

WASHINGTON TRUST BANCORP INC
Form 10-Q
May 02, 2019
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 MARCH 31, 2019 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: 001-32991

WASHINGTON TRUST BANCORP, INC.

(Exact name of registrant as specified in its charter)

RHODE ISLAND

05-0404671

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

23 BROAD STREET

WESTERLY, RHODE ISLAND 02891

(Address of principal executive offices) (Zip Code)

(401) 348-1200

(Registrant's telephone number, including area code)

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 filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, 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. (Mark one)

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(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 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
COMMON STOCK, \$.0625 PAR VALUE PER SHARE	WASH	THE NASDAQ STOCK MARKET LLC

The number of shares of common stock of the registrant outstanding as of April 30, 2019 was 17,324,699.

FORM 10-Q
WASHINGTON TRUST BANCORP, INC. AND SUBSIDIARIES
For the Quarter Ended March 31, 2019

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PART I. Financial Information

Item 1. Financial Statements

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Balance Sheets (unaudited) (Dollars in thousands, except par value)

	March 31, 2019	December 31, 2018
Assets:		
Cash and due from banks	\$88,242	\$89,923
Short-term investments	3,317	3,552
Mortgage loans held for sale, at fair value	14,608	20,996
Securities:		
Available for sale debt securities, at fair value	994,881	927,810
Held to maturity debt securities, at amortized cost (fair value \$10,316 at December 31, 2018)	—	10,415
Total securities	994,881	938,225
Federal Home Loan Bank stock, at cost	48,025	46,068
Loans:		
Total loans	3,738,469	3,680,360
Less allowance for loan losses	27,644	27,072
Net loans	3,710,825	3,653,288
Premises and equipment, net	29,822	29,005
Operating lease right-of-use assets	28,249	—
Investment in bank-owned life insurance	80,786	80,463
Goodwill	63,909	63,909
Identifiable intangible assets, net	7,923	8,162
Other assets	84,142	77,175
Total assets	\$5,154,729	\$5,010,766
Liabilities:		
Deposits:		
Noninterest-bearing deposits	\$577,319	\$603,216
Interest-bearing deposits	2,926,941	2,920,832
Total deposits	3,504,260	3,524,048
Federal Home Loan Bank advances	1,056,129	950,722
Junior subordinated debentures	22,681	22,681
Operating lease liabilities	30,187	—
Other liabilities	71,629	65,131
Total liabilities	4,684,886	4,562,582
Commitments and contingencies (Note 18)		
Shareholders' Equity:		
Common stock of \$.0625 par value; authorized 60,000,000 shares; issued and outstanding 17,305,279 shares at March 31, 2019 and 17,302,037 at December 31, 2018	1,082	1,081
Paid-in capital	120,743	119,888
Retained earnings	365,521	355,524
Accumulated other comprehensive loss	(17,503)	(28,309)
Total shareholders' equity	469,843	448,184
Total liabilities and shareholders' equity	\$5,154,729	\$5,010,766

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited) (Dollars and shares in thousands, except per share amounts)

Three months ended March 31,	2019	2018
Interest income:		
Interest and fees on loans	\$41,744	\$34,352
Interest on mortgage loans held for sale	180	226
Taxable interest on debt securities	7,226	5,118
Nontaxable interest on debt securities	9	23
Dividends on Federal Home Loan Bank stock	695	516
Other interest income	340	205
Total interest and dividend income	50,194	40,440
Interest expense:		
Deposits	8,696	4,422
Federal Home Loan Bank advances	6,661	3,983
Junior subordinated debentures	253	183
Total interest expense	15,610	8,588
Net interest income	34,584	31,852
Provision for loan losses	650	—
Net interest income after provision for loan losses	33,934	31,852
Noninterest income:		
Wealth management revenues	9,252	10,273
Mortgage banking revenues	2,646	2,838
Card interchange fees	997	847
Service charges on deposit accounts	875	863
Loan related derivative income	724	141
Income from bank-owned life insurance	649	515
Other income	224	266
Total noninterest income	15,367	15,743
Noninterest expense:		
Salaries and employee benefits	17,619	17,772
Outsourced services	2,606	1,873
Net occupancy	1,998	2,002
Equipment	1,011	1,180
Legal, audit and professional fees	534	726
FDIC deposit insurance costs	429	404
Advertising and promotion	239	177
Amortization of intangibles	239	248
Other expenses	2,289	2,748
Total noninterest expense	26,964	27,130
Income before income taxes	22,337	20,465
Income tax expense	4,842	4,254
Net income	\$17,495	\$16,211
Net income available to common shareholders	\$17,461	\$16,173
Weighted average common shares outstanding - basic	17,304	17,234

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Weighted average common shares outstanding - diluted	17,401	17,345
Per share information: Basic earnings per common share	\$1.01	\$0.94
Diluted earnings per common share	\$1.00	\$0.93
Cash dividends declared per share	\$0.47	\$0.43

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (unaudited) (Dollars in thousands)

Three months ended March 31,	2019	2018
Net income	\$17,495	\$16,211
Other comprehensive income (loss), net of tax:		
Net change in fair value of available for sale debt securities	11,021	(10,414)
Net change in fair value of cash flow hedges	(442)	889
Net change in defined benefit plan obligations	227	360
Total other comprehensive income (loss), net of tax	10,806	(9,165)
Total comprehensive income	\$28,301	\$7,046

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity (unaudited) (Dollars and shares in thousands)

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at January 1, 2019	17,302	\$1,081	\$119,888	\$355,524	(\$28,309)	\$448,184
Net income	—	—	—	17,495	—	17,495
Total other comprehensive income, net of tax	—	—	—	—	10,806	10,806
Cash dividends declared	—	—	—	(8,220)	—	(8,220)
Share-based compensation	—	—	740	—	—	740
Exercise of stock options, issuance of other compensation-related equity awards, net of awards surrendered	3	1	115	—	—	116
Cumulative effect of change in accounting principle	—	—	—	722	—	722
Balance at March 31, 2019	17,305	\$1,082	\$120,743	\$365,521	(\$17,503)	\$469,843

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2018	17,227	\$1,077	\$117,961	\$317,756	(\$23,510)	\$413,284
Net income	—	—	—	16,211	—	16,211
Total other comprehensive loss, net of tax	—	—	—	—	(9,165)	(9,165)
Cash dividends declared	—	—	—	(7,462)	—	(7,462)
Share-based compensation	—	—	669	—	—	669
Exercise of stock options, issuance of other compensation-related equity awards, net of awards surrendered	35	2	(458)	—	—	(456)
Balance at March 31, 2018	17,262	\$1,079	\$118,172	\$326,505	(\$32,675)	\$413,081

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statement of Cash Flows (unaudited) (Dollars in thousands)

Three months ended March 31,	2019	2018
Cash flows from operating activities:		
Net income	\$17,495	\$16,211
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	650	—
Depreciation of premises and equipment	838	827
Net amortization of premiums and discounts on securities and loans	822	695
Amortization of intangibles	239	248
Share-based compensation	740	669
Tax benefit from stock option exercises and other equity awards	7	207
Income from bank-owned life insurance	(649)	(515)
Net gains on loan sales and commissions on loans originated for others, including fair value adjustments	(2,474)	(2,679)
Proceeds from sales of loans	51,673	89,575
Loans originated for sale	(46,864)	(79,212)
Decrease in operating lease right-of-use assets	673	—
Decrease in operating lease liabilities	(666)	—
Increase in other assets	(11,022)	(10,973)
Increase in other liabilities	9,532	6,483
Net cash provided by operating activities	20,994	21,536
Cash flows from investing activities:		
Purchases of:		
Available for sale debt securities: Mortgage-backed	(62,109)	(40,657)
Available for sale debt securities: Other	(10,507)	(1,064)
Maturities, calls and principal payments of:		
Available for sale debt securities: Mortgage-backed	19,718	20,100
Available for sale debt securities: Other	10,000	500
Held to maturity debt securities: Mortgage-backed	—	540
Purchases of Federal Home Loan Bank stock	(1,957)	(610)
Net increase in loans	(54,147)	(15,571)
Purchases of loans	(161)	(1,520)
Purchases of premises and equipment	(1,655)	(811)
Proceeds from surrender of bank-owned life insurance	326	—
Net cash used in investing activities	(100,492)	(39,093)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(19,788)	13,727
Proceeds from Federal Home Loan Bank advances	532,000	515,000
Repayment of Federal Home Loan Bank advances	(426,593)	(497,679)
Payment of contingent consideration liability	—	(1,217)
Net proceeds from stock option exercises and issuance of other equity awards, net of awards surrendered	116	(456)
Cash dividends paid	(8,153)	(6,739)
Net cash provided by financing activities	77,582	22,636
Net (decrease) increase in cash and cash equivalents	(1,916)	5,079
Cash and cash equivalents at beginning of period	93,475	82,923

Cash and cash equivalents at end of period	\$91,559	\$88,002
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The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Washington Trust Bancorp, Inc. and Subsidiaries

Consolidated Statement of Cash Flows – continued (unaudited)

(Dollars in
thousands)

Three months ended March 31,	2019	2018
Noncash Activities:		
Loans charged off	\$103	\$690
Loans transferred to property acquired through foreclosure or repossession In conjunction with the adoption of ASU 2016-02 as detailed in Note 2 to the Unaudited Consolidated Financial Statements, the following assets and liabilities were recognized:	—	3,074
Operating lease right-of-use assets	28,923	—
Operating lease liabilities	30,853	—
In conjunction with the adoption of ASU 2017-12 as detailed in Note 2 to the Unaudited Consolidated Financial Statements, the following qualifying debt securities classified as held-to-maturity were transferred to available for sale:		
Fair value of debt securities transferred from held-to-maturity to available for sale	10,316	—
Supplemental Disclosures:		
Interest payments	\$14,082	\$8,047
Income tax payments	1,136	908

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Condensed Notes to Unaudited Consolidated Financial Statements

Note 1 - Basis of Presentation

Washington Trust Bancorp, Inc. (the “Bancorp”) is a publicly-owned registered bank holding company that has elected to be a financial holding company. The Bancorp’s subsidiaries include The Washington Trust Company, of Westerly (the “Bank”), a Rhode Island chartered commercial bank founded in 1800, and Weston Securities Corporation (“WSC”). Through its subsidiaries, the Bancorp offers a complete product line of financial services, including commercial, residential and consumer lending, retail and commercial deposit products, and wealth management services through its offices in Rhode Island, eastern Massachusetts and Connecticut; its automated teller machines (“ATMs”); telephone banking; mobile banking and its internet website (www.washtrust.com).

The Unaudited Consolidated Financial Statements include the accounts of the Bancorp and its subsidiaries (collectively the “Corporation” or “Washington Trust”). All intercompany balances and transactions have been eliminated. Certain previously reported amounts have been reclassified to conform to current year’s presentation.

The Bancorp also owns the common stock of two capital trusts, which have issued trust preferred securities. These capital trusts are variable interest entities in which the Bancorp is not the primary beneficiary and, therefore, are not consolidated. The capital trust’s only assets are junior subordinated debentures issued by the Bancorp, which were acquired by the capital trusts using the proceeds from the issuance of the trust preferred securities and common stock. The Bancorp’s equity interest in the capital trusts, classified in other assets, and the junior subordinated debentures are included in the Unaudited Consolidated Balance Sheets. Interest expense on the junior subordinated debentures is included in the Unaudited Consolidated Statements of Income.

The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America (“GAAP”) and to general practices of the banking industry. 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 Unaudited Consolidated Financial Statements of the Corporation presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by GAAP. In the opinion of management, all adjustments (consisting of normal recurring adjustments) and disclosures considered necessary for the fair presentation of the accompanying Unaudited Consolidated Financial Statements have been included. Interim results are not necessarily indicative of the results of the entire year. The accompanying Unaudited Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Note 2 - Recently Issued Accounting Pronouncements

Accounting Standards Adopted in 2019

Leases - Topic 842

Accounting Standards Update No. 2016-02, “Leases” (“ASU 2016-02”), was issued in February 2016 and provides revised guidance related to the accounting and reporting of leases. ASU 2016-02 requires lessees to recognize most leases on the balance sheet. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee depends on its classification as a finance or operating lease. ASU 2016-02 requires a modified retrospective transition, with a package of practical expedients that entities may elect to apply. In January 2018, Accounting Standards Update No. 2018-01, “Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842” was issued to address concerns about the costs and complexity of complying with the transition provisions of ASU

2016-02. In July 2018, Accounting Standards Update No. 2018-10, “Codification Improvements to Topic 842, Leases” was issued to provide more detailed guidance and additional clarification for implementing ASU 2016-02. Also in July 2018, Accounting Standards Update No. 2018-11, “Targeted Improvements” (“ASU 2018-11”) was issued and allows for an optional transition method in which the provisions of Topic 842 would be applied upon the adoption date and would not have to be retroactively applied to the earliest reporting period presented in the consolidated financial statements. The Corporation used this optional transition method for the adoption of Topic 842. In December 2018, Accounting Standards Update No. 2018-20, “Leases (Topic 842) Narrow-Scope Improvement for Lessors” was issued to address lessors’ concerns about sales taxes and other similar taxes collected from lessees, certain lessor costs, and recognition of variable payments for contracts with lease and non-lease components. These ASUs were effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018.

Condensed Notes to Unaudited Consolidated Financial Statements – (continued)

Management assembled a project team to address the changes pursuant to Topic 842. The project team identified and reviewed all lease agreements in scope of Topic 842. The Corporation rents premises used in business operations under non-cancelable operating leases, which as of December 31, 2018 were not reflected in its Consolidated Balance Sheets. The Corporation has no finance leases.

The Corporation adopted Topic 842 “Leases” effective January 1, 2019 and has applied the guidance to all operating leases within the scope of Topic 842 at that date. The Corporation elected to adopt the package of practical expedients, which among other things, does not require reassessment of lease classification. The Corporation recognized \$28.9 million in operating lease right-of-use-assets, \$30.9 million in operating lease liabilities, a reduction in rent-related liabilities of \$2.9 million, a reduction of net deferred tax assets of \$222 thousand and a cumulative effect adjustment (net of taxes) that increased beginning retained earnings by \$722 thousand in the Consolidated Balance Sheets. The cumulative effect adjustment represented the recognition of unamortized deferred gains associated with two leases. There was no change to the timing in recognition of operating lease rent expense on the Corporation’s consolidated financial statements associated with our leases.

In March 2019, Accounting Standards Update No. 2019-01, “Leases (Topic 842) Codification Improvements” (“ASU 2019-01”) was issued to address lessors’ concerns about determining fair value of underlying leased assets and presentation issues in the statement of cash flows for sales-type and direct financing leases. ASU 2019-01 also clarified for both lessees and lessors that transition disclosures related to Topic 250 were not required for annual periods and also not required for interim periods. ASU 2019-01 was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019, with early adoption permitted. The Corporation early adopted this ASU 2019-01 effective January 1, 2019 and it did not have a material impact on the Corporation’s consolidated financial statements.

Derivatives and Hedging - Topic 815

Accounting Standards Update No. 2017-12, “Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”), was issued in August 2017 to better align financial reporting for hedging activities with the economic objectives of those activities. ASU 2017-12 was effective for fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted. In addition, ASU 2017-12 also permitted the reclassification of eligible securities from the held-to-maturity classification to the available for sale classification. The Corporation adopted the provisions of ASU 2017-12 on January 1, 2019 using a modified retrospective transition method. As permitted by ASU 2017-12, qualifying debt securities classified as held to maturity with an amortized cost of \$10.4 million and a fair value of \$10.3 million were reclassified to available for sale upon the adoption date. An unrealized loss of \$75 thousand (net of taxes) was recognized in the accumulated other comprehensive income component of shareholders’ equity at the date of adoption. The adoption of ASU 2017-12 did not have a material impact on the Corporation’s consolidated financial statements.

Accounting Standards Update No. 2018-16, “Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes” (“ASU 2018-16”), was issued in October 2018 to permit the use of the Overnight Index Swap rate based on the Secured Overnight Financing Rate as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 in addition to existing benchmark interest rates that are currently used for hedge accounting. ASU 2018-16 was effective for fiscal years beginning after December 15, 2018, and interim periods with those fiscal years. The provisions required prospective application for qualifying new or re-designated hedging relationships entered into on or after the date of adoption. The Corporation adopted the provisions of ASU 2018-16 on January 1, 2019 and it did not have a material impact on the Corporation’s consolidated financial statements.

Accounting Standards Pending Adoption

Financial Instruments - Credit Losses - Topic 326

Accounting Standards Update No. 2016-13, "Financial Instruments - Credit Losses" ("ASU 2016-13"), was issued in June 2016. ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 provides for a modified retrospective transition, resulting in a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is effective, except for debt securities for which an other-than-temporary impairment has previously been recognized. For these debt securities, a prospective transition approach will be adopted in order to maintain the same amortized cost prior to and subsequent to the effective date of ASU 2016-13. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019, with early adoption permitted in 2019. The Corporation will adopt ASU 2016-03 on

Condensed Notes to Unaudited Consolidated Financial Statements – (continued)

January 1, 2020 and is currently evaluating the effect that this ASU will have on the consolidated financial statements and disclosures.

Management has assembled a project team that meets regularly to address the additional data requirements necessary, to determine the approach for implementation and to identify new internal controls over enhanced processes that will be put into place for estimating the allowance under ASU 2016-13. This has included assessing the adequacy of existing loan and loss data, as well as developing models for default and loss estimates. The Corporation expects to continue the validation of models, the development of accounting policies and internal controls and the execution of “trial” or “parallel” runs of its ASU 2016-13 compliant methodology throughout 2019.

Fair Value Measurement - Topic 820

Accounting Standards Update No. 2018-13, “Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”), was issued in August 2018 to modify the disclosure requirements related to fair value. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted, including adoption in an interim period. Certain provisions under ASU 2018-13 require prospective application, while other provisions require retrospective application to all periods presented in the consolidated financial statements upon adoption. The adoption of ASU 2018-13 is not expected to have a material impact on the Corporation’s consolidated financial statements.

Compensation - Retirement Benefits - Topic 715

Accounting Standards Update No. 2018-14, “Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans” (“ASU 2018-14”), was issued in August 2018 to modify the disclosure requirements associated with defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for fiscal years ending after December 15, 2020, with early adoption permitted. The provisions under ASU 2018-14 are required to be applied retrospectively. The adoption of ASU 2018-14 is not expected to have a material impact on the Corporation’s consolidated financial statements.

Intangibles - Goodwill and Other - Internal-Use Software - Topic 350

Accounting Standards Update No. 2018-15, “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract” (“ASU 2018-15”), was issued in August 2018 to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with those requirements that currently exist in GAAP for capitalizing implementation costs incurred to develop or obtain internal-use software. Implementation costs would either be capitalized or expensed as incurred depending on the project stage. All costs in the preliminary and post-implementation project stages are expensed as incurred, while certain costs within the application development stage are capitalized. The provisions under ASU 2018-15 can either be applied retrospectively or prospectively. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted, including adoption in an interim period. The adoption of ASU 2018-15 is not expected to have a material impact on the Corporation’s consolidated financial statements.

Note 3 - Cash and Due from Banks

The Bank maintains certain average reserve balances to meet the requirements of the Board of Governors of the Federal Reserve System (“FRB”). Some or all of these reserve requirements may be satisfied with vault cash. Reserve balances amounted to \$25.7 million at March 31, 2019 and \$21.6 million at December 31, 2018 and were included in cash and due from banks in the Unaudited Consolidated Balance Sheets.

As of March 31, 2019 and December 31, 2018, cash and due from banks included interest-bearing deposits in other banks of \$38.5 million and \$33.7 million, respectively.

Condensed Notes to Unaudited Consolidated Financial Statements – (continued)

Note 4 - Securities

The following tables present the amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value of securities by major security type and class of security:

(Dollars in thousands)

March 31, 2019	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for Sale Debt Securities:				
Obligations of U.S. government-sponsored enterprises	\$246,717	\$682	(\$1,927)	\$245,472
Mortgage-backed securities issued by U.S. government agencies and U.S. government-sponsored enterprises	727,511	4,341	(8,347)	723,505
Obligations of states and political subdivisions	935	2	—	937