DIME COMMUNITY BANCSHARES INC
Form 10-Q
August 07, 2017

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

FORM 10-Q

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

For the quarterly period ended June 30, 2017
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 0-27782

DIME COMMUNITY BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

N/A
(Former name or former address, if changed since last report)

Delaware	11-3297463
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
300 Cadman Plaza West, 8th Floor, Brooklyn, NY	11201
(Address of principal executive offices)	(Zip Code)

(718) 782-6200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all the 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, or a smaller reporting company, or an emerging growth company. See 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	(Do not check if a smaller reporting company)
	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.

Classes of Common Stock	Number of Shares Outstanding at August 7, 2017
$.01 Par Value	37,446,742

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by use of words such as "anticipate," "believe," “continue,” "could," "estimate," "expect," “impact,” "intend," "seek," "may," "outlook," "plan," "potential," "predict," "project," "should," "will," "would" and similar terms and phrases, including references to assumptions.

Forward-looking statements are based upon various assumptions and analyses made by Dime Community Bancshares, Inc. (the "Holding Company," and together with its direct and indirect subsidiaries, the "Company") in light of management’s experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes appropriate under the circumstances. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors (many of which are beyond the Company’s control) that could cause actual conditions or results to differ materially from those expressed or implied by such forward-looking statements. Accordingly, you should not place undue reliance on such statements. These factors include, without limitation, the following:

- the timing and occurrence or non-occurrence of events may be subject to circumstances beyond the Company’s control;
- there may be increases in competitive pressure among financial institutions or from non-financial institutions;
- the net interest margin is subject to material short-term fluctuation based upon market rates;
- changes in deposit flows, loan demand or real estate values may adversely affect the business of Dime Community Bank (the "Bank");
- changes in accounting principles, policies or guidelines may cause the Company’s financial condition to be perceived differently;
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- changes in corporate and/or individual income tax laws may adversely affect the Company's business or financial condition;
- general economic conditions, either nationally or locally in some or all areas in which the Company conducts business, or conditions in the securities markets or the banking industry may be less favorable than the Company currently anticipates;
- legislative or regulatory changes may adversely affect the Company's business;
- technological changes may be more difficult or expensive than the Company anticipates;
- our ability to successfully integrate acquired entities, if any;
- breaches, failures and interruptions in IT systems and IT security;
- ability to retain key employees/executive management team;
- success or consummation of new business initiatives may be more difficult or expensive than the Company anticipates;
- litigation or other matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than the Company anticipates; and
- the risks referred to in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 as updated by our Quarterly Reports on Form 10-Q.

The Company has no obligation to update any forward-looking statements to reflect events or circumstances after the date of this document.

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Item 1. Condensed Consolidated Financial Statements

DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)
(Dollars in thousands except share amounts)

	June 30, 2017	December 31, 2016
ASSETS:		
Cash and due from banks	$110,044	$ 113,503
Investment securities held-to-maturity (estimated fair value of $8,385 and $7,296 at June 30, 2017 and December 31, 2016, respectively) (Fully unencumbered)	5,315	5,378
Investment securities available-for-sale, at fair value (Fully unencumbered)	4,049	3,895
Mortgage-backed securities ("MBS") available-for-sale, at fair value (Fully unencumbered)	3,496	3,558
Trading securities	2,687	6,953
Loans:		
Real estate, net	5,806,933	5,633,007
Commercial and industrial ("C&I") loans	68,199	2,058
Other loans	1,749	1,357
Less allowance for loan losses	(21,985)	(20,536)
Total loans, net	5,854,896	5,615,886
Premises and fixed assets, net	22,315	18,405
Premises held for sale	1,379	1,379
Federal Home Loan Bank of New York ("FHLBNY") capital stock	50,961	44,444
Bank Owned Life Insurance ("BOLI")	87,424	86,328
Goodwill	55,638	55,638
Other assets	59,980	50,063
Total Assets	$6,258,184	$ 6,005,430
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	$4,105,129	$ 4,097,992
Non-interest bearing deposits	313,351	297,434
Total deposits	4,418,480	4,395,426
Escrow and other deposits	91,196	103,001
FHLBNY advances	944,575	831,125
Subordinated notes payable	113,545	-
Trust Preferred securities payable	70,680	70,680
Other liabilities	39,260	39,330
Total Liabilities	5,677,736	5,439,562
Stockholders' Equity:		
Preferred stock ($0.01 par, 9,000,000 shares authorized, none issued or outstanding at June 30, 2017 and December 31, 2016)	-	-
Common stock ($0.01 par, 125,000,000 shares authorized, 53,614,924 shares and 53,572,745 shares issued at June 30, 2017 and December 31, 2016, respectively, and 37,675,379 shares and 37,455,853 shares outstanding at June 30, 2017 and December 31, 2016, respectively)	536	536

Additional paid-in capital	280,453	278,356
Retained earnings	516,165	503,539
Accumulated other comprehensive loss, net of deferred taxes	(5,647)	(5,939)
Unearned stock award common stock	(4,433)	(1,932)
Holding Company common stock held by Benefit Maintenance Plan ("BMP")	(7,029)	(6,859)
Treasury stock, at cost (15,939,545 shares and 16,116,892 shares at June 30, 2017 and December 31, 2016, respectively)	(199,597)	(201,833)
Total Stockholders' Equity	580,448	565,868
Total Liabilities And Stockholders' Equity	$6,258,184	$ 6,005,430

See notes to unaudited condensed consolidated financial statements.

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DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollars in thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income:				
Loans secured by real estate	$ 51,137	$ 47,358	$ 101,612	$ 93,009
C&I loans	474	6	515	11
Other loans	18	18	36	37
MBS	14	2	28	4
Investment securities	164	265	354	438
Other short-term investments	611	721	1,328	1,382
Total interest income	52,418	48,370	103,873	94,881
Interest expense:				
Deposits and escrow	9,509	7,597	19,016	14,391
Borrowed funds	4,856	5,163	9,317	10,249
Total interest expense	14,365	12,760	28,333	24,640
Net interest income	38,053	35,610	75,540	70,241
Provision for loan losses	1,047	442	1,497	421
Net interest income after provision for loan losses	37,006	35,168	74,043	69,820
Non-interest income:				
Service charges and other fees	919	758	1,713	1,443
Net mortgage banking income	65	27	81	55
Net gain on securities and other assets	59	33	134	79
Net (loss) gain on the sale of premises held for sale	-	(4)	-	68,183
Income from BOLI	551	1,043	1,096	1,603
Other	153	448	501	683
Total non-interest income	1,747	2,305	3,525	72,046
Non-interest expense:				
Salaries and employee benefits	9,341	9,532	19,661	19,240
Occupancy and equipment	3,500	3,115	7,128	5,742
Data processing costs	1,503	1,256	3,110	2,451
Marketing	1,466	1,178	2,932	2,355
Federal deposit insurance premiums	712	581	1,367	1,320
Other	2,947	2,430	6,040	4,853
Total non-interest expense	19,469	18,092	40,238	35,961
Income before income taxes	19,284	19,381	37,330	105,905
Income tax expense	7,295	8,173	14,184	44,660
Net income	$ 11,989	$ 11,208	$ 23,146	$ 61,245
Earnings per Share:				
Basic	$ 0.32	$ 0.30	$ 0.62	$ 1.67
Diluted	$ 0.32	$ 0.30	$ 0.61	$ 1.67

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Dollars in thousands except per share amounts)

	Three Months Ended	Six Months Ended

	June 30,		June 30,	
	2017	2016	2017	2016
Net Income	$ 11,989	$ 11,208	$23,146	$61,245
Other comprehensive income:				
Change in unrealized holding loss on securities held-to-maturity and transferred securities	30	22	64	41
Change in unrealized holding loss on securities available-for-sale	104	47	224	62
Change in pension and other postretirement obligations	355	425	657	850
Change in unrealized gain on derivatives	(733)	(957)	(418)	(957)
Other comprehensive gain before income taxes	(244)	(463)	527	(4)
Deferred tax expense (benefit)	(111)	(209)	235	(2)
Other comprehensive income (loss), net of tax	(133)	(254)	292	(2)
Total comprehensive income	11,856	10,954	23,438	61,243

See notes to unaudited condensed consolidated financial statements.

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DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
(Dollars in thousands)

Six Months ended June 30, 2017

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Deferred Taxes	Unallocated Common Stock of ESOP	Unearned Stock Award Common Stock	Common Stock Held by BMP	Treasury Stock, at cost	Total Stockholders' Equity
Beginning balance as of January 1, 2017	37,455,853	$536	$278,356	$503,539	$(5,939)	$-	$(1,932)	$(6,859)	$(201,833)	$565,868
Net Income	-	-	-	23,146	-	-	-	-	-	23,146
Other comprehensive income, net of tax	-	-	-	-	292	-	-	-	-	292
Exercise of stock options	42,179	-	626	-	-	-	-	-	-	626
Release of shares, net of forfeitures	177,347	-	1,471	-	-	-	(3,339)	(170)	2,236	198
Stock-based compensation	-	-	-	-	-	-	838	-	-	838
Cash dividends declared and paid	-	-	-	(10,520)	-	-	-	-	-	(10,520)
Ending balance as of June 30, 2017	37,675,379	$536	$280,453	$516,165	$(5,647)	$-	$(4,433)	$(7,029)	$(199,597)	$580,448

Six Months ended June 30, 2016

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Deferred Taxes	Unallocated Common Stock of ESOP	Unearned Stock Award Common Stock	Common Stock Held by BMP	Treasury Stock, at cost	Total Stockholders' Equity
Beginning balance as of January 1, 2016	37,371,992	$533	$262,798	$451,606	$(8,801)	$(2,313)	$(2,271)	$(9,354)	$(198,251)	$493,947
Net Income	-	-	-	61,245	-	-	-	-	-	61,245
Other comprehensive	-	-	-	-	(2)	-	-	-	-	(2)

loss, net of tax											
Exercise of stock options	193,828	2	2,898	-	-	-	-	-	-	2,900
Release of shares, net of forfeitures	88,951	-	727	-	-	-	(1,311)	(222)	1,105	299
Stock-based compensation	-	-	561	-	-	115	828	-	-	1,504
Cash dividends declared and paid	-	-	-	(10,282)	-	-	-	-	-	(10,282)
Ending balance as of June 30, 2016	37,654,771	$535	$266,984	$502,569	$(8,803)	$(2,198)	$(2,754)	$(9,576)	$(197,146)	$549,611

See notes to unaudited condensed consolidated financial statements.

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DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollars in thousands)

	Six Months Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$23,146	$61,245
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gain recognized on trading securities	(134)	(39)
Net gain on the sale of other real estate owned (“OREO”)	-	(40)
Net gain on sale of premises held for sale	-	(68,183)
Net depreciation, amortization and accretion	1,836	1,086
Stock plan compensation [excluding Employee Stock Ownership Plan (“ESOP”)]	838	943
ESOP compensation expense	-	561
Provision for loan losses	1,497	421
Increase in cash surrender value of BOLI	(1,096)	(1,119)
Income recognized from mortality benefit on BOLI	-	(484)
Deferred income tax provision	6	615
Reduction in credit related other than temporary impairment (“OTTI”) amortized through interest income	(52)	(52)
Excess tax benefit from stock benefit plans	-	(142)
Changes in assets and liabilities:		
Increase in other assets	(10,488)	(4,094)
Increase in other liabilities	499	6,038
Net cash provided by (used in) Operating activities	16,052	(3,244)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investment securities available-for-sale	101	-
Purchases of investment securities available-for-sale	(37)	(19)
Proceeds from the sales of trading securities	4,544	3,648
Purchases of trading securities	(144)	(222)
Proceeds from calls and principal repayments of MBS available-for-sale	28	25
Proceeds from the sale of loans	393	-
Purchases of loans	-	(152,637)
Loans originated, net of repayments	(240,900)	(359,730)
Proceeds from sale of OREO	-	170
Proceeds from surrender of cash surrender value of BOLI	-	1,425
Net proceeds from the sale of premises held for sale	-	75,899
Net purchases of fixed assets	(5,527)	(16)
Redemption of FHLBNY capital stock, net	(6,517)	5,899
Net cash used in Investing Activities	(248,059)	(425,558)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in due to depositors	23,054	595,956
Increase (decrease) in escrow and other deposits	(11,805)	15,160
Repayments of FHLBNY advances	(1,359,500)	(2,402,500)
Proceeds from FHLBNY advances	1,472,950	2,252,900
Proceeds from exercise of stock options	626	2,900
Excess tax benefit from stock benefit plans	-	142
Release of stock for benefit plan awards	198	299
Cash dividends paid to stockholders	(10,520)	(10,282)

Proceeds from Subordinated debt issuance, net	113,545	-
Net cash provided by Financing Activities	228,548	454,575
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,459)	25,773
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	113,503	64,154
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 110,044	$ 89,927
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 20,912	$ 29,100
Cash paid for interest	28,124	11,770
Transfer of premises to held for sale	-	1,379
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	47	25
Net decrease in non-credit component of OTTI	17	16

See notes to unaudited condensed consolidated financial statements.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands Except Per Share Amounts)

1. NATURE OF OPERATIONS

Dime Community Bancshares (the “Company”), is a Delaware corporation headquartered in the Brooklyn Heights neighborhood of Brooklyn, New York. The Company was organized in 1996 and is registered as a savings and loan holding company with the Board of Governors of the Federal Reserve System pursuant to section 10(l) of the Home Owners’ Loan Act, as amended. As of June 30, 2017, the Holding Company's direct subsidiaries were Dime Community Bank, 842 Manhattan Avenue Corp., and Dime Community Capital Trust 1. The Company engages in commercial banking and financial services through its wholly-owned banking subsidiary, Dime Community Bank. In 2004, the Company formed Dime Community Capital Trust I as a subsidiary, which issued $72.2 million of 7.0% trust preferred securities, $70.7 million of which remained outstanding at June 30, 2017. The Company’s common stock is traded on the Nasdaq Global Market under the symbol “DCOM.”

Dime Community Bank, a New York-chartered stock savings bank formerly known as The Dime Savings Bank of Williamsburgh, was founded in 1864 and operates 27 full service retail banking offices located in the New York City boroughs of Brooklyn, Queens, and the Bronx, and in Nassau County, New York. The Bank’s principal business is gathering deposits from customers within its market area and via the internet, and investing them primarily in multifamily residential, commercial real estate, mixed use, and, to a lesser extent, commercial and industrial (“C&I”) loans, mortgage-backed securities, obligations of the U.S. government and government sponsored enterprises, and corporate debt and equity securities. The substantial majority of the Bank’s lending occurs in the greater New York City metropolitan area. The Bank has four active subsidiaries, including two real estate investment trusts that hold one- to four-family and multifamily residential and commercial real estate loans; Dime Insurance Agency, which engages in general insurance agency activities; and Boulevard Funding Corporation, which holds and manages real estate.

2. SUMMARY OF ACCOUNTING POLICIES

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary for a fair presentation of the Company's financial condition as of June 30, 2017 and December 31, 2016, the results of operations and statements of comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016, and the changes in stockholders' equity and cash flows for the six-month periods ended June 30, 2017 and 2016. The results of operations for the three-month and six-month period ended June 30, 2017 are not necessarily indicative of the results of operations for the remainder of the year ending December 31, 2017. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to the rules and regulations of the U. S. Securities and Exchange Commission ("SEC").

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Please see "Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" for a discussion of areas in the accompanying unaudited condensed consolidated financial statements utilizing significant estimates.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2016 and notes thereto.

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3. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 impacts any entity that either enters into contracts with customers to transfer goods or services, or that enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance or lease contracts). Under ASU 2014-09, an entity is required to recognize revenue for the transfer of promised 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. ASU 2014-09 also requires disclosure of sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, as well as qualitative and quantitative disclosure related to contracts with certain customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal Versus Agent Consideration - Reporting Revenue Gross Versus Net. The objective of the ASU is to align the recognition of revenue with the transfer of promised goods or services provided to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU affect the guidance in ASU 2014-09, which is not yet effective. Both ASU 2014-09 and the amendment are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company is evaluating the potential impact of ASU 2014-09 and the amendment on its consolidated financial statements, however, it is not presently expected to have a material impact.

In January 2016, the FASB issued ASU 2016-01, an amendment to Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10). The objectives of the ASU are to: (1) require equity investments to be measured at fair value, with changes in fair value recognized in net income, (2) simplify the impairment assessment of equity investments without readily determinable fair values, (3) eliminate the requirement to disclose methods and significant assumptions used to estimate fair value for financial instruments measured at amortized cost on the balance sheet, (4) require the use of the exit price notion when measuring the fair value of financial instruments, and (5) clarify 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. The amendments in this ASU are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company is evaluating the potential impact of ASU 2016-01 on its consolidated financial statements, however, it is not presently expected to have a material impact.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires companies that lease valuable assets to recognize on their balance sheets the assets and liabilities generated by contracts longer than a year. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018, however, early adoption is permitted. The Company is evaluating the potential impact of ASU 2016-02 on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), which requires that the measurement of all expected credit losses for financial assets held at the reporting date be based on historical experience, current condition, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. This guidance also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For the Company, this guidance is effective for fiscal years and interim periods beginning after December 31, 2019. The Company has established a committee that is assessing system requirements, gathering data, and evaluating the impact of the ASU on its consolidated financial statements. The Company expects to recognize a one-time cumulative effect increase to the allowance for loan losses as of the beginning of the reporting period in which the ASU takes effect, however, cannot yet determine the magnitude of the impact on the consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715). ASU 2017-07 requires companies that offer employee defined pension plans, other postretirement benefit plans, or other types of benefit plans accounted for under Topic 715 to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, however, early adoption is permitted. The adoption of ASU 2017-07 will not have a material impact on the Company's consolidated financial statements.

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In March 2017, the FASB issued ASU 2017-08, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. ASU 2017-08 shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018, however, early adoption is permitted. The adoption of ASU 2017-08 will not have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting. The amendments in ASU 2017-09 provide guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, however, early adoption is permitted. The adoption of ASU 2017-09 is currently not expected to have a material impact on the Company's consolidated financial statements.

4. OTHER COMPREHENSIVE INCOME (LOSS)

Activity in accumulated other comprehensive income (loss), net of tax, was as follows:

	Securities Held-to-Maturity and Transferred Securities	Securities Available-for-Sale	Defined Benefit Plans	Derivative Asset	Total Accumulated Other Comprehensive Gain (Loss)
Balance as of January 1, 2017	$ (713)	$ (92)	$ (6,910)	$ 1,776	$ (5,939)
Other comprehensive income before reclassifications	36	125	(7)	(331)	(177)
Amounts reclassified from accumulated other comprehensive loss	-	-	372	97	469
Net other comprehensive income during the period	36	125	365	(234)	292
Balance as of June 30, 2017	$ (677)	$ 33	$ (6,545)	$ 1,542	$ (5,647)
Balance as of January 1, 2016	$ (760)	$ (122)	$ (7,919)	$ -	$ (8,801)
Other comprehensive income before reclassifications	22	34	-	(526)	(470)
Amounts reclassified from accumulated other comprehensive loss	-	-	468	-	468
Net other comprehensive income during the period	22	34	468	(526)	(2)
Balance as of June 30, 2016	$ (738)	$ (88)	$ (7,451)	$ (526)	$ (8,803)

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The before and after tax amounts allocated to each component of other comprehensive income (loss) are presented in the table below. Reclassification adjustments related to securities available-for-sale are included in the line entitled net gain (loss) on securities and other assets in the accompanying condensed consolidated statements of income. Reclassification adjustments related to the defined benefit plan are included in the line entitled salaries and employee benefits.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Change in unrealized holding loss on securities held-to-maturity and transferred securities:				
Accretion of previously recognized non-credit component of OTTI	$ 8	$ 8	$ 17	$ 16
Change in unrealized loss on securities transferred to held-to-maturity	22	14	47	25
Net change	30	22	64	41
Tax expense	12	10	&#	