COLUMBIA BANKING SYSTEM INC
Form 10-Q
May 04, 2018

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

FORM 10-Q

(Mark One)
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018.
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 0-20288

COLUMBIA BANKING SYSTEM, INC.
(Exact name of registrant as specified in its charter)

Washington	91-1422237
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1301 A Street Tacoma, Washington	98402-2156
(Address of principal executive offices)	(Zip Code)

(253) 305-1900
(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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (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
The number of shares of common stock outstanding at April 30, 2018 was 73,238,908.

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PART I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS
Columbia Banking System, Inc.
(Unaudited)

	March 31, 2018	December 31, 2017
ASSETS	(in thousands)	
Cash and due from banks	$206,532	$244,615
Interest-earning deposits with banks	87,124	97,918
Total cash and cash equivalents	293,656	342,533
Debt securities available for sale at fair value	2,624,045	2,737,751
Equity securities at fair value	5,000	5,080
Federal Home Loan Bank stock at cost	11,640	10,440
Loans held for sale	4,312	5,766
Loans, net of unearned income	8,339,631	8,358,657
Less: allowance for loan and lease losses	79,827	75,646
Loans, net	8,259,804	8,283,011
Interest receivable	41,795	40,881
Premises and equipment, net	168,366	169,490
Other real estate owned	11,507	13,298
Goodwill	765,842	765,842
Other intangible assets, net	54,985	58,173
Other assets	289,684	284,621
Total assets	$12,530,636	$12,716,886
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$4,927,226	$5,081,901
Interest-bearing	5,468,297	5,450,184
Total deposits	10,395,523	10,532,085
Federal Home Loan Bank advances	41,564	11,579
Securities sold under agreements to repurchase	24,247	79,059
Subordinated debentures	35,601	35,647
Junior subordinated debentures	—	8,248
Other liabilities	85,778	100,346
Total liabilities	10,582,713	10,766,964
Commitments and contingent liabilities (Note 12)		
Shareholders' equity:		

	March 31, 2018	December 31, 2017		
	(in thousands)			
Common stock (no par value)				
Authorized shares	115,000	115,000		
Issued and outstanding	73,240	73,020	1,634,916	1,634,705
Retained earnings			361,140	337,442
Accumulated other comprehensive loss			(48,133)	(22,225)
Total shareholders' equity			1,947,923	1,949,922
Total liabilities and shareholders' equity			$12,530,636	$12,716,886

See accompanying Notes to unaudited Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF INCOME
Columbia Banking System, Inc.
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(in thousands except per share amounts)	
Interest Income		
Loans	$103,027	$74,120
Taxable securities	12,708	10,986
Tax-exempt securities	3,064	2,691
Deposits in banks	345	19
Total interest income	119,144	87,816
Interest Expense		
Deposits	2,509	787
Federal Home Loan Bank advances	570	225
Subordinated debentures	468	—
Other borrowings	116	129
Total interest expense	3,663	1,141
Net Interest Income	115,481	86,675
Provision for loan and lease losses	5,852	2,775
Net interest income after provision for loan and lease losses	109,629	83,900
Noninterest Income		
Deposit account and treasury management fees	8,740	7,287
Card revenue	5,813	5,723
Financial services and trust revenue	2,730	2,839
Loan revenue	3,186	3,593
Merchant processing revenue	—	2,019
Bank owned life insurance	1,426	1,280
Investment securities gains, net	22	—
Change in FDIC loss-sharing asset	—	(274)
Other	1,226	2,392
Total noninterest income	23,143	24,859
Noninterest Expense		
Compensation and employee benefits	50,570	40,825
Occupancy	10,121	7,191
Merchant processing expense	—	1,049
Advertising and promotion	1,429	817
Data processing	5,270	4,208
Legal and professional fees	3,237	3,369
Taxes, licenses and fees	1,425	1,241
Regulatory premiums	937	776
Net cost of operation of other real estate owned	1	152
Amortization of intangibles	3,188	1,349
Other	9,809	8,009
Total noninterest expense	85,987	68,986

Income before income taxes	46,785	39,773
Income tax provision	6,815	10,574
Net Income	$39,970	$29,199
Earnings per common share		
Basic	$0.55	$0.50
Diluted	$0.55	$0.50
Dividends paid per common share	$0.22	$0.22
Weighted average number of common shares outstanding	72,300	57,388
Weighted average number of diluted common shares outstanding	72,305	57,394

See accompanying Notes to unaudited Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Columbia Banking System, Inc.
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Net income	$39,970	$29,199
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) from securities:		
Net unrealized holding gain (loss) from available for sale debt securities arising during the period, net of tax of $7,891 and ($968)	(26,048)	1,702
Reclassification adjustment of net gain from sale of available for sale debt securities included in income, net of tax of $24 and $0	(78)	—
Net unrealized gain (loss) from securities, net of reclassification adjustment	(26,126)	1,702
Pension plan liability adjustment:		
Reduction in unfunded defined benefit plan liability during the period, net of tax of $0 and ($2,622)	—	4,604
Amortization of unrecognized net actuarial loss included in net periodic pension cost, net of tax of ($19) and ($49)	61	87
Pension plan liability adjustment, net	61	4,691
Other comprehensive income (loss)	(26,065)	6,393
Total comprehensive income	$13,905	$35,592

See accompanying Notes to unaudited Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Columbia Banking System, Inc.
(Unaudited)

	Preferred Stock		Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number of Shares	Amount	Number of Shares	Amount			
	(in thousands)						
Balance at January 1, 2018	—	$—	73,020	$1,634,705	$337,442	$ (22,225)	$1,949,922
Adjustment to opening retained earnings pursuant to adoption of ASU 2016-01	—	—	—	—	(203)	157	(46)
Net income	—	—	—	—	39,970	—	39,970
Other comprehensive loss	—	—	—	—	—	(26,065)	(26,065)
Issuance of common stock - stock option and other plans	—	—	17	719	—	—	719
Activity in deferred compensation plan	—	—	—	3	—	—	3
Issuance of common stock - restricted stock awards, net of canceled awards	—	—	263	2,064	—	—	2,064
Purchase and retirement of common stock	—	—	(60)	(2,575)	—	—	(2,575)
Cash dividends paid on common stock	—	—	—	—	(16,069)	—	(16,069)
Balance at March 31, 2018	—	$—	73,240	$1,634,916	$361,140	$ (48,133)	$1,947,923
Balance at January 1, 2017	9	$2,217	58,042	$995,837	$271,957	$ (18,999)	$1,251,012
Adjustment to opening retained earnings pursuant to adoption of ASU 2016-09	—	—	—	184	(117)	—	67
Net income	—	—	—	—	29,199	—	29,199
Other comprehensive income	—	—	—	—	—	6,393	6,393
Issuance of common stock - stock option and other plans	—	—	28	1,145	—	—	1,145
Issuance of common stock - restricted stock awards, net of canceled awards	—	—	207	2,358	—	—	2,358
Preferred stock conversion to common stock	(9)	(2,217)	102	2,217	—	—	—
Purchase and retirement of common stock	—	—	(50)	(2,039)	—	—	(2,039)
Cash dividends paid on common stock	—	—	—	—	(12,792)	—	(12,792)
Balance at March 31, 2017	—	$—	58,329	$999,702	$288,247	$ (12,606)	$1,275,343

See accompanying Notes to unaudited Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
Columbia Banking System, Inc.
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Cash Flows From Operating Activities		
Net income	$39,970	$29,199
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	5,852	2,775
Stock-based compensation expense	2,064	2,358
Depreciation, amortization and accretion	7,618	6,074
Investment securities gains, net	(22)	—
Net realized (gain) loss on sale of premises and equipment, loans held for investment and other assets	(630)	55
Net realized loss on sale and valuation adjustments of other real estate owned	135	204
Gain on bank owned life insurance death benefit	—	(1,514)
Originations of loans held for sale	(27,553)	(31,295)
Proceeds from sales of loans held for sale	29,007	33,896
Net change in:		
Interest receivable	(914)	(1,271)
Interest payable	452	(9)
Other assets	2,530	(650)
Other liabilities	(15,014)	(3,841)
Net cash provided by operating activities	43,495	35,981
Cash Flows From Investing Activities		
Loans originated and acquired, net of principal collected	17,688	(21,936)
Purchases of:		
Debt securities available for sale	(27,497)	(108,958)
Premises and equipment	(2,099)	(336)
Federal Home Loan Bank stock	(45,080)	(31,400)
Proceeds from:		
FDIC reimbursement on loss-sharing asset	—	26
Sales of debt securities available for sale	19,761	—
Principal repayments and maturities of debt securities available for sale	82,643	55,369
Sales of premises and equipment and loans held for investment	3,721	6,893
Redemption of Federal Home Loan Bank stock	43,880	31,040
Sales of other real estate and other personal property owned	2,062	1,275
Payments to FDIC related to loss-sharing asset	—	(210)
Net cash provided by (used in) investing activities	95,079	(68,237)
Cash Flows From Financing Activities		
Net (decrease) increase in deposits	(136,466)	29,433
Net decrease in sweep repurchase agreements	(54,812)	(33,908)
Proceeds from:		
Federal Home Loan Bank advances	1,127,000	785,000
Exercise of stock options	719	1,145
Payments for:		
Repayment of Federal Home Loan Bank advances	(1,097,000)	(776,000)

Common stock dividends	(16,069)	(12,792)
Repayment of junior subordinated debentures	(8,248)	—
Purchase and retirement of common stock	(2,575)	(2,039)
Net cash used in financing activities	(187,451)	(9,161)
Decrease in cash and cash equivalents	(48,877)	(41,417)
Cash and cash equivalents at beginning of period	342,533	224,238
Cash and cash equivalents at end of period	$293,656	$182,821

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CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
Columbia Banking System, Inc.
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Supplemental Information:		
Cash paid during the period for:		
Cash paid for interest	$3,211	$1,150
Cash paid for income tax	$24	$—
Non-cash investing and financing activities		
Loans transferred to other real estate owned	$406	$—

See accompanying Notes to unaudited Consolidated Financial Statements.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Columbia Banking System, Inc.

1. Basis of Presentation, Significant Accounting Policies and Recent Developments

Basis of Presentation

The interim unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. The Consolidated Financial Statements include the accounts of Columbia Banking System, Inc. (“we”, “our”, “Columbia” or the “Company”) and its subsidiaries, including its wholly owned banking subsidiary Columbia State Bank (“Columbia Bank” or the “Bank”) and Columbia Trust Company (“Columbia Trust”). All intercompany transactions and accounts have been eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of the results for the interim periods presented have been included. The results of operations for the three months ended March 31, 2018 are not necessarily indicative of results to be anticipated for the year ending December 31, 2018. The accompanying interim unaudited Consolidated Financial Statements should be read in conjunction with the financial statements and related notes contained in the Company’s 2017 Annual Report on Form 10-K.

Significant Accounting Policies

The significant accounting policies used in preparation of our Consolidated Financial Statements are disclosed in our 2017 Annual Report on Form 10-K. There have not been any changes in our significant accounting policies compared to those contained in our 2017 Form 10-K disclosure for the year ended December 31, 2017.

Reclassifications

Certain amounts reported in prior periods may have been reclassified in the Consolidated Financial Statements to conform to the current presentation. The reclassifications have no effect on net income or stockholders’ equity as previously reported.

2. Accounting Pronouncements Recently Issued

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-15, Classification of Certain Cash Receipts and Cash Payments. The amendments in this ASU provide specific guidance on several statement of cash flow classification issues to reduce diversity in practice. The amendments in ASU 2016-15 are effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company has reclassified items in the Statement of Cash Flows for the three months ended March 31, 2017 to conform with its current presentation based on its adoption of ASU 2016-15.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The amendments included in this ASU require an entity to reflect its current estimate of all expected credit losses for assets held at an amortized cost basis. For available for sale debt securities, credit losses will be measured in a manner similar to current GAAP, however, this ASU will require that credit losses be presented as an allowance rather than as a write-down. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and are required to be adopted through a modified retrospective approach, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the ASU is effective.

Currently, the Company cannot reasonably estimate the impact that adoption of ASU 2016-13 will have on its Consolidated Financial Statements; however, the impact may be significant. That assessment is based upon the fact that, unlike the incurred loss models in existing GAAP, the current expected credit loss (“CECL”) model in ASU 2016-13 does not specify a threshold for the recognition of an impairment allowance. Rather, the Company will recognize an impairment allowance equal to its estimate of lifetime expected credit losses, adjusted for prepayments, for in-scope financial instruments as of the end of the reporting period. Accordingly, the impairment allowance measured under the CECL model could increase significantly from the impairment allowance measured under the Company’s existing incurred loss model. Significant CECL implementation matters to be addressed by the Company include selecting loss estimation methodologies, identifying, sourcing and storing data, addressing data gaps, defining a reasonable and supportable forecast period, selecting historical loss information which will be reverted to, documenting the CECL estimation process, assessing the impact to internal controls over financial reporting, capital planning and seeking process approval from audit and regulatory stakeholders.

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In February 2016, the FASB issued ASU 2016-02, Leases. The amendments included in this ASU create a new accounting model for both lessees and lessors. The new guidance requires lessees to recognize lease liabilities, initially measured as the present value of future lease payments, and corresponding right-of-use assets for all leases with lease terms greater than 12 months. This model differs from the current lease accounting model, which does not require such lease liabilities and corresponding right-of-use assets to be recorded for operating leases. The amendments in ASU 2016-02 must be adopted using the modified retrospective approach and will be effective for the first interim or annual period beginning after December 15, 2018. Early adoption is permitted. During 2017, the Company selected a third-party lease accounting application to assist in the implementation of this new guidance. Significant implementation matters to be addressed by the Company include assessing the impact to our internal controls over financial reporting and documenting the new lease accounting process. We do not expect a material impact to our Consolidated Statement of Income as a result of this ASU. See Note 18, “Commitments and Contingent Liabilities” to our 2017 Form 10-K, for more information regarding the minimum future payments related to our operating leases.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in ASU 2016-01 require all equity investments to be measured at fair value with changes in the fair value recognized through net income. The amendments in ASU 2016-01 also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments in this update eliminate the requirement 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 for public business entities. The amendments in ASU 2016-01 are effective for the first interim or annual period beginning after December 15, 2017. The Company adopted the amendments of ASU 2016-01 effective January 1, 2018 and recorded a cumulative effect adjustment of $203 thousand to retained earnings related to the unrealized holding losses on equity securities with readily determinable fair value included in accumulated other comprehensive loss. The Company also added a separate line item on the Consolidated Balance Sheet for equity securities at fair value and reclassified amounts previously included in securities available for sale at fair value to conform to current period presentation. In addition, as required by the ASU, the fair value disclosure for loans is computed using an exit price notion and deposits with no stated maturity are no longer included in the fair value disclosures in Note 15.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the income statement. The guidance requires that revenue from contracts with customers be recognized when transfer of control over goods or services is passed to customers in the amount of consideration expected to be received. Subsequent Accounting Standard Updates have been issued clarifying the original pronouncement (ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20). The majority of the Company’s revenue is comprised of interest income from financial assets, which is specifically outside the scope of ASU 2014-09.

On January 1, 2018, we adopted the accounting guidance in ASU 2014-09 and all the related amendments (“Topic 606”) using the modified retrospective method for all contracts that have not been completed (i.e. open contracts). Therefore, the comparative information has not been adjusted and continues to be reported under Topic 605. There was no cumulative effect adjustment as of January 1, 2018, and there were no material changes to the timing or amount of revenue recognized for the three months ended March 31, 2018; however, additional disclosures were incorporated in the footnotes upon adoption. See Note 17, “Revenue from Contracts with Customers,” for more information.

3. Business Combinations

On November 1, 2017, the Company completed its acquisition of Pacific Continental Corporation (“Pacific Continental”) and its wholly-owned banking subsidiary Pacific Continental Bank. The Company acquired 100% of the equity interests of Pacific Continental. The primary reasons for the acquisition were to expand in the Eugene, Oregon market and improve branch network efficiencies in the Seattle and Portland markets.

The assets acquired and liabilities assumed have been accounted for under the acquisition method of accounting. The assets and liabilities, both tangible and intangible, were recorded at their fair values as of the November 1, 2017 acquisition date. Initial accounting for deferred taxes was incomplete as of March 31, 2018. The deferred taxes currently recognized in the financial statements have been determined provisionally as the final Pacific Continental tax return has not yet been completed. The application of the acquisition method of accounting resulted in the recognition of goodwill of $383.1 million and a core deposit intangible of $46.9 million, or 2.34% of core deposits. The goodwill represents the excess purchase price over the fair value of the net assets acquired. The goodwill is not deductible for income tax purposes.

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The table below summarizes the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed:

	November 1, 2017	
	(in thousands)	
Merger consideration		$637,103
Identifiable net assets acquired, at fair value		
Assets acquired		
Cash and cash equivalents	$81,190	
Investment securities	449,291	
Federal Home Loan Bank stock	7,084	
Loans	1,873,987	
Interest receivable	7,827	
Premises and equipment	27,343	
Other real estate owned	10,279	
Core deposit intangible	46,875	
Other assets	50,638	
Total assets acquired		2,554,514
Liabilities assumed		
Deposits	(2,118,982)	
Federal Home Loan Bank advances	(101,127)	
Subordinated debentures	(35,678)	
Junior subordinated debentures	(14,434)	
Securities sold under agreements to repurchase	(1,617)	
Other liabilities	(28,653)	
Total liabilities assumed		(2,300,491)
Total fair value of identifiable net assets, at fair value		254,023
Goodwill		$383,080

See Note 8, “Goodwill and Other Intangible Assets,” for further discussion of the accounting for goodwill and other intangible assets.

The operating results of the Company reported herein include the operating results produced by the acquired assets and assumed liabilities for the period January 1, 2018 to March 31, 2018. Disclosure of the amount of Pacific Continental’s revenue and net income (excluding integration costs) included in Columbia’s Consolidated Statements of Income is impracticable due to the integration of the operations and accounting for this acquisition.

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For illustrative purposes only, the following table presents certain unaudited pro forma information for the three months ended March 31, 2017. This unaudited estimated pro forma financial information was calculated as if Pacific Continental had been acquired as of the beginning of the year prior to the date of acquisition. This unaudited pro forma information combines the historical results of Pacific Continental with the Company's consolidated historical results and includes certain adjustments reflecting the estimated impact of certain fair value adjustments for the respective periods. The pro forma information is not indicative of what would have occurred had the acquisition occurred as of the beginning of the year prior to the acquisition. In particular, no adjustments have been made to eliminate the impact of other-than-temporary impairment losses and losses recognized on the sale of securities that may not have been necessary had the investment securities been recorded at fair value as of the beginning of the year prior to the date of acquisition. The unaudited pro forma information does not consider any changes to the provision for credit losses resulting from recording loan assets at fair value. Additionally, Columbia expects to achieve further operating cost savings and other business synergies, including revenue growth as a result of the acquisition, which are not reflected in the pro forma amounts that follow. As a result, actual amounts would have differed from the unaudited pro forma information presented.

	Unaudited Pro Forma Three Months Ended March 31, 2017 (in thousands except per share)
Total revenues (net interest income plus noninterest income)	$ 139,363
Net income	$ 37,147
Earnings per share - basic	$ 0.52
Earnings per share - diluted	$ 0.52

The following table shows the impact of the acquisition-related expenses related to the acquisition of Pacific Continental for the periods indicated to the various components of noninterest expense:

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Noninterest Expense		
Compensation and employee benefits	$ 1,556	$ —
Occupancy	1,004	1
Advertising and promotion	512	6
Data processing	287	—
Legal and professional fees	574	1,311
Other	332	46
Total impact of acquisition-related costs to noninterest expense	$ 4,265	$ 1,364

As a result of the acquisition of Pacific Continental, we have consolidated assets exceeding $10 billion and we will be subject to the interchange fee cap imposed under the Dodd-Frank Wall Street Reform and Consumer Protection Act beginning July 1, 2018. We currently anticipate a pre-tax annual impact of approximately $10 million because we will no longer qualify for the small issuer exemption.

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4. Securities

The following table summarizes the amortized cost, gross unrealized gains and losses and the resulting fair value of debt securities available for sale: