

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

Northwest Bancshares, Inc.
Form 10-Q
August 09, 2016
Table of Contents

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, 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 001-34582

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

Maryland 27-0950358
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

100 Liberty Street, Warren, Pennsylvania 16365
(Address of principal executive offices) (Zip Code)

(814) 726-2140
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller reporting company

Indicate by check mark whether the registrant is a Shell Company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Common Stock (\$0.01 par value) 102,518,588 shares outstanding as of July 31, 2016

Table of Contents

NORTHWEST BANCSHARES, INC.
INDEX

	PAGE
PART I FINANCIAL INFORMATION	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Statements of Financial Condition as of June 30, 2016 and December 31, 2015 (Unaudited)</u>	1
<u>Consolidated Statements of Income for the quarter and six months ended June 30, 2016 and 2015 (Unaudited)</u>	2
<u>Consolidated Statements of Comprehensive Income for the quarter and six months ended June 30, 2016 and 2015 (Unaudited)</u>	3
<u>Consolidated Statements of Changes in Shareholders' Equity for the quarter ended June 30, 2016 and 2015 (Unaudited)</u>	4
<u>Consolidated Statements of Changes in Shareholders' Equity for the six months ended June 30, 2016 and 2015 (Unaudited)</u>	5
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015 (Unaudited)</u>	6
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	47
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	61
<u>Item 4. Controls and Procedures</u>	62
<u>PART II OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	62
<u>Item 1A. Risk Factors</u>	63
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	63
<u>Item 3. Defaults Upon Senior Securities</u>	63
<u>Item 4. Mine Safety Disclosures</u>	63
<u>Item 5. Other information</u>	63
<u>Item 6. Exhibits</u>	64

Signature

65

Certifications

Table of Contents

ITEM 1. FINANCIAL STATEMENTS

NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(in thousands, except share data)

	June 30, 2016	December 31, 2015
Assets		
Cash and due from banks	\$87,711	92,263
Interest-earning deposits in other financial institutions	223,084	74,510
Federal funds sold and other short-term investments	636	635
Marketable securities available-for-sale (amortized cost of \$692,403 and \$868,956)	705,297	874,405
Marketable securities held-to-maturity (fair value of \$25,978 and \$32,552)	25,144	31,689
Total cash and investments	1,041,872	1,073,502
Personal Banking loans:		
Residential mortgage loans held for sale	39,942	—
Residential mortgage loans	2,717,656	2,750,564
Home equity loans	1,162,174	1,187,106
Consumer loans	546,550	510,617
Total Personal Banking loans	4,466,322	4,448,287
Commercial Banking loans:		
Commercial real estate loans	2,363,376	2,351,434
Commercial loans	465,223	422,400
Total Business Banking loans	2,828,599	2,773,834
Total loans	7,294,921	7,222,121
Allowance for loan losses	(60,781)	(62,672)
Total loans, net	7,234,140	7,159,449
Federal Home Loan Bank stock, at cost		
	40,321	40,903
Accrued interest receivable	20,713	21,072
Real estate owned, net	4,950	8,725
Premises and equipment, net	151,643	154,351
Bank owned life insurance	169,616	168,509
Goodwill	262,140	261,736
Other intangible assets	8,095	8,982
Other assets	30,485	54,670
Total assets	\$8,963,975	8,951,899
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing checking deposits	\$1,189,032	1,177,256
Interest-bearing checking deposits	1,110,607	1,080,086
Money market deposit accounts	1,295,127	1,274,504
Savings deposits	1,444,947	1,386,017
Time deposits	1,596,288	1,694,718
Total deposits	6,636,001	6,612,581
Borrowed funds		
	959,969	975,007

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Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	111,213	111,213
Advances by borrowers for taxes and insurance	45,288	33,735
Accrued interest payable	737	1,993
Other liabilities	55,312	54,207
Total liabilities	7,808,520	7,788,736
Shareholders' equity:		
Preferred stock, \$0.01 par value: 50,000,000 authorized, no shares issued	—	—
Common stock, \$0.01 par value: 500,000,000 shares authorized, 102,472,947 and 101,871,737 shares issued, respectively	1,025	1,019
Paid-in capital	722,980	717,603
Retained earnings	470,337	489,292
Unallocated common stock of employee stock ownership plan	(19,370)	(20,216)
Accumulated other comprehensive loss	(19,517)	(24,535)
Total shareholders' equity	1,155,455	1,163,163
Total liabilities and shareholders' equity	\$8,963,975	8,951,899

See accompanying notes to unaudited consolidated financial statements

Table of Contents

NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(in thousands, except per share data)

	Quarter ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Interest income:				
Loans receivable	\$82,645	70,985	163,426	141,696
Mortgage-backed securities	2,115	2,058	4,344	4,292
Taxable investment securities	756	1,129	1,794	2,174
Tax-free investment securities	707	1,143	1,431	2,491
FHLB dividends	401	475	868	1,878
Interest-earning deposits	70	180	129	319
Total interest income	86,694	75,970	171,992	152,850
Interest expense:				
Deposits	5,865	5,691	11,953	11,457
Borrowed funds	4,143	8,101	11,801	16,234
Total interest expense	10,008	13,792	23,754	27,691
Net interest income	76,686	62,178	148,238	125,159
Provision for loan losses	4,199	1,050	5,859	1,950
Net interest income after provision for loan losses	72,487	61,128	142,379	123,209
Noninterest income:				
Gain on sale/ call of investments	227	566	354	661
Service charges and fees	10,630	9,228	20,695	17,887
Trust and other financial services income	3,277	3,094	6,538	5,870
Insurance commission income	2,768	2,210	5,482	4,638
Gain/ (loss) on real estate owned, net	111	(541)	360	(1,587)
Income from bank owned life insurance	1,105	1,008	2,700	1,921
Mortgage banking income	446	218	664	458
Other operating income	1,711	742	2,930	1,302
Total noninterest income	20,275	16,525	39,723	31,150
Noninterest expense:				
Compensation and employee benefits	34,349	28,920	67,382	56,815
Premises and occupancy costs	6,275	5,899	12,812	12,166
Office operations	3,343	2,905	6,803	5,817
Collections expense	729	603	1,405	1,371
Processing expenses	8,172	7,392	16,586	14,597
Marketing expenses	2,541	3,190	4,432	5,166
Federal deposit insurance premiums	1,442	1,286	2,945	2,633
Professional services	2,129	1,652	3,962	3,444
Amortization of intangible assets	710	269	1,385	537
Real estate owned expense	295	514	606	1,206
Restructuring/ acquisition expense	3,386	467	4,021	814
FHLB prepayment penalty	36,978	—	36,978	—
Other expenses	2,912	2,038	7,219	4,280
Total noninterest expense	103,261	55,135	166,536	108,846

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Income/ (loss) before income taxes	(10,499)	22,518	15,566	45,513
Federal and state income taxes expense/ (benefit)	(3,491)	7,213	4,590	14,038
Net income/ (loss)	\$(7,008)	15,305	10,976	31,475
Basic earnings/ (loss) per share	\$(0.07)	0.17	0.11	0.34
Diluted earnings per share	\$(0.07)	0.17	0.11	0.34

See accompanying notes to unaudited consolidated financial statements

2

Table of Contents

NORTHWEST BANCSHARES, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
 (in thousands)

	Quarter ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net income/ (loss)	\$(7,008)	15,305	10,976	31,475
Other comprehensive income net of tax:				
Net unrealized holding gains/ (losses) on marketable securities:				
Unrealized holding gains/ (losses) net of tax of \$(659), \$1,139, \$(2,879) and \$(746), respectively	1,027	(1,788)	4,502	1,164
Reclassification adjustment for (gains)/ losses included in net income, net of tax of \$(14), \$179, \$(25) and \$222 respectively	22	(279)	39	(347)
Net unrealized holding gains on marketable securities	1,049	(2,067)	4,541	817
Change in fair value of interest rate swaps, net of tax of \$(90), \$(263), \$(14) and \$(287), respectively	166	488	26	532
Defined benefit plan:				
Reclassification adjustments for prior period service costs and net losses included in net income, net of tax of \$(144), \$(140), \$(288) and \$(280), respectively	226	219	451	438
Other comprehensive income/ (loss)	1,441	(1,360)	5,018	1,787
Total comprehensive income/ (loss)	\$(5,567)	13,945	15,994	33,262

See accompanying notes to unaudited consolidated financial statements

Table of Contents

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(dollars in thousands, except share data)

Quarter ended June 30, 2015

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocated common stock of ESOP	Total Shareholders' Equity
Beginning balance at March 31, 2015	94,553,350	\$ 946	624,584	484,774	(21,223)	(21,565)	1,067,516
Comprehensive income:							
Net income	—	—	—	15,305	—	—	15,305
Other comprehensive loss, net of tax of \$915	—	—	—	—	(1,360)	—	(1,360)
Total comprehensive income/(loss)	—	—	—	15,305	(1,360)	—	13,945
Exercise of stock options	60,849	—	632	—	—	—	632
Stock-based compensation expense, including tax benefit of \$6	306,350	3	1,316	—	—	80	1,399
Share repurchases	(179,800)	(2)	(2,211)	—	—	—	(2,213)
Dividends paid (\$0.14 per share)	—	—	—	(12,929)	—	—	(12,929)
Ending balance at June 30, 2015	94,740,749	\$ 947	624,321	487,150	(22,583)	(21,485)	1,068,350

Quarter ended June 30, 2016

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders' Equity
Beginning balance at March 31, 2016	101,848,509	\$ 1,018	718,027	492,316	(20,958)	(19,815)	1,170,588
Comprehensive income:							
Net loss	—	—	—	(7,008)	—	—	(7,008)
	—	—	—	—	1,441	—	1,441

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Other comprehensive income, net of
tax of \$(907)

Total comprehensive income/ (loss)	—	—	—	(7,008)	1,441	—	(5,567)
Exercise of stock options	300,721	4	3,262	—	—	—	3,266
Stock-based compensation expense, including tax benefit of \$187	323,717	3	1,691	—	—	445	2,139
Dividends paid (\$0.15 per share)	—	—	—	(14,971)	—	—	(14,971)
Ending Balance at June 30, 2016	102,472,947	\$ 1,025	722,980	470,337	(19,517)	(19,370)	1,155,455

See accompanying notes to unaudited consolidated financial statements

Table of Contents

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(dollars in thousands, except share data)

Six months ended June 30, 2015

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders' Equity
Beginning balance at December 31, 2014	94,721,453	\$ 947	626,134	481,577	(24,370)	(21,641)	1,062,647
Comprehensive income:							
Net income	—	—	—	31,475	—	—	31,475
Other comprehensive income, net of tax of \$(1,091)	—	—	—	—	1,787	—	1,787
Total comprehensive income	—	—	—	31,475	1,787	—	33,262
Exercise of stock options	210,746	2	2,065	—	—	—	2,067
Stock-based compensation expense, including tax benefit of \$23	306,350	3	2,120	—	—	156	2,279
Share repurchases	(497,800)	(5)	(5,998)	—	—	—	(6,003)
Dividends paid (\$0.28 per share)	—	—	—	(25,902)	—	—	(25,902)
Ending balance at June 30, 2015	94,740,749	\$ 947	624,321	487,150	(22,583)	(21,485)	1,068,350

Six months ended June 30, 2016

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders' Equity
Beginning balance at December 31, 2015	101,871,737	\$1,019	717,603	489,292	(24,535)	(20,216)	1,163,163
Comprehensive income:							
Net income	—	—	—	10,976	—	—	10,976
Other comprehensive income, net of tax of \$(3,206)	—	—	—	—	5,018	—	5,018

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Total comprehensive income	—	—	—	10,976	5,018	—	15,994
Exercise of stock options	423,393	5	4,578	—	—	—	4,583
Stock-based compensation expense, including tax benefit of \$206	323,717	3	2,549	—	—	846	3,398
Share repurchases	(145,900)	(2)	(1,750)	—	—	—	(1,752)
Dividends paid (\$0.30 per share)	—	—	—	(29,931)	—	—	(29,931)
Ending balance at June 30, 2016	102,472,947	\$1,025	722,980	470,337	(19,517)	(19,370)	1,155,455

See accompanying notes to unaudited consolidated financial statements

Table of Contents

NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	Six months ended June 30,	
	2016	2015
OPERATING ACTIVITIES:		
Net Income	\$10,976	31,475
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	5,859	1,950
Net gain on sale of assets	(2,127)	(311)
Net depreciation, amortization and accretion	5,332	2,571
Decrease in other assets	23,505	11,233
Increase in other liabilities	2,284	1,169
Net amortization on marketable securities	1,035	173
Noncash write-down of real estate owned	927	1,927
FHLB prepayment penalty	24,520	—
Deferred income tax benefit	(650)	—
Origination of loans held for sale	(114,140)	(221)
Proceeds from sale of loans held for sale	74,042	224
Noncash compensation expense related to stock benefit plans	3,192	2,256
Net cash provided by operating activities	34,755	52,446
INVESTING ACTIVITIES:		
Purchase of marketable securities available-for-sale	(2,000)	(59,980)
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	6,544	42,409
Proceeds from maturities and principal reductions of marketable securities available-for-sale	177,781	111,630
Proceeds from sale of marketable securities available-for-sale	91	1,214
Loan originations	(1,221,930)	(996,253)
Proceeds from loan maturities and principal reductions	1,182,305	850,823
Net sale/ (purchase) of Federal Home Loan Bank stock	582	(4,773)
Proceeds from sale of real estate owned	5,989	5,704
Sale of real estate owned for investment, net	304	304
Purchase of premises and equipment	(8,235)	(5,172)
Acquisitions, net of cash received	(684)	(438)
Net cash provided by/ (used in) investing activities	140,747	(54,532)

Table of Contents

NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (continued)
(in thousands)

	Six months ended June 30,	
	2016	2015
FINANCING ACTIVITIES:		
Increase in deposits, net	\$23,420	61,940
Proceeds from long-term borrowings	—	85,000
Repayments of long-term borrowings, including prepayment penalty	(774,546)	(50,026)
Net increase/ (decrease) in short-term borrowings	734,988	(24,027)
Increase in advances by borrowers for taxes and insurance	11,553	11,256
Cash dividends paid	(29,931)	(25,902)
Purchase of common stock for retirement	(1,752)	(6,003)
Proceeds from stock options exercised	4,583	2,067
Excess tax benefit from stock-based compensation	206	23
Net cash provided by/ (used in) financing activities	(31,479)	54,328
Net increase in cash and cash equivalents	\$144,023	52,242
Cash and cash equivalents at beginning of period	\$167,408	240,706
Net increase in cash and cash equivalents	144,023	52,242
Cash and cash equivalents at end of period	\$311,431	292,948
Cash and cash equivalents:		
Cash and due from banks	\$87,711	84,000
Interest-earning deposits in other financial institutions	223,084	208,311
Federal funds sold and other short-term investments	636	637
Total cash and cash equivalents	\$311,431	292,948
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of \$11,335 and \$10,508, respectively)	\$25,010	27,325
Income taxes	\$1,502	4,823
Business acquisitions:		
Fair value of assets acquired	\$810	438
Cash paid, net	(684)	(438)
Liabilities assumed	\$126	—
Non-cash activities:		
Loans foreclosures and repossessions	\$1,854	5,012
Sale of real estate owned financed by the Company	\$1,260	174

See accompanying notes to unaudited consolidated financial statements

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) Basis of Presentation and Informational Disclosures

Northwest Bancshares, Inc. (the “Company”) or (“NWBI”), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Bank, a Pennsylvania-chartered savings bank (“Northwest”). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. Northwest operates 157 community-banking offices throughout Pennsylvania, western New York, eastern Ohio and Maryland.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiary, Northwest, and Northwest’s subsidiaries Northwest Settlement Agency, LLC, Northwest Consumer Discount Company, Northwest Financial Services, Inc., Northwest Advisors, Inc., Northwest Capital Group, Inc., Allegheny Services, Inc., Great Northwest Corporation, Boetger & Associates, Inc. and The Bert Company. The unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information or footnotes required for complete annual financial statements. In the opinion of management, all adjustments necessary for the fair presentation of the Company’s financial position and results of operations have been included. The consolidated statements have been prepared using the accounting policies described in the financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 updated, as required, for any new pronouncements or changes.

Certain items previously reported have been reclassified to conform to the current year’s reporting format.

During the quarter ended June 30, 2016, we identified and corrected an error that arose in prior periods related to the amortization of certain deferred loan fees related to letters of credit, which had the impact of understating our interest income. We have assessed the materiality of these corrections of errors and concluded, based on qualitative and quantitative considerations, that the adjustments are not material to the financial statements as a whole. As a result, \$1.1 million of deferred loan fees were recognized in loan interest income for the quarter and six months ended June 30, 2016. For the quarter and six months ended June 30, 2015 loan interest income would have increased by \$53,000 and \$98,000, respectively, income tax expense would have increased by \$21,000 and \$38,000, respectively, and net income would have increased by \$32,000 and \$60,000, respectively.

The results of operations for the quarter and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016, or any other period.

Stock-Based Compensation

On May 18, 2016, we awarded employees 660,600 stock options and directors 64,800 stock options with an exercise price of \$14.15 and grant date fair value of \$1.52 per stock option. On May 18, 2016, we also awarded employees 310,160 restricted common shares and directors 24,300 restricted common shares with a grant date fair value of \$14.51. Awarded stock options and common shares vest over a ten-year period with the first vesting occurring on the grant date. Stock-based compensation expense of \$1.9 million and \$1.4 million for the quarters ended June 30, 2016 and 2015, and \$3.2 million and \$2.3 million for the six months ended June 30, 2016 and 2015, respectively, was recognized in compensation expense relating to our stock benefit plans. At June 30, 2016 there was compensation expense of \$4.6 million to be recognized for awarded but unvested stock options and \$17.0 million for unvested common shares.

Income Taxes- Uncertain Tax Positions

Accounting standards prescribe a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. A tax benefit from an uncertain position may be recognized only if it is “more likely than not” that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. At June 30, 2016 we had no liability for unrecognized tax benefits.

We recognize interest accrued related to: (1) unrecognized tax benefits in other expenses and (2) refund claims in other operating income. We recognize penalties (if any) in other expenses. We are subject to audit by the Internal Revenue Service and any state in which we conduct business for the tax periods ended December 31, 2015, 2014, 2013 and 2012. We are currently under

Table of Contents

audit by the state of New York for the tax periods ended December 31, 2014, 2013, 2012 and 2011. At June 30, 2016 we have accrued \$219,000 for the payment of interest and penalties related to this audit.

Impact of New Accounting Standards

In May 2014 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-9, “Revenue from Contracts with Customers (Topic 606)”. This guidance supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of this guidance requires an entity to recognize revenue upon 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 and provides five steps to be analyzed to accomplish the core principle. This guidance is effective retrospectively for annual reporting periods beginning after December 15, 2017, including interim periods within those years and early adoption is not permitted. We are currently evaluating the impact this standard will have on our results of operations and financial position.

In January 2016 the FASB issued ASU 2016-01, “Financial Instruments-Overall (Subtopic 825-10)”. This guidance requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Additionally, this guidance requires entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently evaluating the impact this standard will have on our results of operations and financial position.

In February 2016 the FASB issued ASU 2016-2, “Leases”. This guidance requires a lessee to recognize in the statement of financial condition a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the term of the lease. Optional periods should only be recognized if the lessee is reasonably certain to exercise the option. For leases with a term of twelve months or less, the lessee is permitted not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the term of the lease. This guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those years and early adoption is permitted. We are currently evaluating the impact this standard will have on our results of operations and financial position.

In March 2016 the FASB issued ASU 2016-08, “Principal Versus Agent Considerations”. This guidance clarifies the implementation guidance on principal versus agent considerations of ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)". When another party is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). When (or as) an entity that is a principal satisfies a performance obligation, the entity recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer. When (or as) an entity that is an agent satisfies a performance obligation, the entity recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party. This guidance is effective retrospectively for annual reporting periods beginning after December 15, 2017, including interim periods within those years and early adoption is not permitted. We are currently evaluating the impact this standard will have on our results of operations and financial position.

In March 2016 the FASB issued ASU 2016-09, "Improvements to Employee Share-based Payment Accounting". This guidance is part of the FASB's Simplification Initiative and simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on t