First Bancorp, Inc /ME/
Form 10-Q
August 07, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934
For the quarterly period ended June 30, 2015

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 [X] 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 [X] No[_]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer [_] Accelerated filer [X] Non-accelerated filer [_]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes [_]   No [X]

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of July 31, 2015
Common Stock: 10,744,988 shares

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Part I. Financial Information

Selected Financial Data (Unaudited)
The First Bancorp, Inc. and Subsidiary

Dollars in thousands,	As of and for the six months ended June 30,				As of and for the quarters ended June 30,			
except for per share amounts	2015		2014		2015		2014	
Summary of Operations								
Interest Income	$24,939		$25,363		$12,574		$12,740	
Interest Expense	5,159		5,817		2,496		2,905	
Net Interest Income	19,780		19,546		10,078		9,835	
Provision for Loan Losses	900		500		400		100	
Non-Interest Income	6,492		4,790		2,834		2,458	
Non-Interest Expense	14,245		14,543		6,980		7,291	
Net Income	8,249		7,175		4,074		3,747	
Per Common Share Data								
Basic Earnings per Share	$0.77		$0.67		$0.38		$0.35	
Diluted Earnings per Share	0.77		0.67		0.38		0.35	
Cash Dividends Declared	0.430		0.410		0.220		0.210	
Book Value per Common Share	15.25		14.70		15.25		14.70	
Tangible Book Value per Common Share[2]	12.45		11.87		12.45		11.87	
Market Value	19.44		17.46		19.44		17.46	
Financial Ratios								
Return on Average Equity[1]	10.09	%	9.40	%	9.87	%	9.59	%
Return on Average Tangible Common Equity[1,2]	12.35	%	11.71	%	12.07	%	11.90	%
Return on Average Assets[1]	1.12	%	0.98	%	1.09	%	1.01	%
Average Equity to Average Assets	11.13	%	10.43	%	11.00	%	10.58	%
Average Tangible Equity to Average Assets[2]	9.09	%	8.37	%	9.00	%	8.53	%
Net Interest Margin Tax-Equivalent[1,2]	3.08	%	3.11	%	3.07	%	3.10	%
Dividend Payout Ratio	55.84	%	61.19	%	57.89	%	60.00	%
Allowance for Loan Losses/Total Loans	1.03	%	1.31	%	1.03	%	1.31	%
Non-Performing Loans to Total Loans	0.93	%	1.42	%	0.93	%	1.42	%
Non-Performing Assets to Total Assets	0.72	%	1.16	%	0.72	%	1.16	%
Efficiency Ratio[2]	53.71	%	55.48	%	50.83	%	55.08	%
At Period End								
Total Assets	$1,553,340		$1,504,080		$1,553,340		$1,504,080	
Total Loans	963,109		891,864		963,109		891,864	
Total Investment Securities	476,976		515,927		476,976		515,927	
Total Deposits	1,096,323		1,033,436		1,096,323		1,033,436	
Total Shareholders' Equity	163,809		157,449		163,809		157,449	

[1]Annualized using a 365-day basis for both years.
[2]These 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 June 30, 2015 and 2014 and for the three-month and six-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
August 7, 2015

Consolidated Balance Sheets (Unaudited)
The First Bancorp, Inc. and Subsidiary

	June 30, 2015	December 31, 2014	June 30, 2014
Assets			
Cash and cash equivalents	$16,481,000	$13,057,000	$20,416,000
Interest bearing deposits in other banks	24,565,000	3,559,000	272,000
Securities available for sale	213,814,000	185,261,000	303,880,000
Securities to be held to maturity (fair value of $248,698,000 at June 30, 2015, $279,704,000 at December 31, 2014 and $195,550,000 at June 30, 2014)	249,250,000	275,919,000	198,135,000
Restricted equity securities, at cost	13,912,000	13,912,000	13,912,000
Loans held for sale	—	—	272,000
Loans	963,109,000	917,564,000	891,864,000
Less allowance for loan losses	9,908,000	10,344,000	11,644,000
Net loans	953,201,000	907,220,000	880,220,000
Accrued interest receivable	6,180,000	4,748,000	6,247,000
Premises and equipment, net	21,946,000	22,619,000	21,933,000
Other real estate owned	2,192,000	3,785,000	4,863,000
Goodwill	29,805,000	29,805,000	29,805,000
Other assets	21,994,000	22,246,000	24,125,000
Total assets	$1,553,340,000	$1,482,131,000	$1,504,080,000
Liabilities			
Demand deposits	$107,244,000	$113,133,000	$99,210,000
NOW deposits	221,964,000	199,977,000	174,680,000
Money market deposits	102,219,000	98,607,000	92,060,000
Savings deposits	186,777,000	165,601,000	153,602,000
Certificates of deposit	478,119,000	447,501,000	513,884,000
Total deposits	1,096,323,000	1,024,819,000	1,033,436,000
Borrowed funds – short term	132,876,000	189,775,000	183,375,000
Borrowed funds – long term	145,137,000	90,141,000	115,145,000
Other liabilities	15,195,000	15,842,000	14,675,000
Total liabilities	1,389,531,000	1,320,577,000	1,346,631,000
Shareholders' equity			
Common stock, one cent par value per share	107,000	107,000	107,000
Additional paid-in capital	59,475,000	59,282,000	58,823,000
Retained earnings	103,448,000	99,816,000	96,785,000
Accumulated other comprehensive income (loss)			
Net unrealized gain on securities available for sale	988,000	2,522,000	1,546,000
Net unrealized loss on securities transferred from available for sale to held to maturity	(84,000)	(48,000)	—
Net unrealized gain (loss) on postretirement benefit costs	(125,000)	(125,000)	188,000
Total shareholders' equity	163,809,000	161,554,000	157,449,000
Total liabilities & shareholders' equity	$1,553,340,000	$1,482,131,000	$1,504,080,000
Common Stock			
Number of shares authorized	18,000,000	18,000,000	18,000,000
Number of shares issued and outstanding	10,741,228	10,724,359	10,710,673
Book value per common share	$15.25	$15.06	$14.70
Tangible book value per common share	$12.45	$12.25	$11.87

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 six months ended June 30,		For the quarters ended June 30,	
	2015	2014	2015	2014
Interest income				
Interest and fees on loans	$18,012,000	$17,220,000	$9,157,000	$8,642,000
Interest on deposits with other banks	13,000	3,000	8,000	1,000
Interest and dividends on investments	6,914,000	8,140,000	3,409,000	4,097,000
Total interest income	24,939,000	25,363,000	12,574,000	12,740,000
Interest expense				
Interest on deposits	2,759,000	3,629,000	1,316,000	1,804,000
Interest on borrowed funds	2,400,000	2,188,000	1,180,000	1,101,000
Total interest expense	5,159,000	5,817,000	2,496,000	2,905,000
Net interest income	19,780,000	19,546,000	10,078,000	9,835,000
Provision for loan losses	900,000	500,000	400,000	100,000
Net interest income after provision for loan losses	18,880,000	19,046,000	9,678,000	9,735,000
Non-interest income				
Investment management and fiduciary income	1,158,000	1,102,000	617,000	585,000
Service charges on deposit accounts	1,237,000	1,301,000	658,000	682,000
Net securities gains	1,395,000	40,000	—	4,000
Mortgage origination and servicing income, net of amortization	705,000	354,000	508,000	160,000
Other operating income	1,997,000	1,993,000	1,051,000	1,027,000
Total non-interest income	6,492,000	4,790,000	2,834,000	2,458,000
Non-interest expense				
Salaries and employee benefits	7,160,000	7,220,000	3,440,000	3,523,000
Occupancy expense	1,216,000	1,171,000	571,000	559,000
Furniture and equipment expense	1,552,000	1,372,000	782,000	675,000
FDIC insurance premiums	446,000	519,000	216,000	254,000
Amortization of identified intangibles	36,000	163,000	11,000	81,000
Other operating expense	3,835,000	4,098,000	1,960,000	2,199,000
Total non-interest expense	14,245,000	14,543,000	6,980,000	7,291,000
Income before income taxes	11,127,000	9,293,000	5,532,000	4,902,000
Income tax expense	2,878,000	2,118,000	1,458,000	1,155,000
NET INCOME	$8,249,000	$7,175,000	$4,074,000	$3,747,000
Basic earnings per common share	$0.77	$0.67	$0.38	$0.35
Diluted earnings per common share	$0.77	$0.67	$0.38	$0.35
Other comprehensive income (loss) net of tax				
Net unrealized gain (loss) on securities available for sale	(1,534,000)	8,137,000	(1,591,000)	3,313,000
Net unrealized loss on securities transferred from available for sale to held to maturity, net of amortization	(36,000)	—	(84,000)	—
Other comprehensive income (loss)	(1,570,000)	8,137,000	(1,675,000)	3,313,000
Comprehensive income	$6,679,000	$15,312,000	$2,399,000	$7,060,000

See Report of Independent Registered Public Accounting Firm.
The accompanying notes are an integral part of these consolidated financial statements.

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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 (loss)	Total shareholders' equity
	Shares	Amount			
Balance at December 31, 2013	10,671,192	$58,501,000	$94,000,000	$(6,403,000)	$146,098,000
Net income	—	—	7,175,000	—	7,175,000
Net unrealized gain on securities available for sale, net of tax	—	—	—	8,137,000	8,137,000
Comprehensive income	—	—	7,175,000	8,137,000	15,312,000
Cash dividends declared ($0.41 per share)	—	—	(4,390,000)	—	(4,390,000)
Equity compensation expense	—	205,000	—	—	205,000
Issuance of restricted stock	25,843	—	—	—	—
Proceeds from sale of common stock	13,638	224,000	—	—	224,000
Balance at June 30, 2014	10,710,673	$58,930,000	$96,785,000	$1,734,000	$157,449,000
Balance at December 31, 2014	10,724,359	$59,389,000	$99,816,000	$2,349,000	$161,554,000
Net income	—	—	8,249,000	—	8,249,000
Net unrealized loss on securities available for sale, net of tax	—	—	—	(1,534,000)	(1,534,000)
Net unrealized loss on securities transferred from available for sale to held to maturity, net of tax	—	—	—	(36,000)	(36,000)
Comprehensive income	—	—	8,249,000	(1,570,000)	6,679,000
Cash dividends declared ($0.43 per share)	—	—	(4,617,000)	—	(4,617,000)
Equity compensation expense	—	148,000	—	—	148,000
Payment for repurchase of common stock	(10,138)	(180,000)	—	—	(180,000)
Issuance of restricted stock	13,650	—	—	—	—
Proceeds from sale of common stock	13,357	225,000	—	—	225,000
Balance at June 30, 2015	10,741,228	$59,582,000	$103,448,000	$779,000	$163,809,000

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 six months ended June 30, 2015	June 30, 2014
Cash flows from operating activities		
Net income	$8,249,000	$7,175,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	851,000	837,000
Change in deferred taxes	259,000	(251,000)
Provision for loan losses	900,000	500,000
Loans originated for resale	(14,655,000)	(8,156,000)
Proceeds from sales and transfers of loans	14,988,000	8,153,000
Net gain on sales of loans	(333,000)	(186,000)
Net gain on sale or call of securities	(1,395,000)	(40,000)
Net amortization of premiums on investments	379,000	533,000
Net gain on sale of other real estate owned	(40,000)	(46,000)
Provision for losses on other real estate owned	21,000	99,000
Equity compensation expense	148,000	205,000
Net increase in other assets and accrued interest	(1,556,000)	(2,800,000)
Net increase in other liabilities	91,000	839,000
Net loss on disposal of premises and equipment	—	5,000
Amortization of investment in limited partnership	133,000	284,000
Net acquisition amortization	36,000	163,000
Net cash provided by operating activities	8,076,000	7,314,000
Cash flows from investing activities		
(Increase) decrease in interest-bearing deposits in other banks	(21,006,000)	2,290,000
Proceeds from sales of securities available for sale	35,465,000	—
Proceeds from maturities, payments and calls of securities available for sale	15,872,000	14,411,000
Proceeds from maturities, payments and calls of securities to be held to maturity	32,414,000	6,082,000
Proceeds from sales of other real estate owned	2,129,000	1,262,000
Purchases of securities available for sale	(81,335,000)	(501,000)
Purchases of securities to be held to maturity	(5,644,000)	(34,881,000)
Net increase in loans	(47,398,000)	(17,238,000)
Capital expenditures	(178,000)	(396,000)
Proceeds from disposal of premises and equipment	—	1,237,000
Net cash used by investing activities	(69,681,000)	(27,734,000)
Cash flows from financing activities		
Net increase in demand, savings, and money market accounts	40,886,000	26,272,000
Net increase (decrease) in certificates of deposit	30,618,000	(17,235,000)
Net increase (decrease) in short-term borrowings	(41,903,000)	19,395,000
Advances on long-term borrowings	55,000,000	—
Repayment on long-term borrowings	(15,000,000)	—
Payment to repurchase common stock	(180,000)	—
Proceeds from sale of common stock	225,000	224,000
Dividends paid	(4,617,000)	(4,390,000)
Net cash provided by financing activities	65,029,000	24,266,000

Net increase in cash and cash equivalents	3,424,000	3,846,000
Cash and cash equivalents at beginning of period	13,057,000	16,570,000
Cash and cash equivalents at end of period	$16,481,000	$20,416,000
Interest paid	$5,175,000	$5,807,000
Income taxes paid	1,840,000	1,960,000
Non-cash transactions		
Net transfer from loans to other real estate owned	$517,000	$1,371,000

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 The First, N.A. ("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 2015 period is not necessarily indicative of the results that may be expected for the year ending December 31, 2015. 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, 2014.
Subsequent Events
Events occurring subsequent to June 30, 2015, 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 June 30, 2015:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Securities available for sale				
Mortgage-backed securities	$184,787,000	$2,040,000	$(1,235,000)	$185,592,000
State and political subdivisions	24,378,000	1,006,000	(344,000)	25,040,000
Other equity securities	3,129,000	61,000	(8,000)	3,182,000
	$212,294,000	$3,107,000	$(1,587,000)	$213,814,000
Securities to be held to maturity				
U.S. Government-sponsored agencies	$75,982,000	$45,000	$(3,035,000)	$72,992,000
Mortgage-backed securities	48,655,000	1,650,000	(125,000)	50,180,000
State and political subdivisions	124,313,000	1,976,000	(1,063,000)	125,226,000
Corporate securities	300,000	—	—	300,000
	$249,250,000	$3,671,000	$(4,223,000)	$248,698,000
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 amortized cost and estimated fair value of investment securities at December 31, 2014:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Securities available for sale				
Mortgage-backed securities	$149,796,000	$2,637,000	$(578,000)	$151,855,000
State and political subdivisions	29,094,000	1,865,000	(104,000)	30,855,000
Other equity securities	2,490,000	65,000	(4,000)	2,551,000
	$181,380,000	$4,567,000	$(686,000)	$185,261,000
Securities to be held to maturity				
U.S. Government-sponsored agencies	$92,341,000	$54,000	$(2,066,000)	$90,329,000
Mortgage-backed securities	57,003,000	1,830,000	(116,000)	58,717,000
State and political subdivisions	126,275,000	4,114,000	(31,000)	130,358,000
Corporate securities	300,000	—	—	300,000
	$275,919,000	$5,998,000	$(2,213,000)	$279,704,000
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 amortized cost and estimated fair value of investment securities at June 30, 2014:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value (Estimated)
Securities available for sale				
Mortgage-backed securities	$165,978,000	$2,417,000	$(1,692,000)	$166,703,000
State and political subdivisions	133,327,000	3,951,000	(2,383,000)	134,895,000
Other equity securities	2,196,000	87,000	(1,000)	2,282,000
	$301,501,000	$6,455,000	$(4,076,000)	$303,880,000
Securities to be held to maturity				
U.S. Government-sponsored agencies	$92,324,000	$5,000	$(6,343,000)	$85,986,000
Mortgage-backed securities	65,835,000	1,851,000	(526,000)	67,160,000
State and political subdivisions	39,676,000	2,459,000	(31,000)	42,104,000
Corporate securities	300,000	—	—	300,000
	$198,135,000	$4,315,000	$(6,900,000)	$195,550,000
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 June 30, 2015:

	Securities available for sale		Securities to be held to maturity	
	Amortized Cost	Fair Value (Estimated)	Amortized Cost	Fair Value (Estimated)
Due in 1 year or less	$2,396,000	$2,389,000	$1,044,000	$1,056,000
Due in 1 to 5 years	22,945,000	22,860,000	12,532,000	12,740,000
Due in 5 to 10 years	8,993,000	9,355,000	45,958,000	47,525,000
Due after 10 years	174,831,000	176,028,000	189,716,000	187,377,000
Equity securities	3,129,000	3,182,000	—	—
	$212,294,000	$213,814,000	$249,250,000	$248,698,000

The following table summarizes the contractual maturities of investment securities at December 31, 2014:

	Securities available for sale		Securities to be held to maturity	
	Amortized Cost	Fair Value (Estimated)	Amortized Cost	Fair Value (Estimated)
Due in 1 year or less	$2,309,000	$2,329,000	$1,693,000	$1,713,000
Due in 1 to 5 years	15,200,000	15,499,000	8,467,000	8,702,000
Due in 5 to 10 years	18,547,000	19,124,000	50,629,000	52,717,000
Due after 10 years	142,834,000	145,758,000	215,130,000	216,572,000
Equity securities	2,490,000	2,551,000	—	—
	$181,380,000	$185,261,000	$275,919,000	$279,704,000

The following table summarizes the contractual maturities of investment securities at June 30, 2014:

	Securities available for sale		Securities to be held to maturity	
	Amortized Cost	Fair Value (Estimated)	Amortized Cost	Fair Value (Estimated)
Due in 1 year or less	$—	$—	$—	$—
Due in 1 to 5 years	20,101,000	20,557,000	11,326,000	11,610,000
Due in 5 to 10 years	28,261,000	28,483,000	44,528,000	46,301,000
Due after 10 years	250,943,000	252,558,000	142,281,000	137,639,000
Equity securities	2,196,000	2,282,000	—	—
	$301,501,000	$303,880,000	$198,135,000	$195,550,000

At June 30, 2015, securities with a fair value of $194,337,000 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 $164,919,000 as of December 31, 2014 and $131,869,000 at June 30, 2014, 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 six months and quarters ended June 30, 2015 and 2014:

	For the six months ended June 30,		For the quarters ended June 30,	
	2015	2014	2015	2014
Proceeds from sales of securities	$35,465,000	$—	$—	$—
Gross realized gains	1,395,000	40,000	—	4,000
Gross realized losses	—	—	—	—
Net gain	$1,395,000	$40,000	$—	$4,000
Related income taxes	$488,000	$14,000	$—	$1,000

Management reviews securities with unrealized losses for other than temporary impairment. As of June 30, 2015, there were 295 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 14 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 June 30, 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	$55,147,000	$(1,988,000)	$16,953,000	$(1,047,000)	$72,100,000	$(3,035,000)
Mortgage-backed securities	89,332,000	(1,280,000)	1,194,000	(80,000)	90,526,000	(1,360,000)
State and political subdivisions	72,217,000	(1,202,000)	2,299,000	(205,000)	74,516,000	(1,407,000)
Other equity securities	64,000	(7,000)	51,000	(1,000)	115,000	(8,000)
	$216,760,000	$(4,477,000)	$20,497,000	$(1,333,000)	$237,257,000	$(5,810,000)

As of December 31, 2014, there were 56 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 36 had been temporarily impaired for 12 months or more. Information regarding securities temporarily impaired as of December 31, 2014 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	$—	$—	$79,444,000	$(2,066,000)	$79,444,000	$(2,066,000)
Mortgage-backed securities	13,878,000	(40,000)	29,182,000	(654,000)	43,060,000	(694,000)
State and political subdivisions	3,352,000	(31,000)	3,017,000	(104,000)	6,369,000	(135,000)

Other equity securities	68,000	(3,000)	51,000	(1,000)	119,000	(4,000)
	$17,298,000	$(74,000)	$111,694,000	$(2,825,000)	$128,992,000	$(2,899,000)

As of June 30, 2014, there were 197 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 175 had been temporarily impaired for 12 months or more. Information regarding securities temporarily impaired as of June 30, 2014 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	$—	$—	$85,167,000	$(6,343,000)	$85,167,000	$(6,343,000)
Mortgage-backed securities	39,436,000	(668,000)	32,975,000	(1,550,000)	72,411,000	(2,218,000)
State and political subdivisions	8,122,000	(71,000)	45,718,000	(2,343,000)	53,840,000	(2,414,000)
Other equity securities	—	—	52,000	(1,000)	52,000	(1,000)
	$47,558,000	$(739,000)	$163,912,000	$(10,237,000)	$211,470,000	$(10,976,000)

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 $84,000 at June 30, 2015. 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 June 30, 2015, and 2014, and December 31, 2014, the Bank's investment in FHLB stock totaled $12,875,000. 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 June 30, 2015. 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 June 30, 2015 and 2014 and at December 31, 2014:

	June 30, 2015		December 31, 2014		June 30, 2014	
Commercial						
Real estate	$249,414,000	25.9 %	$242,311,000	26.4 %	$245,660,000	27.5 %
Construction	39,504,000	4.1 %	30,932,000	3.4 %	17,084,000	1.9 %
Other	128,249,000	13.3 %	104,531,000	11.4 %	104,234,000	11.7 %
Municipal	22,821,000	2.4 %	20,424,000	2.2 %	17,893,000	2.0 %
Residential						
Term	378,090,000	39.2 %	384,032,000	41.9 %	379,027,000	42.5 %
Construction	14,215,000	1.5 %	12,160,000	1.3 %	13,253,000	1.5 %

Home equity line of credit	108,788,000	11.3	%	103,521,000	11.3	%	97,821,000	11.0	%
Consumer	22,028,000	2.3	%	19,653,000	2.1	%	16,892,000	1.9	%
Total	$963,109,000	100.0	%	$917,564,000	100.0	%	$891,864,000	100.0	%

Loan balances include net deferred loan costs of $3,246,000 as of June 30, 2015, $2,729,000 as of December 31, 2014, and $2,463,000 as of June 30, 2014. Pursuant to collateral agreements, qualifying first mortgage loans, which totaled $284,707,000 at June 30, 2015, $266,716,000 at December 31, 2014, and $270,701,000 at June 30, 2014, were used to collateralize borrowings from the FHLB. In addition, commercial, construction and home equity loans totaling $278,235,000 at June 30, 2015, $240,943,000 at December 31, 2014, and $233,544,000 at June 30, 2014, 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 June 30, 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	$1,850,000	$—	$264,000	$2,114,000	$247,300,000	$249,414,000	$—
Construction	—	—	208,000	208,000	39,296,000	39,504,000	—
Other	124,000	—	138,000	262,000	127,987,000	128,249,000	—
Municipal	—	—	—	—	22,821,000	22,821,000	—
Residential							
Term	810,000	2,314,000	3,146,000	6,270,000	371,820,000	378,090,000	90,000
Construction	160,000	—	—	160,000	14,055,000	14,215,000	—
Home equity line of credit	649,000	122,000	838,000	1,609,000	107,179,000	108,788,000	35,000
Consumer	152,000	130,000	111,000	393,000	21,635,000	22,028,000	111,000
Total	$3,745,000	$2,566,000	$4,705,000	$11,016,000	$952,093,000	$963,109,000	$236,000

Information on the past-due status of loans by class of financing receivable as of December 31, 2014, 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	$346,000	$107,000	$407,000	$860,000	$241,451,000	$242,311,000	$—
Construction	—	41,000	208,000	249,000	30,683,000	30,932,000	—
Other	336,000	543,000	314,000	1,193,000	103,338,000	104,531,000	—
Municipal	—	—	—	—	20,424,000	20,424,000	—
Residential							
Term	1,140,000	2,118,000	3,745,000	7,003,000	377,029,000	384,032,000	101,000
Construction	—	—	—	—	12,160,000	12,160,000	—
Home equity line of credit	621,000	769,000	732,000	2,122,000	101,399,000	103,521,000	—
Consumer	303,000	53,000	80,000	436,000	19,217,000	19,653,000	80,000
Total	$2,746,000	$3,631,000	$5,486,000	$11,863,000	$905,701,000	$917,564,000	$181,000

Information on the past-due status of loans by class of financing receivable as of June 30, 2014, 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	$925,000	$—	$1,157,000	$2,082,000	$243,578,000	$245,660,000	$—
Construction	—	—	208,000	208,000	16,876,000	17,084,000	—
Other	256,000	21,000	599,000	876,000	103,358,000	104,234,000	—
Municipal	—	—	—	—	17,893,000	17,893,000	—
Residential							
Term	813,000	1,735,000	3,880,000	6,428,000	372,599,000	379,027,000	87,000
Construction	—	—	—	—	13,253,000	13,253,000	—
Home equity line of credit	471,000	93,000	875,000	1,439,000	96,382,000	97,821,000	—
Consumer	131,000	11,000	76,000	218,000	16,674,000	16,892,000	76,000
Total	$2,596,000	$1,860,000	$6,795,000	$11,251,000	$880,613,000	$891,864,000	$163,000

For all classes, loans are placed on non-accrual status when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement or when principal and interest is 90 days or more past due unless the loan is both well secured and in the process of collection (in which case the loan may continue to accrue interest in spite of its past due status). A loan is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. A loan is "in the process of collection" if collection of the loan is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

Cash payments received on non-accrual loans, which are included in impaired loans, are applied to reduce the loan's principal balance until the remaining principal balance is deemed collectible, after which interest is recognized when collected. As a general rule, a loan may be restored to accrual status when payments are current for a substantial period of time, generally six months, and repayment of the remaining contractual amounts is expected or when it otherwise becomes well secured and in the process of collection. Information on nonaccrual loans as of June 30, 2015 and 2014 and at December 31, 2014 is presented in the following table:

	June 30, 2015	December 31, 2014	June 30, 2014
Commercial			
Real estate	$1,538,000	$2,088,000	$3,089,000
Construction	208,000	208,000	208,000
Other	429,000	935,000	2,017,000
Municipal	—	—	—
Residential			
Term	5,698,000	6,421,000	6,432,000
Construction	—	—	—
Home equity line of credit	964,000	832,000	902,000
Consumer	95,000	26,000	—
Total	$8,932,000	$10,510,000	$12,648,000

Impaired loans include troubled debt restructured and loans placed on non-accrual. These loans are measured at the present value of expected future cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral dependent. If the measure of an impaired loan is lower than the recorded investment in the loan and estimated selling costs, a specific reserve is established for the difference, or, in certain situations, if the measure of an impaired loan is lower than the recorded investment in the loan and estimated selling costs, the difference is written off.

A breakdown of impaired loans by class of financing receivable as of and for the period ended June 30, 2015, is presented in the following table:

				For the six months ended June 30, 2015		For the quarter ended June 30, 2015	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Recognized Interest Income	Average Recorded Investment	Recognized Interest Income
With No Related Allowance							
Commercial							
Real estate	$8,986,000	$9,436,000	$—	$9,959,000	$182,000	$9,020,000	$93,000
Construction	—	—	—	—	—	—	—
Other	1,789,000	1,855,000	—	2,267,000	42,000	2,069,000	27,000
Municipal	—	—	—	—	—	—	—
Residential							
Term	9,636,000	10,537,000	—	10,797,000	173,000	10,458,000	90,000
Construction	—	—	—	—	—	—	—
Home equity line of credit	1,504,000	2,140,000	—	1,326,000	15,000	1,371,000	8,000
Consumer	95,000	138,000	—	52,000	3,000	80,000	—
	$22,010,000	$24,106,000	$—	$24,401,000	$415,000	$22,998,000	$218,000
With an Allowance Recorded							
Commercial							
Real estate	$3,580,000	$3,671,000	$225,000	$2,807,000	$71,000	$3,618,000	$39,000
Construction	989,000	989,000	275,000	1,311,000	25,000	1,249,000	13,000
Other	317,000	331,000	275,000	399,000	4,000	471,000	3,000
Municipal	—	—	—	—	—	—	—
Residential							
Term	5,784,000	6,082,000	501,000	5,348,000	120,000	5,463,000	60,000
Construction	—	—	—	—	—	—	—
Home equity line of credit	68,000	69,000	31,000	307,000	2,000	226,000	—
Consumer	—	—	—	—	—	—	2,000
	$10,738,000	$11,142,000	$1,307,000	$10,172,000	$222,000	$11,027,000	$117,000
Total							
Commercial							
Real estate	$12,566,000	$13,107,000	$225,000	$12,766,000	$253,000	$12,638,000	$132,000
Construction	989,000	989,000	275,000	1,311,000	25,000	1,249,000	13,000
Other	2,106,000	2,186,000	275,000	2,666,000	46,000	2,540,000	30,000
Municipal	—	—	—	—	—	—	—
Residential							
Term	15,420,000	16,619,000	501,000	16,145,000	293,000	15,921,000	150,000
Construction	—	—	—	—	—	—	—
Home equity line of credit	1,572,000	2,209,000	31,000	1,633,000	17,000	1,597,000	8,000
Consumer	95,000	138,000	—	52,000	3,000	80,000	2,000
	$32,748,000	$35,248,000	$1,307,000	$34,573,000	$637,000	$34,025,000	$335,000

Substantially all interest income recognized on impaired loans for all classes of financing receivables was recognized on a cash basis as received.

A breakdown of impaired loans by class of financing receivable as of and for the year ended December 31, 2014, is presented in the following table:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Recognized Interest Income
With No Related Allowance					
Commercial					
Real estate	$11,687,000	$12,423,000	$—	$11,080,000	$488,000
Construction	—	—	—	30,000	—
Other	2,616,000	3,407,000	—	3,853,000	156,000
Municipal	—	—	—	—	—
Residential					
Term	10,820,000	11,824,000	—	10,505,000	402,000
Construction	—	—	—	—	—
Home equity line of credit	1,164,000	1,395,000	—	1,447,000	29,000
Consumer	26,000	28,000	—	11,000	3,000
	$26,313,000	$29,077,000	$—	$26,926,000	$1,078,000
With an Allowance Recorded					
Commercial					
Real estate	$1,617,000	$1,789,000	$346,000	$3,040,000	$62,000
Construction	1,380,000	1,380,000	413,000	1,279,000	56,000
Other	326,000	338,000	129,000	1,103,000	13,000
Municipal	—	—	—	—	—
Residential					
Term	5,303,000	5,513,000	519,000	5,738,000	239,000
Construction	—	—	—	—	—
Home equity line of credit	923,000	929,000	396,000	318,000	17,000
Consumer	—	—	—	—	—
	$9,549,000	$9,949,000	$1,803,000	$11,478,000	$387,000
Total					
Commercial					
Real estate	$13,304,000	$14,212,000	$346,000	$14,120,000	$550,000
Construction	1,380,000	1,380,000	413,000	1,309,000	56,000
Other	2,942,000	3,745,000	129,000	4,956,000	169,000
Municipal	—	—	—	—	—
Residential					
Term	16,123,000	17,337,000	519,000	16,243,000	641,000
Construction	—	—	—	—	—
Home equity line of credit	2,087,000	2,324,000	396,000	1,765,000	46,000
Consumer	26,000	28,000	—	11,000	3,000
	$35,862,000	$39,026,000	$1,803,000	$38,404,000	$1,465,000

A breakdown of impaired loans by class of financing receivable as of and for the period ended June 30, 2014, is presented in the following table:

				For the six months ended June 30, 2014		For the quarter ended June 30, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Recognized Interest Income	Average Recorded Investment	Recognized Interest Income
With No Related Allowance							
Commercial							
Real estate	$10,688,000	$11,228,000	$—	$10,458,000	$201,000	$9,181,000	$112,000
Construction	—	—	—	60,000	—	52,000	—
Other	3,271,000	3,549,000	—	4,796,000	56,000	4,443,000	32,000
Municipal	—	—	—	—	—	—	—
Residential							
Term	10,271,000	11,082,000	—	10,845,000	183,000	10,364,000	88,000
Construction	—	—	—	—	—	—	—
Home equity line of credit	1,242,000	1,484,000	—	1,753,000	14,000	1,996,000	7,000
Consumer	—	—	—	—	—	—	—
	$25,472,000	$27,343,000	$—	$27,912,000	$454,000	$26,036,000	$239,000
With an Allowance Recorded							
Commercial							
Real estate	$4,115,000	$4,270,000	$1,150,000	$3,599,000	$81,000	$3,665,000	$42,000
Construction	1,492,000	1,492,000	487,000	1,140,000	28,000	995,000	14,000
Other	1,054,000	1,114,000	830,000	1,364,000	12,000	1,674,000	8,000
Municipal	—	—	—	—	—	—	—
Residential							
Term	5,831,000	6,018,000	606,000	5,850,000	128,000	5,883,000	63,000
Construction	—	—	—	—	—	—	—
Home equity line of credit	291,000	296,000	73,000	261,000	1,000	400,000	1,000
Consumer	—	—	—	—	—	—	—
	$12,783,000	$13,190,000	$3,146,000	$12,214,000	$250,000	$12,617,000	$128,000
Total							
Commercial							
Real estate	$14,803,000	$15,498,000	$1,150,000	$14,057,000	$282,000	$12,846,000	$154,000
Construction	1,492,000	1,492,000	487,000	1,200,000	28,000	1,047,000	14,000
Other	4,325,000	4,663,000	830,000	6,160,000	68,000	6,117,000	40,000
Municipal	—	—	—	—	—	—	—
Residential							
Term	16,102,000	17,100,000	606,000	16,695,000	311,000	16,247,000	151,000
Construction	—	—	—	—	—	—	—
Home equity line of credit	1,533,000	1,780,000	73,000	2,014,000	15,000	2,396,000	8,000
Consumer	—	—	—	—	—	—	—
	$38,255,000	$40,533,000	$3,146,000	$40,126,000	$704,000	$38,653,000	$367,000

Troubled Debt Restructured

A troubled debt restructured ("TDR") constitutes a restructuring of debt if the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. To determine whether or not a loan should be classified as a TDR, Management evaluates a loan based upon the following criteria:

- The borrower demonstrates financial difficulty; common indicators include past due status with bank obligations, substandard credit bureau reports, or an inability to refinance with another lender, and
- The Company has granted a concession; common concession types include maturity date extension, interest rate adjustments to below market pricing, and deferment of payments.

As of June 30, 2015, the Company had 88 loans with a value of $25,791,000 that have been classified as TDRs. This compares to 94 loans with a value of $27,214,000 and 97 loans with a value of $28,295,000 classified as TDRs as of December 31, 2014 and June 30, 2014, respectively. The impairment carried as a specific reserve in the allowance for loan losses is calculated by present valuing the expected cash flows on the loan at the original interest rate, or, for collateral-dependent loans, using the fair value of the collateral less costs to sell.

The following table shows TDRs by class and the specific reserve as of June 30, 2015:

	Number of Loans	Balance	Specific Reserves
Commercial			
Real estate	17	$11,754,000	$130,000
Construction	1	781,000	68,000
Other	13	1,675,000	—
Municipal	—	—	—
Residential			
Term	52	10,789,000	435,000
Construction	—	—	—
Home equity line of credit	5	792,000	—
Consumer	—	—	—
	88	$25,791,000	$633,000

The following table shows TDRs by class and the specific reserve as of December 31, 2014:

	Number of Loans	Balance	Specific Reserves
Commercial			
Real estate	19	$12,282,000	$267,000
Construction	1	1,172,000	207,000
Other	15	2,007,000	—
Municipal	—	—	—
Residential			
Term	54	10,932,000	373,000
Construction	—	—	—
Home equity line of credit	5	821,000	21,000
Consumer	—	—	—
	94	$27,214,000	$868,000

The following table shows TDRs by class and the specific reserve as of June 30, 2014:

	Number of Loans	Balance	Specific Reserves
Commercial			
Real estate	18	$12,702,000	$774,000
Construction	1	1,284,000	280,000
Other	18	2,311,000	142,000
Municipal	—	—	—
Residential			
Term	55	11,166,000	383,000
Construction	—	—	—
Home equity line of credit	5	832,000	21,000
Consumer	—	—	—
	97	$28,295,000	$1,600,000

As of June 30, 2015, nine of the loans classified as TDRs with a total balance of $1,455,000 were more than 30 days past due. None of these loans had been placed on TDR status in the previous 12 months. The following table shows these TDRs by class and the associated specific reserves included in the allowance for loan losses as of June 30, 2015:

	Number of Loans	Balance	Specific Reserves
Commercial			
Real estate	—	$—	$—
Construction	—	—	—
Other	—	—	—
Municipal	—	—	—
Residential			
Term	8	1,271,000	87,000
Construction	—	—	—
Home equity line of credit	1	184,000	—
Consumer	—	—	—
	9	$1,455,000	$87,000

As of June 30, 2014, 12 of the loans classified as TDRs with a total balance of $2,052,000 were more than 30 days past due. Of these loans, two loans with an outstanding balance of $256,000 had been placed on TDR status in the previous 12 months. The following table shows these TDRs by class and the associated specific reserves included in the allowance for loan losses as of June 30, 2014:

	Number of Loans	Balance	Specific Reserves
Commercial			
Real estate	1	$518,000	$259,000
Construction	—	—	—
Other	—	—	—
Municipal	—	—	—
Residential			
Term	10	1,333,000	35,000
Construction	—	—	—
Home equity line of credit	1	201,000	21,000
Consumer	—	—	—
	12	$2,052,000	$315,000

For the six months ended June 30, 2015, no loans were placed on TDR status. This compares to three loans placed on TDR status with a post-modification outstanding balance of $291,000 for the six months ended June 30, 2014. These were considered TDRs because concessions had been granted to borrowers experiencing financial difficulties. Concessions include reductions in interest rates, principal and/or interest forbearance, payment extensions, or combinations thereof.
The following table shows loans placed on TDR status in the six months ended June 30, 2014, by class of loan and the associated specific reserve included in the allowance for loan losses as of June 30, 2014:

For the six months ended June 30, 2014	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Specific Reserves
Commercial				
Real estate	—	$ —	$ —	$—
Construction	—	—	—	—
Other	—	—	—	—
Municipal	—	—	—	—
Residential				
Term	3	349,000	291,000	17,000
Construction	—	—	—	—
Home equity line of credit	—	—	—	—
Consumer	—	—	—	—
	3	$ 349,000	$ 291,000	$17,000

For the quarters ended June 30, 2015 and 2014, no loans were placed on TDR status.

As of June 30, 2015, Management is aware of eight loans classified as TDRs that are involved in bankruptcy with an outstanding balance of $1,161,000. There were also 14 loans with an outstanding balance of $1,979,000 that were classified as TDRs and on non-accrual status. Four loans with an outstanding balance of $452,000, that were classified as TDRs, were in the process of foreclosure.

Consumer Mortgage Loans in Process of Foreclosure

As of June 30, 2015, there were 17 consumer mortgage loans collateralized by residential real estate in the process of foreclosure with a total balance of $1,881,000.

Note 4. Allowance for Loan Losses

The Company provides for loan losses through the establishment of an allowance for loan losses which represents an estimated reserve for existing losses in the loan portfolio. A systematic methodology is used for determining the allowance that includes a quarterly review process, risk rating changes, and adjustments to the allowance. The loan portfolio is classified in eight classes and credit risk is evaluated separately in each class. The appropriate level of the allowance is evaluated continually based on a review of significant loans, with a particular emphasis on nonaccruing, past due, and other loans that may require special attention. Other factors include general conditions in local and national economies; loan portfolio composition and asset quality indicators; and internal factors such as changes in underwriting policies, credit administration practices, experience, ability and depth of lending management, among others. The allowance consists of four elements: (1) specific reserves for loans evaluated individually for impairment; (2) general reserves for each portfolio segment based on historical loan loss experience, (3) qualitative reserves judgmentally adjusted for local and national economic conditions, concentrations, portfolio composition, volume and severity of delinquencies and nonaccrual loans, trends of criticized and classified loans, changes in credit policies and underwriting standards, credit administration practices, and other factors as applicable for each portfolio segment; and (4) unallocated reserves. All outstanding loans are considered in evaluating the appropriateness of the allowance. A breakdown of the allowance for loan losses as of June 30, 2015, December 31, 2014, and June 30, 2014, by class of financing receivable and allowance element, is presented in the following tables:

As of June 30, 2015	Specific Reserves on Loans Evaluated Individually for Impairment	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Unallocated Reserves	Total Reserves
Commercial					
Real estate	$225,000	$1,017,000	$1,701,000	$—	$2,943,000
Construction	275,000	161,000	269,000	—	705,000
Other	275,000	522,000	874,000	—	1,671,000
Municipal	—	—	16,000	—	16,000
Residential					
Term	501,000	303,000	380,000	—	1,184,000
Construction	—	12,000	15,000	—	27,000
Home equity line of credit	31,000	584,000	303,000	—	918,000
Consumer	—	373,000	207,000	—	580,000
Unallocated	—	—	—	1,864,000	1,864,000
	$1,307,000	$2,972,000	$3,765,000	$1,864,000	$9,908,000

As of December 31, 2014	Specific Reserves on Loans Evaluated Individually for Impairment	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Unallocated Reserves	Total Reserves
Commercial					
Real estate	$346,000	$1,444,000	$1,742,000	$—	$3,532,000
Construction	413,000	186,000	224,000	—	823,000
Other	129,000	624,000	752,000	—	1,505,000
Municipal	—	—	15,000	—	15,000
Residential					
Term	519,000	297,000	369,000	—	1,185,000
Construction	—	9,000	11,000	—	20,000
Home equity line of credit	396,000	376,000	288,000	—	1,060,000
Consumer	—	346,000	196,000	—	542,000
Unallocated	—	—	—	1,662,000	1,662,000
	$1,803,000	$3,282,000	$3,597,000	$1,662,000	$10,344,000

As of June 30, 2014	Specific Reserves on Loans Evaluated Individually for Impairment	General Reserves on Loans Based on Historical Loss Experience	Reserves for Qualitative Factors	Unallocated Reserves	Total Reserves
Commercial					
Real estate	$1,150,000				