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First Bancorp, Inc /ME/
Form 10-Q
May 06, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 March 31, 2016

Commission File Number 0-26589

THE FIRST BANCORP, INC.
(Exact name of Registrant as specified in its charter)

MAINE 01-0404322
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

MAIN STREET, DAMARISCOTTA, MAINE 04543
(Address of principal executive offices) (Zip code)

(207) 563-3195
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 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, non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule

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12b-2 of the Exchange Act. (Check one):

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 Act).

Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of May 2, 2016

Common Stock: 10,776,377 shares

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Part I. Financial Information

Selected Financial Data (Unaudited)

The First Bancorp, Inc. and Subsidiary

Dollars in thousands, except for per share amounts	As of and for the three months ended March 31,		
	2016	2015	
Summary of Operations			
Interest Income	\$13,276	\$12,365	
Interest Expense	2,547	2,663	
Net Interest Income	10,729	9,702	
Provision for Loan Losses	375	500	
Non-Interest Income	2,964	3,658	
Non-Interest Expense	7,200	7,265	
Net Income	4,503	4,175	
Per Common Share Data			
Basic Earnings per Share	\$0.42	\$0.39	
Diluted Earnings per Share	0.42	0.39	
Cash Dividends Declared	0.22	0.21	
Book Value per Common Share	15.92	15.23	
Tangible Book Value per Common Share ²	13.13	12.43	
Market Value	19.51	17.45	
Financial Ratios			
Return on Average Equity ¹	10.56	% 10.32	%
Return on Average Tangible Common Equity ^{1,2}	12.80	% 12.63	%
Return on Average Assets ¹	1.15	% 1.16	%
Average Equity to Average Assets	10.92	% 11.26	%
Average Tangible Equity to Average Assets ²	9.00	% 9.19	%
Net Interest Margin Tax-Equivalent ^{1,2}	3.13	% 3.10	%
Dividend Payout Ratio	52.38	% 53.85	%
Allowance for Loan Losses/Total Loans	1.02	% 1.09	%
Non-Performing Loans to Total Loans	0.67	% 1.10	%
Non-Performing Assets to Total Assets	0.53	% 0.91	%
Efficiency Ratio ²	51.45	% 56.79	%
At Period End			
Total Assets	\$1,574,681	\$1,458,832	
Total Loans	1,004,942	939,169	
Total Investment Securities	467,211	432,684	
Total Deposits	1,109,441	966,825	
Total Shareholders' Equity	171,545	163,516	

¹Annualized using a 366-day basis for 2016 and a 365-day basis for 2015.

²These ratios use non-GAAP financial measures. See Management's Discussion and Analysis of Financial Condition and Results of Operations for additional disclosures and information.

Item 1 – Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
The First Bancorp, Inc.

We have reviewed the accompanying interim consolidated financial information of The First Bancorp, Inc. and Subsidiary as of March 31, 2016 and 2015 and for the three-month periods then ended. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is to express an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ Berry Dunn McNeil & Parker, LLC
Bangor, Maine
May 6, 2016

Consolidated Balance Sheets (Unaudited)

The First Bancorp, Inc. and Subsidiary

	March 31, 2016	December 31, 2015	March 31, 2015
Assets			
Cash and cash equivalents	\$ 14,533,000	\$ 14,299,000	\$ 13,855,000
Interest bearing deposits in other banks	6,372,000	4,013,000	336,000
Securities available for sale	216,725,000	223,039,000	156,317,000
Securities to be held to maturity (fair value of \$243,337,000 at March 31, 2016, \$243,123,000 at December 31, 2015 and \$267,247,000 at March 31, 2015)	236,611,000	240,023,000	262,455,000
Restricted equity securities, at cost	13,875,000	14,257,000	13,912,000
Loans held for sale	224,000	349,000	—
Loans	1,004,942,000	988,638,000	939,169,000
Less allowance for loan losses	10,219,000	9,916,000	10,196,000
Net loans	994,723,000	978,722,000	928,973,000
Accrued interest receivable	6,271,000	4,912,000	5,724,000
Premises and equipment, net	21,392,000	21,816,000	22,270,000
Other real estate owned	1,592,000	1,532,000	2,899,000
Goodwill	29,805,000	29,805,000	29,805,000
Other assets	32,558,000	32,043,000	22,286,000
Total assets	\$ 1,574,681,000	\$ 1,564,810,000	\$ 1,458,832,000
Liabilities			
Demand deposits	\$ 116,756,000	\$ 130,566,000	\$ 100,939,000
NOW deposits	240,112,000	242,638,000	199,099,000
Money market deposits	74,643,000	92,994,000	101,292,000
Savings deposits	205,218,000	206,009,000	167,338,000
Certificates of deposit	472,712,000	370,982,000	398,157,000
Total deposits	1,109,441,000	1,043,189,000	966,825,000
Borrowed funds – short term	151,399,000	222,323,000	167,437,000
Borrowed funds – long term	125,132,000	115,134,000	145,139,000
Other liabilities	17,164,000	16,666,000	15,915,000
Total liabilities	1,403,136,000	1,397,312,000	1,295,316,000
Shareholders' equity			
Common stock, one cent par value per share	108,000	108,000	107,000
Additional paid-in capital	60,064,000	59,862,000	59,286,000
Retained earnings	108,677,000	106,673,000	101,736,000
Accumulated other comprehensive income (loss)			
Net unrealized gain on securities available for sale	2,975,000	1,123,000	2,579,000
Net unrealized loss on securities transferred from available for sale to held to maturity	(123,000)	(112,000)	(67,000)
Net unrealized loss on postretirement benefit costs	(156,000)	(156,000)	(125,000)
Total shareholders' equity	171,545,000	167,498,000	163,516,000
Total liabilities & shareholders' equity	\$ 1,574,681,000	\$ 1,564,810,000	\$ 1,458,832,000
Common Stock			
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	10,775,307	10,753,855	10,734,419
Book value per common share	\$ 15.92	\$ 15.58	\$ 15.23
Tangible book value per common share	\$ 13.13	\$ 12.78	\$ 12.43

See Report of Independent Registered Public Accounting Firm.

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

Consolidated Statements of Income and Comprehensive Income (Unaudited)
The First Bancorp, Inc. and Subsidiary

	For the three months ended March 31,	
	2016	2015
Interest income		
Interest and fees on loans (includes tax-exempt income of \$148,000 for March 31, 2016 and \$141,000 for March 31, 2015)	\$9,734,000	\$8,855,000
Interest on deposits with other banks	3,000	5,000
Interest and dividends on investments (includes tax-exempt income of \$1,237,000 for March 31, 2016 and \$1,312,000 for March 31, 2015)	3,539,000	3,505,000
Total interest income	13,276,000	12,365,000
Interest expense		
Interest on deposits	1,353,000	1,443,000
Interest on borrowed funds	1,194,000	1,220,000
Total interest expense	2,547,000	2,663,000
Net interest income	10,729,000	9,702,000
Provision for loan losses	375,000	500,000
Net interest income after provision for loan losses	10,354,000	9,202,000
Non-interest income		
Investment management and fiduciary income	563,000	541,000
Service charges on deposit accounts	574,000	579,000
Net securities gains	536,000	1,395,000
Mortgage origination and servicing income, net of amortization	129,000	197,000
Other operating income	1,162,000	946,000
Total non-interest income	2,964,000	3,658,000
Non-interest expense		
Salaries and employee benefits	3,598,000	3,720,000
Occupancy expense	578,000	645,000
Furniture and equipment expense	796,000	770,000
FDIC insurance premiums	214,000	230,000
Amortization of identified intangibles	11,000	25,000
Other operating expense	2,003,000	1,875,000
Total non-interest expense	7,200,000	7,265,000
Income before income taxes	6,118,000	5,595,000
Income tax expense	1,615,000	1,420,000
NET INCOME	\$4,503,000	\$4,175,000
Basic earnings per common share	\$0.42	\$0.39
Diluted earnings per common share	\$0.42	\$0.39
Other comprehensive income (loss) net of tax		
Net unrealized gain on securities available for sale	1,852,000	57,000
Net unrealized loss on securities transferred from available for sale to held to maturity, net of amortization	(11,000)	(19,000)
Other comprehensive income	1,841,000	38,000
Comprehensive income	\$6,344,000	\$4,213,000

See Report of Independent Registered Public Accounting Firm.

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

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

The First Bancorp, Inc. and Subsidiary

	Common stock and additional paid-in capital		Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
	Shares	Amount			
Balance at December 31, 2014	10,724,359	\$59,389,000	\$99,816,000	\$ 2,349,000	\$ 161,554,000
Net income	—	—	4,175,000	—	4,175,000
Net unrealized gain on securities available for sale, net of tax	—	—	—	57,000	57,000
Net unrealized loss on securities transferred from available for sale to held to maturity, net of tax	—	—	—	(19,000)	(19,000)
Comprehensive income	—	—	4,175,000	38,000	4,213,000
Cash dividends declared (\$0.21 per share)	—	—	(2,255,000)	—	(2,255,000)
Equity compensation expense	—	74,000	—	—	74,000
Payment to repurchase common stock	(10,138)	(180,000)	—	—	(180,000)
Issuance of restricted stock	13,650	—	—	—	—
Proceeds from sale of common stock	6,548	110,000	—	—	110,000
Balance at March 31, 2015	10,734,419	\$59,393,000	\$ 101,736,000	\$ 2,387,000	\$ 163,516,000
Balance at December 31, 2015	10,753,855	\$59,970,000	\$ 106,673,000	\$ 855,000	\$ 167,498,000
Net income	—	—	4,503,000	—	4,503,000
Net unrealized gain on securities available for sale, net of tax	—	—	—	1,852,000	1,852,000
Net unrealized loss on securities transferred from available for sale to held to maturity, net of tax	—	—	—	(11,000)	(11,000)
Comprehensive income	—	—	4,503,000	1,841,000	6,344,000
Cash dividends declared (\$0.22 per share)	—	—	(2,370,000)	—	(2,370,000)
Equity compensation expense	—	49,000	—	—	49,000
Payment for repurchase of common stock	(6,936)	—	(129,000)	—	(129,000)
Tax benefit from vesting of restricted stock	—	32,000	—	—	32,000
Issuance of restricted stock	21,847	—	—	—	—
Proceeds from sale of common stock	6,541	121,000	—	—	121,000
Balance at March 31, 2016	10,775,307	\$60,172,000	\$ 108,677,000	\$ 2,696,000	\$ 171,545,000

See Report of Independent Registered Public Accounting Firm.

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

Consolidated Statements of Cash Flows (Unaudited)

The First Bancorp, Inc. and Subsidiary

	For the three months ended	
	March 31, 2016	March 31, 2015
Cash flows from operating activities		
Net income	\$4,503,000	\$4,175,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	432,000	425,000
Change in deferred taxes	(111,000)	) 88,000
Provision for loan losses	375,000	500,000
Loans originated for resale	(4,560,000)	) (5,489,000)
Proceeds from sales and transfers of loans	4,799,000	5,599,000
Net gain on sales of loans	(114,000)	) (110,000)
Net gain on sale or call of securities	(536,000)	) (1,395,000)
Net amortization of premiums on investments	619,000	159,000
Net gain on sale of other real estate owned	(7,000)	) (43,000)
Equity compensation expense	49,000	74,000
Tax benefit from vesting of restricted stock	32,000	—
Net increase in other assets and accrued interest	(1,944,000)	) (1,301,000)
Net increase (decrease) in other liabilities	(388,000)	) 129,000
Amortization of investment in limited partnership	49,000	66,000
Net acquisition amortization	11,000	25,000
Net cash provided by operating activities	3,209,000	2,902,000
Cash flows from investing activities		
(Increase) decrease in interest-bearing deposits in other banks	(2,359,000)	) 3,223,000
Proceeds from sales of securities available for sale	8,868,000	35,465,000
Proceeds from maturities, payments and calls of securities available for sale	8,852,000	5,991,000
Proceeds from maturities, payments and calls of securities to be held to maturity	6,228,000	18,875,000
Proceeds from sales of other real estate owned	201,000	1,309,000
Purchases of securities available for sale	(8,672,000)	) (11,255,000)
Purchases of securities to be held to maturity	(2,785,000)	) (5,344,000)
Redemption of restricted equity securities	382,000	—
Net increase in loans	(16,630,000)	) (22,633,000)
Capital expenditures	(8,000)	) (76,000)
Net cash provided (used) by investing activities	(5,923,000)	) 25,555,000
Cash flows from financing activities		
Net decrease in demand, savings, and money market accounts	(35,478,000)	) (8,650,000)
Net increase (decrease) in certificates of deposit	101,730,000	(49,344,000)
Net decrease in short-term borrowings	(70,926,000)	) (22,340,000)
Advances on long-term borrowings	10,000,000	55,000,000
Payment to repurchase common stock	(129,000)	) (180,000)
Proceeds from sale of common stock	121,000	110,000
Dividends paid	(2,370,000)	) (2,255,000)
Net cash provided (used) by financing activities	2,948,000	(27,659,000)
Net increase in cash and cash equivalents	234,000	798,000
Cash and cash equivalents at beginning of period	14,299,000	13,057,000
Cash and cash equivalents at end of period	\$ 14,533,000	\$ 13,855,000
Interest paid	\$2,487,000	\$2,621,000

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Income taxes paid	—	—
Non-cash transactions		
Net transfer from loans to other real estate owned	\$254,000	\$380,000

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Notes to Consolidated Financial Statements

The First Bancorp, Inc. and Subsidiary

Note 1 – Basis of Presentation

The First Bancorp, Inc. ("the Company") is a financial holding company that owns all of the common stock of First National Bank ("the Bank"). The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of Management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany transactions and balances are eliminated in consolidation. The income reported for the 2016 period is not necessarily indicative of the results that may be expected for the year ending December 31, 2016. For further information, refer to the consolidated financial statements and notes included in the Company's annual report on Form 10-K for the year ended December 31, 2015.

Subsequent Events

Events occurring subsequent to March 31, 2016, have been evaluated as to their potential impact to the financial statements.

Note 2 – Investment Securities

The following table summarizes the amortized cost and estimated fair value of investment securities at March 31, 2016:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Securities available for sale				
Mortgage-backed securities	\$ 190,025,000	\$ 3,837,000	\$ (205,000)	\$ 193,657,000
State and political subdivisions	18,975,000	948,000	(19,000)	19,904,000
Other equity securities	3,148,000	39,000	(23,000)	3,164,000
	\$ 212,148,000	\$ 4,824,000	\$ (247,000)	\$ 216,725,000
Securities to be held to maturity				
U.S. Government-sponsored agencies	\$ 68,009,000	\$ 37,000	\$ (107,000)	\$ 67,939,000
Mortgage-backed securities	39,828,000	1,675,000	(35,000)	41,468,000
State and political subdivisions	124,474,000	5,156,000	—	129,630,000
Corporate securities	4,300,000	—	—	4,300,000
	\$ 236,611,000	\$ 6,868,000	\$ (142,000)	\$ 243,337,000
Restricted equity securities				
Federal Home Loan Bank Stock	\$ 12,838,000	\$ —	\$ —	\$ 12,838,000
Federal Reserve Bank Stock	1,037,000	—	—	1,037,000
	\$ 13,875,000	\$ —	\$ —	\$ 13,875,000

The following table summarizes the amortized cost and estimated fair value of investment securities at December 31, 2015:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Securities available for sale				
Mortgage-backed securities	\$ 194,563,000	\$ 1,509,000	\$ (962,000)	\$ 195,110,000
State and political subdivisions	23,367,000	1,201,000	(62,000)	24,506,000
Other equity securities	3,381,000	48,000	(6,000)	3,423,000
	\$ 221,311,000	\$ 2,758,000	\$ (1,030,000)	\$ 223,039,000
Securities to be held to maturity				
U.S. Government-sponsored agencies	\$ 71,000,000	\$ 40,000	\$ (2,284,000)	\$ 68,756,000
Mortgage-backed securities	42,193,000	1,305,000	(136,000)	43,362,000
State and political subdivisions	122,530,000	4,200,000	(25,000)	126,705,000
Corporate securities	4,300,000	—	—	4,300,000
	\$ 240,023,000	\$ 5,545,000	\$ (2,445,000)	\$ 243,123,000
Restricted equity securities				
Federal Home Loan Bank Stock	\$ 13,220,000	\$ —	\$ —	\$ 13,220,000
Federal Reserve Bank Stock	1,037,000	—	—	1,037,000
	\$ 14,257,000	\$ —	\$ —	\$ 14,257,000

The following table summarizes the amortized cost and estimated fair value of investment securities at March 31, 2015:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Securities available for sale				
Mortgage-backed securities	\$ 124,969,000	\$ 2,790,000	\$ (142,000)	\$ 127,617,000
State and political subdivisions	24,384,000	1,328,000	(114,000)	25,598,000
Other equity securities	2,997,000	105,000	—	3,102,000
	\$ 152,350,000	\$ 4,223,000	\$ (256,000)	\$ 156,317,000
Securities to be held to maturity				
U.S. Government-sponsored agencies	\$ 82,974,000	\$ 108,000	\$ (912,000)	\$ 82,170,000
Mortgage-backed securities	53,228,000	2,030,000	(116,000)	55,142,000
State and political subdivisions	125,953,000	3,811,000	(129,000)	129,635,000
Corporate securities	300,000	—	—	300,000
	\$ 262,455,000	\$ 5,949,000	\$ (1,157,000)	\$ 267,247,000
Restricted equity securities				
Federal Home Loan Bank Stock	\$ 12,875,000	\$ —	\$ —	\$ 12,875,000
Federal Reserve Bank Stock	1,037,000	—	—	1,037,000
	\$ 13,912,000	\$ —	\$ —	\$ 13,912,000

The following table summarizes the contractual maturities of investment securities at March 31, 2016:

	Securities available for sale		Securities to be held to maturity	
	Amortized	Fair Value	Amortized	Fair Value
	Cost	(Estimated)	Cost	(Estimated)
Due in 1 year or less	\$2,599,000	\$2,633,000	\$1,825,000	\$1,847,000
Due in 1 to 5 years	3,321,000	3,390,000	6,709,000	6,925,000
Due in 5 to 10 years	19,222,000	19,946,000	56,874,000	58,932,000
Due after 10 years	183,858,000	187,592,000	171,203,000	175,633,000
Equity securities	3,148,000	3,164,000	—	—
	\$212,148,000	\$216,725,000	\$236,611,000	\$243,337,000

The following table summarizes the contractual maturities of investment securities at December 31, 2015:

	Securities available for sale		Securities to be held to maturity	
	Amortized	Fair Value	Amortized	Fair Value
	Cost	(Estimated)	Cost	(Estimated)
Due in 1 year or less	\$527,000	\$530,000	\$1,814,000	\$1,850,000
Due in 1 to 5 years	7,562,000	7,727,000	6,306,000	6,514,000
Due in 5 to 10 years	19,647,000	20,055,000	58,397,000	60,196,000
Due after 10 years	190,194,000	191,304,000	173,506,000	174,563,000
Equity securities	3,381,000	3,423,000	—	—
	\$221,311,000	\$223,039,000	\$240,023,000	\$243,123,000

The following table summarizes the contractual maturities of investment securities at March 31, 2015:

	Securities available for sale		Securities to be held to maturity	
	Amortized	Fair Value	Amortized	Fair Value
	Cost	(Estimated)	Cost	(Estimated)
Due in 1 year or less	\$2,842,000	\$2,858,000	\$1,873,000	\$1,899,000
Due in 1 to 5 years	14,950,000	15,231,000	12,050,000	12,241,000
Due in 5 to 10 years	17,746,000	18,110,000	47,898,000	49,930,000
Due after 10 years	113,815,000	117,016,000	200,634,000	203,177,000
Equity securities	2,997,000	3,102,000	—	—
	\$152,350,000	\$156,317,000	\$262,455,000	\$267,247,000

At March 31, 2016, securities with a fair value of \$202,296,000 were pledged to secure public deposits, repurchase agreements, and for other purposes as required by law. This compares to securities with a fair value of \$201,879,000 as of December 31, 2015 and \$224,133,000 at March 31, 2015, pledged for the same purposes.

Gains and losses on the sale of securities available for sale are computed by subtracting the amortized cost at the time of sale from the security's selling price, net of accrued interest to be received. The following table shows securities gains and losses for the three months ended March 31, 2016 and 2015:

	For the three months ended March 31,	
	2016	2015
Proceeds from sales of securities	\$8,868,000	\$35,465,000
Gross realized gains	536,000	1,395,000
Gross realized losses	—	—
Net gain	\$536,000	\$1,395,000
Related income taxes	\$188,000	\$488,000

Management reviews securities with unrealized losses for other than temporary impairment. As of March 31, 2016, there were 34 securities with unrealized losses held in the Company's portfolio. These securities were temporarily impaired as a result of changes in interest rates reducing their fair value, of which 12 had been temporarily impaired for 12 months or more. At the present time, there have been no material changes in the credit quality of these securities resulting in other than temporary impairment, and in Management's opinion, no additional write-down for other-than-temporary impairment is warranted. Information regarding securities temporarily impaired as of March 31, 2016 is summarized below:

	Less than 12 months		12 months or more		Total	
	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses
U.S. Government-sponsored agencies	\$—	\$—	\$4,893,000	\$(107,000)	\$4,893,000	\$(107,000)
Mortgage-backed securities	17,125,000	(170,000)	1,866,000	(70,000)	18,991,000	(240,000)
State and political subdivisions	522,000	—	1,417,000	(19,000)	1,939,000	(19,000)
Other equity securities	235,000	(6,000)	106,000	(17,000)	341,000	(23,000)
	\$17,882,000	\$(176,000)	\$8,282,000	\$(213,000)	\$26,164,000	\$(389,000)

As of December 31, 2015, there were 78 securities with unrealized losses held in the Company's portfolio. These securities were temporarily impaired as a result of changes in interest rates reducing their fair value, of which 15 had been temporarily impaired for 12 months or more. Information regarding securities temporarily impaired as of December 31, 2015 is summarized below:

	Less than 12 months		12 months or more		Total	
	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses
U.S. Government-sponsored agencies	\$45,311,000	\$(1,469,000)	\$17,185,000	\$(815,000)	\$62,496,000	\$(2,284,000)
Mortgage-backed securities	120,915,000	(1,027,000)	910,000	(71,000)	121,825,000	(1,098,000)
State and political subdivisions	2,528,000	(24,000)	2,901,000	(63,000)	5,429,000	(87,000)
Other equity securities	64,000	(5,000)	52,000	(1,000)	116,000	(6,000)
	\$168,818,000	\$(2,525,000)	\$21,048,000	\$(950,000)	\$189,866,000	\$(3,475,000)

As of March 31, 2015, there were 55 securities with unrealized losses held in the Company's portfolio. These securities were temporarily impaired as a result of changes in interest rates reducing their fair value, of which five had been temporarily impaired for 12 months or more. Information regarding securities temporarily impaired as of March 31, 2015 is summarized below:

	Less than 12 months		12 months or more		Total	
	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses	Fair Value (Estimated)	Unrealized Losses
U.S. Government-sponsored agencies	\$36,459,000	\$(595,000)	\$10,903,000	\$(317,000)	\$47,362,000	\$(912,000)
Mortgage-backed securities	20,634,000	(256,000)	65,000	(2,000)	20,699,000	(258,000)
State and political subdivisions	10,390,000	(201,000)	1,641,000	(42,000)	12,031,000	(243,000)
	\$67,483,000	\$(1,052,000)	\$12,609,000	\$(361,000)	\$80,092,000	\$(1,413,000)

During the third quarter of 2014, the Company transferred securities with a total amortized cost of \$89,780,000 with a corresponding fair value of \$89,757,000 from available for sale to held to maturity. The net unrealized loss, net of taxes, on these securities at the date of the transfer was \$15,000. The net unrealized holding loss at the time of transfer continues to be reported in accumulated other comprehensive income (loss), net of tax and is amortized over the remaining lives of the securities as an adjustment of the yield. The amortization of the net unrealized loss reported in accumulated other comprehensive income (loss) will offset the effect on interest income of the discount for the transferred securities. The

remaining unamortized balance of the net unrealized losses for the securities transferred from available for sale to held to maturity was \$123,000 at March 31, 2016. These securities were transferred as a part of the Company's overall investment and balance sheet strategies.

The Bank is a member of the Federal Home Loan Bank ("FHLB") of Boston, a cooperatively owned wholesale bank for housing and finance in the six New England States. As a requirement of membership in the FHLB, the Bank must own a minimum required amount of FHLB stock, calculated periodically based primarily on its level of borrowings from the FHLB. The Bank uses the FHLB for much of its wholesale funding needs. As of March 31, 2016 and 2015, and December 31, 2015, the Bank's investment in FHLB stock totaled \$12,838,000, \$12,875,000 and \$13,220,000, respectively. FHLB stock is a non-marketable equity security and therefore is reported at cost, which equals par value. The Company periodically evaluates its investment in FHLB stock for impairment based on, among other factors, the capital adequacy of the FHLB and its overall financial condition. No impairment losses have been recorded through March 31, 2016. The Bank will continue to monitor its investment in FHLB stock.

Note 3 – Loans

The following table shows the composition of the Company's loan portfolio as of March 31, 2016 and 2015 and at December 31, 2015:

	March 31, 2016		December 31, 2015		March 31, 2015	
Commercial						
Real estate	\$279,683,000	27.8 %	\$269,462,000	27.3 %	\$242,021,000	25.8 %
Construction	20,138,000	2.0 %	24,881,000	2.5 %	34,683,000	3.7 %
Other	133,629,000	13.3 %	128,341,000	13.0 %	115,455,000	12.3 %
Municipal	19,042,000	1.9 %	19,751,000	2.0 %	26,277,000	2.8 %
Residential						
Term	405,495,000	40.3 %	403,030,000	40.7 %	383,869,000	40.8 %
Construction	11,754,000	1.2 %	8,451,000	0.9 %	13,036,000	1.4 %
Home equity line of credit	110,249,000	11.0 %	110,202,000	11.1 %	104,100,000	11.1 %
Consumer	24,952,000	2.5 %	24,520,000	2.5 %	19,728,000	2.1 %
Total	\$1,004,942,000	100.0 %	\$988,638,000	100.0 %	\$939,169,000	100.0 %

Loan balances include net deferred loan costs of \$4,053,000 as of March 31, 2016, \$3,686,000 as of December 31, 2015, and \$2,933,000 as of March 31, 2015. Pursuant to collateral agreements, qualifying first mortgage loans, which totaled \$277,905,000 at March 31, 2016, \$279,463,000 at December 31, 2015, and \$240,760,000 at March 31, 2015, were used to collateralize borrowings from the FHLB. In addition, commercial, construction and home equity loans totaling \$258,369,000 at March 31, 2016, \$243,578,000 at December 31, 2015, and \$244,170,000 at March 31, 2015, were used to collateralize a standby line of credit at the Federal Reserve Bank of Boston that is currently unused.

For all loan classes, loans over 30 days past due are considered delinquent. Information on the past-due status of loans by class of financing receivable as of March 31, 2016, is presented in the following table:

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	All Past Due	Current	Total	90+ Days & Accruing
Commercial							
Real estate	\$428,000	\$376,000	\$451,000	\$1,255,000	\$278,428,000	\$279,683,000	\$—
Construction	—	—	150,000	150,000	19,988,000	20,138,000	—
Other	323,000	110,000	—	433,000	133,196,000	133,629,000	—
Municipal	—	—	—	—	19,042,000	19,042,000	—
Residential							
Term	2,321,000	62,000	2,400,000	4,783,000	400,712,000	405,495,000	411,000
Construction	—	—	—	—	11,754,000	11,754,000	—
Home equity line of credit	718,000	122,000	543,000	1,383,000	108,866,000	110,249,000	—
Consumer	176,000	26,000	41,000	243,000	24,709,000	24,952,000	41,000

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Total \$3,966,000 \$696,000 \$3,585,000 \$8,247,000 \$996,695,000 \$1,004,942,000 \$452,000

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Information on the past-due status of loans by class of financing receivable as of December 31, 2015, is presented in the following table:

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	All Past Due	Current	Total	90+ Days & Accruing
Commercial							
Real estate	\$ 603,000	\$ —	—\$ 281,000	\$ 884,000	\$ 268,578,000	\$ 269,462,000	\$ —
Construction	35,000	—	238,000	273,000	24,608,000	24,881,000	—
Other	303,000	—	25,000	328,000	128,013,000	128,341,000	25,000
Municipal	—	—	—	—	19,751,000	19,751,000	—
Residential							
Term	450,000	2,098,000	2,639,000	5,187,000	397,843,000	403,030,000	100,000
Construction	368,000	—	—	368,000	8,083,000	8,451,000	—
Home equity line of credit	261,000	255,000	592,000				