SALISBURY BANCORP INC
Form 10-Q
August 14, 2017

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 June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ________ TO ________

Commission file number 0-24751

SALISBURY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Connecticut (State or other jurisdiction of incorporation or organization)	**06-1514263** (I.R.S. Employer Identification No.)
5 Bissell Street, Lakeville, CT (Address of principal executive offices)	**06039** (Zip code)

(860) 435-9801

(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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company, 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 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 as of August 14, 2017 is 2,785,066.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Salisbury Bancorp, Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	June 30, 2017	December 31, 2016
ASSETS	(unaudited)	
Cash and due from banks	$5,920	$5,434
Interest bearing demand deposits with other banks	55,472	30,051
Total cash and cash equivalents	61,392	35,485
Securities:		
Available-for-sale at fair value	81,016	79,623
Federal Home Loan Bank of Boston stock at cost	3,452	3,211
Loans held-for-sale	594	—
Loans receivable, net (allowance for loan losses: $6,493 and $6,127)	771,850	763,184
Other real estate owned	3,854	3,773
Bank premises and equipment, net	16,149	14,398
Goodwill	13,827	12,552
Intangible assets (net of accumulated amortization: $3,764 and $3,511)	2,116	1,737
Accrued interest receivable	2,303	2,424
Cash surrender value of life insurance policies	14,211	14,038
Deferred taxes	1,320	1,367
Other assets	2,722	3,574
Total Assets	$974,806	$935,366
LIABILITIES and SHAREHOLDERS' EQUITY		
Deposits:		
Demand (non-interest bearing)	$219,660	$218,420
Demand (interest bearing)	132,899	127,854
Money market	194,704	182,476
Savings and other	145,937	135,435
Certificates of deposit	118,141	117,585
Total deposits	811,341	781,770
Repurchase agreements	2,126	5,535
Federal Home Loan Bank of Boston advances	47,302	37,188
Subordinated debt	9,799	9,788
Note payable	327	344
Capital lease liability	1,987	418
Accrued interest and other liabilities	5,379	6,316
Total Liabilities	878,261	841,359
Shareholders' Equity		
Common stock - $0.10 per share par value		
Authorized: 5,000,000		
Issued: 2,785,066 and 2,758,086	279	276
Paid-in capital	42,984	42,085
Retained earnings	53,453	51,521
Unearned compensation - restricted stock awards	(738)	(352)
Accumulated other comprehensive income	567	477

Total Shareholders' Equity	96,545	94,007
Total Liabilities and Shareholders' Equity	$974,806	$935,366

Salisbury Bancorp, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	Three months ended		Six months ended	
Periods ended June 30, (in thousands, except per share amounts)	2017	2016	2017	2016
Interest and dividend income				
Interest and fees on loans	$8,235	$7,938	$16,577	$15,869
Interest on debt securities:				
Taxable	354	286	672	579
Tax exempt	113	237	277	523
Other interest and dividends	94	60	176	134
Total interest and dividend income	8,796	8,521	17,702	17,105
Interest expense				
Deposits	578	529	1,094	1,037
Repurchase agreements	1	1	1	2
Capital lease	20	17	37	35
Note payable	5	6	7	11
Subordinated debt	156	156	312	312
Federal Home Loan Bank of Boston advances	266	245	528	476
Total interest expense	1,026	954	1,979	1,873
Net interest and dividend income	7,770	7,567	15,723	15,232
Provision for loan losses	364	525	716	988
Net interest and dividend income after provision for loan losses	7,406	7,042	15,007	14,244
Non-interest income				
Trust and wealth advisory	892	884	1,746	1,668
Service charges and fees	902	753	1,863	1,455
Gains on sales of mortgage loans, net	30	57	79	96
Mortgage servicing, net	31	45	76	79
(Loss) /gains and write-downs on sales and calls of available-for-sale securities, net	(14)	146	(14)	148
Other	110	115	223	229
Total non-interest income	1,951	2,000	3,973	3,675
Non-interest expense				
Salaries	2,777	2,687	5,667	5,261
Employee benefits	831	910	1,919	1,998
Premises and equipment	907	844	1,802	1,739
Data processing	504	449	977	896
Professional fees	764	564	1,481	944
Collections, OREO and loan related	155	125	456	311
FDIC insurance	98	176	247	310
Marketing and community support	152	180	403	380
Amortization of core deposit intangibles	126	152	252	307
Other	546	551	1,081	1,330
Total non-interest expense	6,860	6,638	14,285	13,476
Income before income taxes	2,497	2,404	4,695	4,443
Income tax provision	615	669	1,208	1,196
Net income	$1,882	$1,735	$3,487	$3,247
Net income allocated to common stock	$1,867	$1,721	$3,461	$3,220

Basic earnings per common share	$0.68	$0.63	$1.26	$1.18
Weighted average common shares outstanding, to calculate basic earnings per share	2,757	2,734	2,753	2,729
Diluted earnings per common share	$0.67	$0.63	$1.25	$1.17
Weighted average common shares outstanding, to calculate diluted earnings per share	2,775	2,749	2,772	2,745
Common dividends per share	$0.28	$0.28	$0.56	$0.56

4

Salisbury Bancorp, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

Periods ended June 30, (in thousands)	Three months ended 2017	Three months ended 2016	Six months ended 2017	Six months ended 2016
Net income	$1,882	$1,735	$3,487	$3,247
Other comprehensive income (loss)				
Net unrealized gains (losses) on securities available-for-sale	106	190	122	122
Reclassification of net realized losses (gains) and write-downs in net income (1)	14	(146)	14	(148)
Unrealized gains (losses) on securities available-for-sale	120	44	136	(26)
Income tax (expense) benefit	(40)	(15)	(46)	9
Unrealized gains (losses) on securities available-for-sale, net of tax	80	29	90	(17)
Comprehensive income	$1,962	$1,764	$3,577	$3,230

(1) Reclassification adjustments include realized security gains and losses. The gains and losses have been reclassified out of other comprehensive income (loss) and have affected certain lines in the consolidated statements of income as follows: The pre-tax amount is reflected as gains on sales and calls of available-for-sale securities, net, the tax effect is included in the income tax provision and the after tax amount is included in net income. The net tax effect for the three months ending June 30th 2017 and 2016 are $5 thousand and ($50) thousand respectively. The net tax effect for the six month periods ending June 30th are the same.

Salisbury Bancorp, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited) Six months ended June 30, 2017 and 2016

(dollars in thousands)	Common Stock Shares	Common Stock Amount	Paid-in capital	Retained earnings	Unearned compensation restricted stock awards	Accumulated other comprehensive income	Total shareholders' equity
Balances at December 31, 2015	2,733,576	$ 273	$41,364	$47,922	$ (110)	$ 1,125	$ 90,574
Net income for period	—	—	—	3,247	—	—	3,247
Other comprehensive loss, net of tax	—	—	—	—	—	(17)	(17)
Common stock dividends declared	—	—	—	(1,542)	—	—	(1,542)
Stock options exercised	4,050	—	87	—	—	—	87
Issuance of restricted stock awards	15,800	2	464	—	(466)	—	—
Issuance of common stock for directors	4,760	1	141	—	—	—	142
Stock based compensation- restricted stock awards	—	—	—	—	93	—	93
Balances at June 30, 2016	2,758,186	$ 276	$42,056	$49,627	$ (483)	$ 1,108	$ 92,584
Balances at December 31, 2016	2,758,086	$ 276	$42,085	$51,521	$ (352)	$ 477	$ 94,007
Net income for period	—	—	—	3,487	—	—	3,487
Other comprehensive income, net of tax	—	—	—	—	—	90	90
Common stock dividends declared	—	—	—	(1,555)	—	—	(1,555)

Stock options exercised	12,150	1	312	—	—	—	313
Issuance of restricted stock awards	10,950	2	426	—	(428)	—	—
Forfeiture of restricted stock awards	(200)	—	(3)	—	3	—	—
Issuance of vested common stock for directors	2,056	—	81	—	—	—	81
Issuance of director's restricted stock awards	2,024	—	83	—	(83)	—	—
Stock based compensation- restricted stock awards	—	—	—	—	122	—	122
Balances at June 30, 2017	2,785,066	$ 279	$ 42,984	$ 53,453	$ (738)	$ 567	$ 96,545

5

Salisbury Bancorp, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Six months ended June 30, (in thousands)	2017	2016
Operating Activities		
Net income	$3,487	$3,247
Adjustments to reconcile net income to net cash provided by operating activities		
(Accretion), amortization and depreciation		
Securities	77	133
Bank premises and equipment	648	604
Core deposit intangible	253	307
Modification fees on Federal Home Loan Bank of Boston advances	114	116
Subordinated debt issuance costs	11	12
Mortgage servicing rights	136	116
Fair value adjustment on loans	(744)	(988)
Fair value adjustment on deposits	(47)	(72)
(Gains) and losses, including write-downs		
Loss (gain) and write-downs on sales and calls of securities available-for-sale, net	14	(148)
Gain on sales of loans, excluding capitalized servicing rights	(59)	(96)
Write-downs of other real estate owned	145	—
Loss on sale/disposals of premises and equipment	1	13
Provision for loan losses	716	988
Proceeds from loans sold	3,463	2,048
Loans originated for sale	(3,998)	(1,189)
Decrease (increase) in deferred loan origination fees and costs, net	47	(81)
Mortgage servicing rights originated	(38)	(45)
Increase in mortgage servicing rights impairment reserve	1	21
Decrease in interest receivable	133	90
(Increase) decrease in prepaid expenses	(104)	64
Increase in cash surrender value of life insurance policies	(173)	(177)
Decrease in income tax receivable	76	414
Decrease in other assets	802	234
Decrease in accrued expenses	(996)	(32)
Decrease in interest payable	(2)	(32)
Increase in other liabilities	58	890
Stock based compensation-restricted stock awards	122	93
Net cash provided by operating activities	4,143	6,530
Investing Activities		
Purchase of Federal Home Loan Bank of Boston stock, net of redemptions	(241)	(260)
Purchases of securities available-for-sale	(25,116)	(32,536)
Proceeds from sales of securities available-for-sale	—	3,800
Proceeds from calls of securities available-for-sale	9,221	9,661
Proceeds from maturities of securities available-for-sale	14,547	15,320
Loan originations and principal collections, net	(2,091)	(50,488)
Recoveries of loans previously charged off	100	64
Proceeds from sales of other real estate owned	177	—
Capital expenditures	(795)	(817)
Cash and cash equivalents acquired from acquisition	22,375	—
Net cash provided (utilized) by investing activities	18,177	(55,256)

6

Salisbury Bancorp, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Six months ended June 30, (in thousands)	2017	2016
Financing Activities		
(Decrease) increase in deposit transaction accounts, net	(2,418)	973
Increase (decrease) in time deposits, net	603	(963)
Decrease in securities sold under agreements to repurchase, net	(3,409)	(559)
Federal Home Loan Bank of Boston advances	10,000	19,994
Principal payments on Federal Home Loan Bank of Boston advances	—	(6)
Principal payments on note payable	(17)	(18)
Decrease in capital lease obligation	(11)	(2)
Stock options exercised	313	87
Issuance of shares for directors' fees	81	142
Common stock dividends paid	(1,555)	(1,542)
Net cash provided (utilized) by financing activities	3,587	18,106
Net increase (decrease) in cash and cash equivalents	25,907	(30,620)
Cash and cash equivalents, beginning of period	35,485	62,118
Cash and cash equivalents, end of period	$61,392	$31,498
Cash paid during period		
Interest	$1,903	$1,977
Income taxes	1,133	782
Non-cash transfers		
From loans to other real estate owned	403	—
Empire State Bank branch acquisition 2017		
Cash and cash equivalents acquired	22,375	
Net loans acquired	7,097	
Fixed assets acquired (including capital lease)	1,605	
Accrued interest receivable acquired	12	
Other assets acquired	20	
Core deposit intangible	632	
Goodwill	1,275	
Deposits assumed	31,433	
Capital lease assumed	1,580	
Other liabilities assumed	3	

Salisbury Bancorp, Inc. and Subsidiary

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The interim (unaudited) consolidated financial statements of Salisbury Bancorp, Inc. ("Salisbury") include those of Salisbury and its wholly owned subsidiary, Salisbury Bank and Trust Company (the "Bank"). In the opinion of management, the interim unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary to present fairly the consolidated financial position of Salisbury and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the interim periods presented.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In preparing the financial statements, management is required to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet, and revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, expected cash flows from loans acquired in a business combination, other-than-temporary impairment of securities and impairment of goodwill and intangibles.

Certain financial information, which is normally included in financial statements prepared in accordance with generally accepted accounting principles, but which is not required for interim reporting purposes, has been condensed or omitted. Operating results for the interim period ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. The accompanying condensed financial statements should be read in conjunction with the financial statements and notes thereto included in Salisbury's 2016 Annual Report on Form 10-K for the year ended December 31, 2016.

The allowance for loan losses is a significant accounting policy and is presented in the Notes to Consolidated Financial Statements and in Management's Discussion and Analysis, which provides information on how significant assets are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions and estimates underlying those amounts, management has identified the determination of the allowance for loan losses to be the accounting area that requires the most subjective judgments, and as such could be most subject to revision as new information becomes available.

Impact of New Accounting Pronouncements Issued

In May 2014, August 2015, May 2016, and December 2016, respectively, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, 2015-14, 2016-12, and 2016-20, "Revenue from Contracts with Customers (Topic 606)." The objective of ASU 2014-09 is to clarify principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. The guidance in ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principal of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For public entities, the amendments in ASU 2015-14 defer the effective date of ASU 2014-09 to interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before the original effective date (i.e. interim and annual reporting periods beginning after December 15, 2016). The amendments in ASU 2016-12 do not change the core principle of the guidance in Topic 606, but rather affect only certain narrow aspects aimed to reduce the potential for diversity in practice at initial application and the cost and complexity of applying Topic 606 both at transition and on an ongoing basis. The amendments in ASU 2016-20 include technical corrections and improvements to Topic 606 and other Topics amended by ASU 2014-09 to increase stakeholders' awareness of the proposals and to expedite improvements to ASU 2014-09. Salisbury is currently reviewing ASU 2014-09, 2015-14, 2016-12, and 2016-20 to determine if they will have an impact on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments –overall (subtopic 825-10): "Recognition and Measurement of Financial Assets and Financial Liabilities." This ASU addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments by making targeted improvements to GAAP as follows: (1) require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer; (2) simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value; (3) eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; (4) eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (5) require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (6) 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; (7) require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (8) clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity’s other deferred tax assets. ASU No. 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017. Early application is permitted as of the beginning of the fiscal year of adoption only for provisions (3) and (6) above. Early adoption of the other provisions mentioned above is not permitted. Salisbury does not expect ASU No. 2016-01 to have a material impact on the Company's Consolidated Financial Statements; however, the Company will continue to closely monitor developments and additional guidance.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)”. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases): 1) a lease liability, which is the present value of a lessee's obligation to make lease payments, and 2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessor accounting under the new guidance remains largely unchanged as it is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. Leveraged leases have been eliminated, although lessors can continue to account for existing leveraged leases using the current accounting guidance. Other limited changes were made to align lessor accounting with the lessee accounting model and the new revenue recognition standard. All entities will classify leases to determine how to recognize lease-related revenue and expense. Quantitative and qualitative disclosures will be required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The intention is to require enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity’s leasing activities. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. All entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. They have the option to use certain relief; full retrospective application is prohibited. Salisbury is currently evaluating this ASU to determine the impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Compensation–Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” This ASU includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. Some of the key provisions of this new ASU include: (1) companies will no longer record excess tax benefits and certain tax deficiencies in additional paid-in capital ("APIC"). Instead, they will record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement, and APIC pools will be eliminated. The guidance also eliminates the requirement that excess tax benefits be realized before companies can recognize them. In addition, the guidance requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity; (2) increase the amount an employer can withhold to cover income taxes on awards and still qualify for the exception to liability classification for shares used to satisfy the employer's statutory income tax withholding obligation. The new guidance will also require an employer to classify the cash paid to a tax authority when shares are withheld to satisfy its statutory income tax withholding obligation as a financing activity on its statement of cash flows (current guidance did not specify how these cash flows should be classified); and (3) permit companies to make an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards. Forfeitures can be estimated, as required today, or recognized when they occur. Salisbury has opted to recognize forfeitures as they occur as the impact is not expected to be material. ASU 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted, but all of the guidance must be adopted in the same period. Salisbury adopted ASU 2016-09 as of January 1, 2017. Adoption did not have a material effect on the financial results for the first quarter of 2017 and contributed a $105 thousand benefit to the tax provision in the second quarter 2017.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which adds a new Topic 326 to the Codification and removes the thresholds that companies apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities. Under current U.S. GAAP, companies generally recognize credit losses when it is probable that the loss has been incurred. The revised guidance will remove all recognition thresholds and will require companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the company expects to collect over the instrument’s contractual life. ASU 2016-13 also amends the credit loss measurement guidance for available-for-sale debt securities and beneficial interests in securitized financial assets. The guidance in ASU 2016-13 is effective for “public business entities,” as defined, that are SEC filers for fiscal years and for interim periods with those fiscal years beginning after December 15, 2019. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Salisbury is currently evaluating the provisions of ASU 2016-13 to determine the potential impact the new standard will have on Salisbury’s Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, “Classification of Certain Cash Receipts and Cash Payments." This ASU is intended to reduce diversity in practice in how eight particular transactions are classified in the statement of cash flows. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted, provided that all of the amendments are adopted in the same period. Entities will be required to apply the guidance retrospectively. If it is impracticable to apply the guidance retrospectively for an issue, the amendments related to that issue would be applied prospectively. As this guidance only affects the classification within the statement of cash flows, ASU 2016-15 is not expected to have a material impact on Salisbury’s Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business." The amendments in this ASU are intended to add guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this ASU provide a screen to determine when a set of inputs, processes, and outputs is not a business and provides a framework to assist entities in evaluating whether both an input and a substantive process are present. ASU 2017-01 is effective for public business entities for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted for transactions for which the acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance, or for transactions in which a subsidiary is deconsolidated or a group of assets is derecognized that occur before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. Entities should apply the guidance prospectively on or after the effective date. Salisbury is currently evaluating the provisions of ASU 2017-01 to determine the potential impact the new standard will have on Salisbury’s Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” This ASU is intended to allow companies to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. Under the new guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 is effective for public business entities that are SEC filers for fiscal years beginning after December 15, 2019 and interim periods within those years. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Entities should apply the guidance prospectively. Salisbury is currently evaluating the provisions of ASU 2017-04 to determine the potential impact the new standard will have on Salisbury's Consolidated Financial Statements.

In March 2017, the FASB issued ASU 2017-08, "Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." This ASU will amend the amortization period for certain purchased callable debt securities held at a premium. The Board is shortening the amortization period for the premium to the earliest call date. Under current generally accepted accounting principles, entities generally amortize the premium as an adjustment of yield over the contractual life of the instrument. ASU 2017-08 is effective for public business entities for annual periods beginning after December 15, 2018, including interim periods within those annual periods. Early adoption is permitted, including adoption in an interim period. Entities should apply the guidance on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Salisbury is currently evaluating the provisions of ASU 2017-08 and does not expect that the adoption of the new standard will have a material impact on Salisbury's Consolidated Financial Statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting." This ASU will provide clarity in the accounting guidance regarding a change to the terms or conditions of a share-based payment award. ASU 2017-09 is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted, including adoption in an interim period. Entities should apply the guidance prospectively to an award modified on or after the adoption date. Salisbury is currently evaluating the provisions of ASU 2017-09 to determine the potential impact the new standard will have on Salisbury's Consolidated Financial Statements.

NOTE 2 - SECURITIES

The composition of securities is as follows:

(in thousands)	Amortized cost basis (1)	Gross un-realized gains	Gross un-realized losses	Fair Value
June 30, 2017				
Available-for-sale				
Municipal bonds	$ 6,528	$71	$ —	$6,599
Mortgage-backed securities				
U.S. Government agencies and U.S. Government-sponsored enterprises	48,866	271	173	48,964
Collateralized mortgage obligations				
U.S. Government agencies	8,694	66	1	8,759
Non-agency	2,733	419	8	3,144
SBA bonds	10,488	23	3	10,508
CRA mutual funds	842	—	11	831
Corporate bonds	2,000	45	—	2,045
Preferred stock	7	159	—	166
Total securities available-for-sale	$ 80,158	$1,054	$ 196	$81,016
Non-marketable securities				
Federal Home Loan Bank of Boston stock	$ 3,452	$—	$ —	$3,452

(in thousands)	Amortized cost basis (1)	Gross un-realized gains	Gross un-realized losses	Fair Value
December 31, 2016				
Available-for-sale				
Municipal bonds	$ 15,800	$197	$ 1	$15,996
Mortgage-backed securities:				
U.S. Government agencies and U.S. Government- sponsored enterprises	53,407	229	335	53,301
Collateralized mortgage obligations:				
U.S. Government agencies	1,470	4	—	1,474
Non-agency	3,327	414	6	3,735
SBA bonds	2,056	9	1	2,064
CRA mutual funds	834	—	16	818
Corporate bonds	2,000	16	3	2,013

Preferred stock	7	215	—	222
Total securities available-for-sale	$ 78,901	$ 1,084	$ 362	$ 79,623
Non-marketable securities				
Federal Home Loan Bank of Boston stock	$ 3,211	$—	$ —	$ 3,211

(1) Net of other-than-temporary impairment write-downs recognized in earnings.

Salisbury did not sell any available-for-sale securities during the six month period ended June 30, 2017. Salisbury sold $3.6 million of securities available-for-sale during the six month period ended June 30, 2016 realizing a pre-tax gain of $148 thousand and related tax expense of $50 thousand.

The following table summarizes, for all securities in an unrealized loss position, including debt securities for which a portion of other-than-temporary impairment (OTTI) has been recognized in other comprehensive income (loss), the aggregate fair value and gross unrealized loss of securities that have been in a continuous unrealized loss position as of the date presented:

June 30, 2017 (in thousands)	Less than 12 Months		12 Months or Longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale						
Mortgage-backed securities	$15,685	$ 109	$10,615	$ 64	$26,300	$ 173
Collateralized mortgage obligations:						
Non-agency	2,526	1	286	3	2,812	4
SBA bonds	2,669	3	44	—	2,713	3
CRA funds	831	11	—	—	831	11
Total temporarily impaired securities	21,711	124	10,945	67	32,656	191
Other-than-temporarily impaired securities						
Collateralized mortgage obligations						
Non-agency	120	5	—	—	120	5
Total temporarily impaired and other-than-temporarily impaired securities	$21,831	$ 129	$10,945	$ 67	$32,776	$ 196

December 31, 2016 (in thousands)	Less than 12 Months		12 Months or Longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale						
Municipal bonds	$517	$ 1	$—	$ —	$517	$ 1
Mortgage-backed securities	34,758	329	249	6	35,007	335
Collateralized mortgage obligations:						
Non-agency	60	—	339	5	399	5
SBA bonds	475	1	—	—	475	1
CRA funds	818	16	—	—	818	16
Corporate bonds	498	3	—	—	498	3
Total temporarily impaired securities	37,126	350	588	11	37,714	361
Other-than-temporarily impaired securities						
Collateralized mortgage obligations						
Non-agency	174	1	—	—	174	1
Total temporarily impaired and other-than-temporarily impaired securities	$37,300	$ 351	$588	$ 11	$37,888	$ 362

The amortized cost, fair value and tax equivalent yield of securities, by maturity, are as follows:

June 30, 2017 (in thousands)	Maturity	Amortized cost	Fair value	Yield(1)
Municipal bonds	Within 1 year	$257	$258	4.55 %

	After 1 year but within 5 years	543	547	3.25
	After 10 years but within 15 years	2,661	2,684	4.48
	After 15 years	3,067	3,110	4.51
	Total	6,528	6,599	4.40
Mortgage-backed securities	U.S. Government agency and U.S. Government-sponsored enterprises	48,866	48,964	2.33
Collateralized mortgage obligations	U.S. Government agency and U.S. Government-sponsored enterprises	8,694	8,759	2.64
	Non-agency	2,733	3,144	3.99
SBA bonds		10,488	10,508	2.99
CRA mutual funds		842	831	5.01
Corporate bonds	After 5 years but within 10 years	2,000	2,045	5.50
Preferred stock		7	166	5.48
Securities available-for-sale		$ 80,158	$ 81,016	2.78 %

(1) Yield is based on amortized cost.

12

Salisbury evaluates securities for OTTI where the fair value of a security is less than its amortized cost basis at the balance sheet date. As part of this process, Salisbury considers whether it has the intent to sell each debt security and whether it is more likely than not that it will be required to sell the security before its anticipated recovery. If either of these conditions is met, Salisbury recognizes an OTTI charge to earnings equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. For securities that meet neither of these conditions, an analysis is performed to determine if any of these securities are at risk for OTTI.

The following summarizes, by security type, the basis for evaluating if the applicable securities were OTTI at June 30, 2017.

U.S. Government agency mortgage-backed securities: The contractual cash flows are guaranteed by U.S. government agencies and U.S. government-sponsored enterprises. Changes in fair values are a function of changes in investment spreads and interest rate movements and not changes in credit quality. Management expects to recover the entire amortized cost basis of these securities. Furthermore, Salisbury evaluates these securities for strategic fit and may reduce its position in these securities, although it is not more likely than not that Salisbury will be required to sell these securities before recovery of their cost basis, which may be maturity, and does not intend to sell these securities. Therefore, management does not consider the twenty-four securities with unrealized losses at June 30, 2017 to be OTTI.

SBA bonds: The contractual cash flows are guaranteed by the U.S. government. Changes in fair values are a function of changes in investment spreads and interest rate movements and not changes in credit quality since time of purchase. Management expects to recover the entire amortized cost basis of these securities. Furthermore, Salisbury evaluates these securities for strategic fit and may reduce its position in these securities, although it is not more likely than not that Salisbury will be required to sell these securities before recovery of their cost basis, which may be maturity, and does not intend to sell these securities. Therefore, management evaluated the impairment status of these debt securities, and concluded that the gross unrealized losses on six positions were temporary in nature and does not consider these investments to be other-than temporarily impaired at June 30, 2017.

Non-agency CMOs: Salisbury performed a detailed cash flow analysis of its non-agency CMOs at June 30, 2017, to assess whether any of the securities were OTTI. Salisbury uses cash flow forecasts for each security based on a variety of market driven assumptions and securitization terms, including prepayment speed, default or delinquency rate, and default severity for losses including interest, legal fees, property repairs, expenses and realtor fees, that, together with the loan amount are subtracted from collateral sales proceeds to determine severity. In 2009, Salisbury determined that five non-agency CMO securities reflected OTTI and recognized losses for deterioration in credit quality of $1,128,000. Salisbury judged the four remaining securities not to have additional OTTI and all other CMO securities not to be OTTI as of June 30, 2017. It is possible that future loss assumptions could change necessitating Salisbury to recognize future OTTI for further deterioration in credit quality. Salisbury evaluates these securities for strategic fit and depending upon such factor could reduce its position in these securities, although it has no present intention to do so, and it is not more likely than not that Salisbury will be required to sell these securities before recovery of their cost basis.

CRA mutual funds consist of an investment in a fixed income mutual fund ($831 thousand in total fair value and $11 thousand in total unrealized losses as of June 30, 2017). The severity of the impairment (fair value is approximately 1.32% less than cost) and the duration of the impairment correlates with interest rates in 2017. Salisbury evaluated the near-term prospects of this fund in relation to the severity and duration of the impairment. Based on that evaluation, Salisbury does not consider this investment to be OTTI at June 30, 2017.

The following table presents activity related to credit losses recognized into earnings on the non-agency CMOs held by Salisbury for which a portion of an OTTI charge was recognized in accumulated other comprehensive income:

Six months ended June 30 (in thousands)	2017	2016
Balance, beginning of period	$1,128	$1,128
Credit component on debt securities in which OTTI was not previously recognized	—	—
Balance, end of period	$1,128	$1,128

The Federal Home Loan Bank of Boston (FHLBB) is a cooperative that provides services, including funding in the form of advances, to its member banking institutions. As a requirement of membership, the Bank must own a minimum amount of FHLBB stock, calculated periodically based primarily on its level of borrowings from the FHLBB. No market exists for shares of the FHLBB and therefore, they are carried at par value. FHLBB stock may be redeemed at par value five years following termination of FHLBB membership, subject to limitations which may be imposed by the FHLBB or its regulator, the Federal Housing Finance Board, to maintain capital adequacy of the FHLBB. While the Bank currently has no intentions to terminate its FHLBB membership, the ability to redeem its investment in FHLBB stock would be subject to the conditions imposed by the FHLBB. Based on the capital adequacy and the liquidity position of the FHLBB, management believes there is no impairment related to the carrying amount of the Bank's FHLBB stock as of June 30, 2017. Deterioration of the FHLBB's capital levels may require the Bank to deem its restricted investment in FHLBB stock to be OTTI. If evidence of impairment exists in the future, the FHLBB stock would reflect fair value using either observable or unobservable inputs. The Bank will continue to monitor its investment in FHLBB stock.

NOTE 3 – LOANS

The composition of loans receivable and loans held-for-sale is as follows:

(In thousands)	June 30, 2017 Business Activities Loans	Acquired Loans	Total	December 31, 2016 Business Activities Loans	Acquired Loans	Total
Residential 1-4 family	$300,750	$5,687	$306,437	$295,030	$6,098	$301,128
Residential 5+ multifamily	11,472	5,456	16,928	7,976	5,649	13,625
Construction of residential 1-4 family	10,376	—	10,376	10,951	—	10,951
Home equity lines of credit	35,806	—	35,806	35,487	—	35,487
Residential real estate	358,404	11,143	369,547	349,444	11,747	361,191
Commercial	175,469	70,146	245,615	155,628	79,854	235,482
Construction of commercial	5,570	1,724	7,294	3,481	1,917	5,398
Commercial real estate	181,039	71,870	252,909	159,109	81,771	240,880
Farm land	4,453	—	4,453	3,914	—	3,914
Vacant land	6,969	—	6,969	6,600	—	6,600
Real estate secured	550,865	83,013	633,878	519,067	93,518	612,585
Commercial and industrial	110,424	15,222	125,646	121,144	20,329	141,473
Municipal	12,737	—	12,737	8,626	—	8,626
Consumer	4,826	56	4,882	5,312	68	5,380
Loans receivable, gross	678,852	98,291	777,143	654,149	113,915	768,064
Deferred loan origination fees and costs, net	1,200	—	1,200	1,247	—	1,247
Allowance for loan losses	(6,186)	(307)	(6,493)	(5,816)	(311)	(6,127)
Loans receivable, net	$673,866	$97,984	$771,850	$649,580	$113,604	$763,184
Loans held-for-sale						
Residential 1-4 family	$594	$—	$594	$—	$—	$—

Concentrations of Credit Risk

Salisbury's loans consist primarily of residential and commercial real estate loans located principally in northwestern Connecticut, New York and Massachusetts towns, which constitute Salisbury's service area. Salisbury offers a broad range of loan and credit facilities to borrowers in its service area, including residential mortgage loans, commercial real estate loans, construction loans, working capital loans, equipment loans, and a variety of consumer loans, including home equity lines of credit, and installment and collateral loans. All residential and commercial mortgage loans are collateralized by first or second mortgages on real estate. The ability of single family residential and consumer borrowers to honor their repayment commitments is generally dependent on the level of overall economic activity within the market area and real estate values. The ability of commercial borrowers to honor their repayment commitments is dependent on the general economy as well as the health of the real estate economic sector in Salisbury’s market area.

Loan Credit Quality

The composition of loans receivable by risk rating grade is as follows:

Business Activities Loans

(in thousands)	Pass	Special mention	Substandard	Doubtful	Loss	Total
June 30, 2017						

Residential 1-4 family	$291,306	$6,030	$ 3,414	$ —	$ —	$300,750
Residential 5+ multifamily	9,473	1,841	158	—	—	11,472
Construction of residential 1-4 family	10,376	—	—	—	—	10,376
Home equity lines of credit	34,709	819	278	—	—	35,806
Residential real estate	345,864	8,690	3,850	—	—	358,404
Commercial	165,520	3,675	6,274	—	—	175,469
Construction of commercial	5,458	—	112	—	—	5,570
Commercial real estate	170,978	3,675	6,386	—	—	181,039
Farm land	3,467	—	986	—	—	4,453
Vacant land	6,888	81	—	—	—	6,969
Real estate secured	527,197	12,446	11,222	—	—	550,865
Commercial and industrial	108,798	1,337	289	—	—	110,424
Municipal	12,737	—	—	—	—	12,737
Consumer	4,809	17	—	—	—	4,826
Loans receivable, gross	$653,541	$13,800	$ 11,511	$ —	$ —	$678,852

14

Acquired Loans

(in thousands)	Pass	Special mention	Substandard	Doubtful	Loss	Total
June 30, 2017						
Residential 1-4 family	$5,534	$105	$ 48	$ —	$ —	$5,687
Residential 5+ multifamily	5,456	—	—	—	—	5,456
Construction of residential 1-4 family	—	—	—	—	—	—
Home equity lines of credit	—	—	—	—	—	—
Residential real estate	10,990	105	48	—	—	11,143
Commercial	63,060	2,539	4,547	—	—	70,146
Construction of commercial	1,466	—	258	—	—	1,724
Commercial real estate	64,526	2,539	4,805	—	—	71,870
Farm land	—	—	—	—	—	—
Vacant land	—	—	—	—	—	—
Real estate secured	75,516	2,644	4,853	—	—	83,013
Commercial and industrial	14,247	915	58	2	—	15,222
Municipal	—	—	—	—	—	—
Consumer	54	2	—	—	—	56
Loans receivable, gross	$89,817	$3,561	$ 4,911	$ 2	$ —	$98,291

Business Activities Loans

(in thousands)	Pass	Special mention	Substandard	Doubtful	Loss	Total
December 31, 2016						
Residential 1-4 family	$285,939	$6,170	$ 2,832	$ 89	$ —	$295,030
Residential 5+ multifamily	5,907	1,906	163	—	—	7,976
Construction of residential 1-4 family	10,951	—	—	—	—	10,951
Home equity lines credit	34,299	512	676	—	—	35,487
Residential real estate	337,096	8,588	3,671	89	—	349,444
Commercial	145,849	3,759	6,020	—	—	155,628
Construction of commercial	3,366	—	115	—	—	3,481
Commercial real estate	149,215	3,759	6,135	—	—	159,109
Farm land	2,912	—	1,002	—	—	3,914
Vacant land	6,513	87	—	—	—	6,600
Real estate secured	495,736	12,434	10,808	89	—	519,067
Commercial and industrial	118,804	1,734	606	—	—	121,144
Municipal	8,626	—	—	—	—	8,626
Consumer	5,288	24	—	—	—	5,312
Loans receivable, gross	$628,454	$14,192	$ 11,414	$ 89	$ —	$654,149

Acquired Loans

(in thousands)	Pass	Special mention	Substandard	Doubtful	Loss	Total
December 31, 2016						
Residential 1-4 family	$5,989	$109	$ —	$ —	$ —	$6,098
Residential 5+ multifamily	5,649	—	—	—	—	5,649
Construction of residential 1-4 family	—	—	—	—	—	—
Home equity lines of credit	—	—	—	—	—	—
Residential real estate	11,638	109	—	—	—	11,747

Commercial	70,007	4,059	5,788	—	—	79,854
Construction of commercial	1,659	—	258	—	—	1,917
Commercial real estate	71,666	4,059	6,046	—	—	81,771
Farm land	—	—	—	—	—	—
Vacant land	—	—	—	—	—	—
Real estate secured	83,304	4,168	6,046	—	—	93,518
Commercial and industrial	19,110	1,160	59	—	—	20,329
Municipal	—	—	—	—	—	—
Consumer	65	3	—	—	—	68
Loans receivable, gross	$ 102,479	$ 5,331	$ 6,105	$ —	$ —	$ 113,915

15

The composition of loans receivable by delinquency status is as follows:

Business Activities Loans

(in thousands)	Current	Past due 30-59 days	60-89 days	90-179 days	180 days and over	30 days and over	Accruing 90 days and over	Non-accrual
June 30, 2017								
Residential 1-4 family	$297,988	$184	$1,073	$160	$1,345	$2,762	$ 89	$1,934
Residential 5+ multifamily	11,472	—	—	—	—	—	—	158
Construction of residential 1-4 family	10,376	—	—	—	—	—	—	—
Home equity lines of credit	35,562	144	100	—	—	244	—	70
Residential real estate	355,398	328	1,173	160	1,345	3,006	89	2,162
Commercial	173,231	165	280	—	1,793	2,238	—	1,793
Construction of commercial	5,570	—	—	—	—	—	—	—
Commercial real estate	178,801	165	280	—	1,793	2,238	—	1,793
Farm land	3,730	—	—	—	723	723	—	986
Vacant land	6,969	—	—	—	—	—	—	—
Real estate secured	544,898	493	1,453	160	3,861	5,967	89	4,941
Commercial and industrial	110,097	190	—	65	72	327	—	137
Municipal	12,737	—	—	—	—	—	—	—
Consumer	4,823	1	2	—	—	3	—	—
Loans receivable, gross	$672,555	$684	$1,455	$225	$3,933	$6,297	$ 89	$5,078

Acquired Loans

(in thousands)	Current	Past due 30-59 days	60-89 days	90-179 days	180 days and over	30 days and over	Accruing 90 days and over	Non-accrual
June 30, 2017								
Residential 1-4 family	$5,598	$89	$—	$—	$—	$89	$—	$—
Residential 5+ multifamily	5,456	—	—	—	—	—	—	—
Construction of residential 1-4 family	—	—	—	—	—	—	—	—
Home equity lines of credit	—	—	—	—	—	—	—	—
Residential real estate	11,054	89	—	—	—	89	—	—
Commercial	67,058	—	720	1,000	1,368	3,088	1,000	1,368
Construction of commercial	1,466	—	—	—	258	258	—	258
Commercial real estate	68,524	—	720	1,000	1,626	3,346	1,000	1,626
Farm land	—	—	—	—	—	—	—	—
Vacant land	—	—	—	—	—	—	—	—
Real estate secured	79,578	89	720	1,000	1,626	3,435	1,000	1,626
Commercial and industrial	15,110	70	—	41	1	112	42	—
Municipal	—	—	—	—	—	—	—	—
Consumer	56	—	—	—	—	—	—	—
Loans receivable, gross	$94,744	$159	$720	$1,041	$1,627	$3,547	$ 1,042	$1,626

16

Business Activities Loans

(in thousands)	Current	Past due 30-59 days	60-89 days	90-179 days	180 days and over	30 days and over	Accruing 90 days and over	Non-accrual
December 31, 2016								
Residential 1-4 family	$291,941	$1,161	$213	$327	$1,388	$3,089	$ 236	$1,920
Residential 5+ multifamily	7,976	—	—	—	—	—	—	163
Construction of residential 1-4 family	10,951	—	—	—	—	—	—	—
Home equity lines of credit	35,190	155	88	—	54	297	—	519
Residential real estate	346,058	1,316	301	327	1,442	3,386	236	2,602
Commercial	152,905	451	250	1,793	229	2,723	—	2,022
Construction of commercial	3,481	—	—	—	—	—	—	—
Commercial real estate	156,386	451	250	1,793	229	2,723	—	2,022
Farm land	2,402	789	—	—	723	1,512	—	1,002
Vacant land	6,575	25	—	—	—	25	—	—
Real estate secured	511,421	2,581	551	2,120	2,394	7,646	236	5,626
Commercial and industrial	120,719	140	239	46	—	425	20	27
Municipal	8,626	—	—	—	—	—	—	—
Consumer	5,268	26	15	3	—	44	—	4
Loans receivable, gross	$646,034	$2,747	$805	$2,169	$2,394	$8,115	$ 256	$5,657

Acquired Loans

(in thousands)	Current	Past due 30-59 days	60-89 days	90-179 days	180 days and over	30 days and over	Accruing 90 days and over	Non-accrual
December 31, 2016								
Residential 1-4 family	$5,954	$144	$ —	$ —	$ —	$144	$ —	$ —
Residential 5+ multifamily	5,649	—	—	—	—	—	—	—
Construction of residential 1-4 family	—	—	—	—	—	—	—	—
Home equity lines of credit	—	—	—	—	—	—		