September 30, 2016 and 2015, the Company paid interest of $1.8 million and $1.9 million, respectively. The Company made income tax payments of $0.5 million and $0.1 million, respectively, during the first nine months of 2016 and 2015. For the nine months ended September 30, 2016 and 2015, the Company had a net change in unrealized gains on available for sale securities of $1.9 million and $(0.3 million), respectively.

Transfers from loans to foreclosed assets held-for-sale amounted to $1.1 million and $0.6 million during the nine months ended September 30, 2016 and 2015, respectively. During the same respective periods, transfers from loans to loans held-for-sale amounted to $3.3 million and $2.9 million. Expenditures for construction in process, a component of other assets in the consolidated balance sheets, are included in acquisition of premises and equipment.

2. New accounting pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments. The amendments in this update require financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. Previously, when credit losses were measured under GAAP, an entity only considered past events and current conditions when measuring the incurred loss. The amendments in this update broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgement in determining the relevant information and estimation methods that are appropriate under the circumstances. The amendments in this update also require that credit losses on available-for-sale debt securities be presented as an allowance for credit losses rather than a writedown. The amendments in this update are effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2019 for public companies. Early adoption is permitted beginning after December 15, 2018, including interim periods within those fiscal years. An entity will apply the amendments in this update through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption (modified-retrospective approach). Upon adoption, the change in this accounting guidance could result in an increase in the Company's allowance for loan losses and require the Company to record loan losses more rapidly. The Company is currently evaluating the impact of ASU 2016-13 on its consolidated financial statements.

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, an amendment to the stock compensation accounting guidance to clarify that a performance target that affects vesting of a share-based payment and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. This amendment is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2015. Early 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. The Company adopted this

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accounting standard update during the first quarter of 2016 and does not expect this amendment to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting. The areas for simplification in the update involve several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this update are effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted. Amendments should be applied using either a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted, retrospectively, prospectively, or using either a prospective transition method or a retrospective transition method. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; recognize revenue when (or as) the entity satisfies a performance obligation. The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Company is evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements and has not yet determined the method by which it will adopt the standard effective in the first quarter of 2018.

Subsequently, the FASB issued additional guidance to clarify certain implementation issues. Specifically, the FASB issued Principal versus Agent Considerations, Identifying Performance Obligations and Licensing and Narrow-Scope Improvements and Practical Expedients in March, April and May 2016, respectively. These amendments do not change the core principle in Revenue from Contracts with Customers (Topic 606) and the effective date and transition requirements are consistent with those in Topic 606.

In January 2016, the FASB issued ASU 2016-01 related to Financial Instruments - Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities. The update applies to all entities that hold financial assets or owe financial liabilities. The amendments in this update make targeted improvements to U.S. GAAP as follows:

- Require equity investments to be measured at fair value with changes in fair value recognized in net income;
- Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment;
- Require public business entities to use the exit price notion when measuring fair value of financial instruments for disclosure purposes;
- Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset;
- Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the impact of the adoption of ASU 2016-01 on its consolidated financial statements, but does not expect it to have a significant impact.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 requires the recognition of a right-of-use asset and related lease liability by lessees for leases classified as operating leases under GAAP. The amendments in this update are effective for the Company for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of the amendments in this update are permitted. A modified retroactive approach must be applied for leases existing at, or entered into after, the beginning of the earliest comparative period. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

In August 2016, the FASB released ASU 2016-15, Statement of Cash Flows (Topic 230) to clarify the presentation of certain cash receipts and payments on the statement of cash flows. The update addressed eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments in this update should be applied using a retrospective transition method to each period presented. The Company is currently evaluating the impact of the adoption of ASU 2016-15 on its consolidated financial statements, but does not expect it to have a significant impact.

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3. Accumulated other comprehensive income

The following tables illustrate the changes in accumulated other comprehensive income by component and the details about the components of accumulated other comprehensive income as of and for the periods indicated:

As of and for the nine months ended September 30, 2016

(dollars in thousands)	Unrealized gains (losses) on available-for-sale securities	Total
Beginning balance	$ 2,188	$ 2,188
Other comprehensive income before reclassifications, net of tax	1,275	1,275
Amounts reclassified from accumulated other comprehensive income, net of tax	(6)	(6)
Net current-period other comprehensive income	1,269	1,269
Ending balance	$ 3,457	$ 3,457

As of and for the three months ended September 30, 2016

(dollars in thousands)	Unrealized gains (losses) on available-for-sale securities	Total
Beginning balance	$ 3,695	$ 3,695
Other comprehensive loss before reclassifications, net of tax	(238)	(238)
Amounts reclassified from accumulated other comprehensive income, net of tax	-	-
Net current-period other comprehensive loss	(238)	(238)
Ending balance	$ 3,457	$ 3,457

As of and for the nine months ended September 30, 2015

(dollars in thousands)	Unrealized gains (losses) on available-for-sale securities	Total
Beginning balance	$ 2,743	$ 2,743

Other comprehensive loss before reclassifications, net of tax		(193)		(193)
Amounts reclassified from accumulated other comprehensive income, net of tax		(17)		(17)
Net current-period other comprehensive loss		(210)		(210)
Ending balance	$	2,533	$	2,533

As of and for the three months ended September 30, 2015

(dollars in thousands)	Unrealized gains (losses) on available-for-sale securities		Total	
Beginning balance	$	1,912	$	1,912
Other comprehensive income before reclassifications, net of tax		626		626
Amounts reclassified from accumulated other comprehensive income, net of tax		(5)		(5)
Net current-period other comprehensive income		621		621
Ending balance	$	2,533	$	2,533

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Details about accumulated other comprehensive income components (dollars in thousands)	Amount reclassified from accumulated other comprehensive income	Affected line item in the statement where net income is presented