

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015.

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: **000-55290**

PILGRIM BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

46-5110553

(I.R.S. Employer
Identification Number)

40 South Main Street, Cohasset, Massachusetts

(Address of principal executive offices)

02025

(Zip Code)

Registrant's telephone number, including area code: **(781) 383-0541**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$0.01 par value**

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 during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). YES NO

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

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

As of August 14, 2015, there were issued and outstanding 2,247,589 shares of the Registrant's Common Stock with a par value of \$0.01 per share.

Pilgrim Bancshares, Inc.
Form 10-Q

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Part I. – Financial Information

PILGRIM BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(In Thousands, except share data)

	June 30, 2015	December 31, 2014
	<u>(unaudited)</u>	
<u>ASSETS</u>		
Cash and due from banks	\$ 1,475	\$ 1,938
Interest-bearing demand deposits with other banks	5,422	16,357
Total cash and cash equivalents	6,897	18,295
Interest-bearing time deposits with other banks	1,080	2,575
Investments in available-for-sale securities (at fair value)	13,476	11,767
Investments in held-to-maturity securities (fair value of \$175 at June 30, 2015, and \$196 at December 31, 2014)	133	149
Federal Home Loan Bank stock, at cost	831	694
Investment in The Co-operative Central Reserve Fund, at cost	384	384
Loans, net of allowance for loan losses of \$803 at June 30, 2015, and \$743 at December 31, 2014	159,846	143,774
Premises and equipment, net	5,304	5,409
Investment in real estate, net	1,600	1,623
Accrued interest receivable	455	447
Deferred income tax asset, net	427	410
Bank-owned life insurance	2,254	2,230
Other assets	247	278
Total assets	<u>\$ 192,934</u>	<u>\$ 188,035</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Deposits:		
Noninterest-bearing	\$ 15,981	\$ 13,978
Interest-bearing	135,722	137,032
Total deposits	151,703	151,010
Federal Home Loan Bank advances	9,000	5,000
Other liabilities	404	423
Total liabilities	<u>161,107</u>	<u>156,433</u>
Stockholders' equity:		
Common stock \$.01 par value per share: 10,000,000 shares authorized, 2,247,589 shares issued at June 30, 2015 and December 31, 2014	22	22
Additional paid-in capital	20,759	20,770
Retained earnings	12,834	12,599
Unearned compensation - ESOP (170,816 shares unallocated at June 30, 2015 and 173,813 shares unallocated at December 31, 2014)	(1,708)	(1,738)
Accumulated other comprehensive loss	(80)	(51)
Total stockholders' equity	<u>31,827</u>	<u>31,602</u>
Total liabilities and stockholders' equity	<u>\$ 192,934</u>	<u>\$ 188,035</u>

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

PILGRIM BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Interest and dividend income:				
Interest and fees on loans	\$ 1,609	\$ 1,394	\$ 3,143	\$ 2,860
Interest on debt securities:				
Taxable	45	46	86	89
Tax-exempt	17	17	34	40
Other interest and dividends	11	13	25	24
Total interest and dividend income	1,682	1,470	3,288	3,013
Interest expense:				
Interest on deposits	238	258	479	504
Interest on Federal Home Loan Bank advances	15	14	28	30
Total interest expense	253	272	507	534
Net interest and dividend income	1,429	1,198	2,781	2,479
Provision for loan losses	38	-	60	-
Net interest and dividend income after provision for loan losses	1,391	1,198	2,721	2,479
Noninterest income:				
Service charges on deposit accounts	32	31	60	61
Net gain on sales of securities	-	63	-	68
Writedown of securities (includes losses of \$12 and \$12, with no amounts recognized in other comprehensive income for the three and six month periods ended June 30, 2014, before taxes)	-	(12)	-	(12)
Gain on sales of loans, net	3	33	37	48
Rental income	64	67	131	126
Other income	34	35	64	64
Total noninterest income	133	217	292	355
Noninterest expense:				
Salaries and employee benefits	739	641	1,510	1,356
Occupancy expense	135	129	298	259
Equipment expense	45	40	93	79
Data processing expense	89	98	177	187
Professional fees	103	67	196	134
FDIC assessment	34	25	71	61
Communications expense	30	31	60	59
Advertising and public relations expense	40	29	56	45
Insurance expense	20	16	40	33
Supplies expense	17	13	32	31
Other expense	61	58	124	111
Total noninterest expense	1,313	1,147	2,657	2,355
Income before income taxes	211	268	356	479
Income tax expense	77	93	121	178
Net income	\$ 134	\$ 175	\$ 235	\$ 301
Weighted-average number of common shares outstanding:				
Basic	2,076,024	na	2,075,274	na
Diluted	2,076,024	na	2,075,274	na
Earnings per share:				
Basic	\$ 0.06	\$ na	\$ 0.11	\$ na
Diluted	\$ 0.06	\$ na	\$ 0.11	\$ na

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

PILGRIM BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Net income	\$ 134	\$ 175	\$ 235	\$ 301
Other comprehensive (loss) income, net of tax:				
Net unrealized holding (loss) gain on available-for-sale securities	(110)	132	(46)	289
Reclassification adjustment for net realized gains in net income ⁽¹⁾	-	(63)	-	(68)
Other comprehensive (loss) income before income tax effect	(110)	69	(46)	221
Income tax benefit (expense)	41	(26)	17	(82)
Other comprehensive (loss) income, net of tax	(69)	43	(29)	139
Comprehensive income	<u>\$ 65</u>	<u>\$ 218</u>	<u>\$ 206</u>	<u>\$ 440</u>

(1) Reclassification adjustments are comprised of realized security gains. The gains have been reclassified out of accumulated other comprehensive loss and have affected certain lines in the consolidated statements of income as follows: the pre-tax amount is included in net gain on sales of securities, the tax expense amount is included in income tax expense and the after tax amount is included in net income.

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

PILGRIM BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Six Months Ended June 30, 2015 and 2014 (unaudited)

(In Thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Unearned Compensation-ESOP	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
Balance, December 31, 2013	-	\$ -	\$ -	\$ 12,718	\$ -	\$ (214)	\$ 12,504
Net income	-	-	-	301	-	-	301
Other comprehensive income, net of tax effect	-	-	-	-	-	139	139
Balance, June 30, 2014	-	\$ -	\$ -	\$ 13,019	\$ -	\$ (75)	\$ 12,944
Balance, December 31, 2014	2,247,589	\$ 22	\$ 20,770	\$ 12,599	\$ (1,738)	\$ (51)	\$ 31,602
Net income	-	-	-	235	-	-	235
Common stock held by ESOP committed to be allocated (2,997 shares)	-	-	5	-	30	-	35
Other comprehensive loss, net of tax effect	-	-	-	-	-	(29)	(29)
Issuance costs related to initial public offering	-	-	(16)	-	-	-	(16)
Balance, June 30, 2015	2,247,589	\$ 22	\$ 20,759	\$ 12,834	\$ (1,708)	\$ (80)	\$ 31,827

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

PILGRIM BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Six Months Ended June 30,	
	2015	2014
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 235	\$ 301
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	60	-
Capitalized interest - interest-bearing time deposits	(5)	(1)
Amortization of securities, net	43	52
Net gain on sales of securities	-	(68)
Loans originated for sale	(1,260)	(1,800)
Proceeds from sales of loans originated for sale	1,297	1,848
Gain on sales of loans	(37)	(48)
Change in deferred origination fees, costs and discounts, excluding purchase discounts	(2)	32
Writedown of securities	-	12
Depreciation and amortization	171	157
(Increase) decrease in accrued interest receivable	(8)	16
Decrease (increase) in other assets	34	(800)
Increase in prepaid expenses	(41)	(48)
Decrease in income taxes receivable	38	-
Deferred tax benefit	-	2
Increase in bank-owned life insurance	(24)	(24)
Stock based compensation expense	35	-
(Decrease) increase in other liabilities	(37)	10
Increase (decrease) in accrued expenses	18	(58)
Net cash provided by (used in) operating activities	517	(417)
Cash flows from investing activities:		
Proceeds from redemption and maturities of interest-bearing time deposits	1,500	1,246
Purchase of Federal Home Loan Bank stock	(137)	(65)
Purchases of available-for-sale securities	(2,787)	(1,185)
Proceeds from maturities of available-for-sale securities	250	240
Proceeds from sales of available-for-sale securities	-	3,300
Principal payments received on available-for-sale securities	736	-
Principal payments received on held-to-maturity securities	19	30
Loan principal collections and originations, net	(9,725)	4,860
Loans purchased	(8,055)	-
Loan participations sold	1,650	-
Capital expenditures	(43)	(84)
Net cash (used in) provided by investing activities	(16,592)	8,342
Cash flows from financing activities:		
Net increase (decrease) in demand deposits, NOW and savings accounts	2,021	(6,570)
Net (decrease) increase in time deposits	(1,328)	4,442
Payments on Federal Home Loan Bank long-term advances	(500)	(1,000)
Federal Home Loan Bank long-term advances received	5,500	-
Net change in short-term Federal Home Loan Bank advances	(1,000)	(2,500)
Issuance costs related to initial public offering	(16)	-
Net cash provided by (used in) financing activities	4,677	(5,628)
Net (decrease) increase in cash and cash equivalents	(11,398)	2,297
Cash and cash equivalents at beginning of period	18,295	8,991
Cash and cash equivalents at end of period	\$ 6,897	\$ 11,288
Supplemental disclosures:		
Interest paid	\$ 504	\$ 536
Income taxes paid	83	119

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

PILGRIM BANCSHARES, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

Pilgrim Bank (“the Bank”) is a Massachusetts-chartered stock co-operative bank which was incorporated in 1916 and is headquartered in Cohasset, Massachusetts. The Bank operates its business from three banking offices located in Massachusetts. The Bank is engaged principally in the business of attracting deposits from the general public and investing those deposits in residential and commercial real estate loans, and in commercial, consumer and small business loans.

On October 10, 2014, in accordance with a Plan of Conversion (the “Conversion”), Conahasset Bancshares, MHC, the Bank’s former mutual holding company, completed a mutual-to-stock conversion pursuant to which the Bank became a wholly owned subsidiary of Pilgrim Bancshares, Inc., (the “Company”) a stock holding company incorporated in February 2014. In connection with the conversion, the Company sold 2,182,125 shares of common stock, including 179,807 shares to a newly established employee stock ownership plan, at an offering price of \$10 per share, and issued an additional 65,464 shares of its common stock to the Pilgrim Bank Foundation (the “Foundation”), resulting in an aggregate issuance of 2,247,589 shares of common stock. The Foundation supports charitable causes and community development activities in the Bank’s area of operations. The net proceeds from the stock offering, net of offering costs of \$1,685,000, amounted to \$20,136,000. The Company’s stock began trading on October 13, 2014 under the symbol PLRM on the OTC Pink Marketplace operated by OTC Market Group.

At the time of conversion, the Company substantially restricted retained earnings by establishing a liquidation account and the Bank established a parallel liquidation account. The liquidation accounts will be maintained for the benefit of eligible account holders who continue to maintain their accounts at the Bank after conversion. The liquidation accounts will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder’s interest in the liquidation accounts. In the event of a complete liquidation of the Bank or the Bank and the Company, and only in such event, each account holder will be entitled to receive a distribution from the liquidation accounts in an amount proportionate to the adjusted qualifying account balances then held. The Company and the Bank may not pay dividends if those dividends would cause regulatory capital to be reduced below applicable capital requirements or the amount required to maintain its respective liquidation account amount.

NOTE 2 - BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank, and the Bank’s wholly-owned subsidiaries, 48 South Main Street Corporation, which was formed to hold securities for its own account; 40 South Main Street Realty Trust, which was formed to hold our main office, and 800 CJC Realty Corporation, which was formed to invest in and develop residential and commercial property. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and accompanying notes required by U.S. generally accepted accounting principles for complete financial statements. Information included herein as of June 30, 2015 and for the interim periods ended June 30, 2015 and 2014 is unaudited; however, in the opinion of management, all adjustments considered necessary for a fair presentation have been included and were of a normal recurring nature. The results of operations for the six months ended June 30, 2015 and 2014 are not necessarily indicative of the results that may be expected for the entire year or any other interim period.

These statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. In preparing consolidated financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheets and reported amounts of revenues and expenses during the reporting period. Actual results could differ 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, impairment of securities and the valuation of deferred tax assets.

NOTE 3 - RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)." The objective of this ASU is to clarify principles for recognizing revenue and to develop a common revenue standard for Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards. The guidance in this ASU 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 this update are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. However, in July 2015, the FASB voted to approve deferring the effective date by one year (i.e. 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 Company is currently reviewing this ASU to determine if it will have an impact on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." The amendments in this ASU affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments: (1) Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; (2) Eliminate the presumption that a general partner should consolidate a limited partnership; (3) Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (4) Provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company anticipates that the adoption of this ASU will not have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The standard is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The guidance should be applied on a retrospective basis. The Company anticipates that the adoption of this ASU will not have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement.” This ASU provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer’s accounting for service contracts. This ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The Company anticipates that the adoption of this ASU will not have a material impact on its consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, “Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).” The objective of this update is to address the diversity in practice related to how certain investments measured at net asset value with redemption dates in the future are categorized within the fair value hierarchy. The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

NOTE 4 - EARNINGS PER SHARE (EPS)

The Company has adopted the EPS guidance included in Accounting Standards Codification (“ASC”) 260-10. As presented below, basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS, if presented, reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. For purposes of computing diluted EPS, the treasury stock method is used. Because the formation of the Company was completed on October 10, 2014, earnings per share data is not meaningful for prior comparative periods and is therefore not presented.

Unallocated ESOP shares are not deemed outstanding for earnings per share calculations.

EPS for the three and six months ended June 30, 2015 has been computed based on the following:

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Net income (In thousands)	\$ 134	\$ 235
Basic common shares:		
Weighted average shares outstanding	2,247,589	2,247,589
Less: Weighted average unallocated ESOP shares	(171,565)	(172,315)
Basic weighted average shares outstanding	2,076,024	2,075,274
Basic earnings per share	\$ 0.06	\$ 0.11
Diluted earnings per share (1)	\$ 0.06	\$ 0.11

(1) No potentially dilutive common shares

NOTE 5 - INVESTMENTS IN SECURITIES

Investments in securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost of securities and their approximate fair values are as follows:

	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available-for-sale securities:				
June 30, 2015 (unaudited):				
Debt securities issued by U.S. government corporations and agencies	\$ 2,785	\$ 11	\$ 17	\$ 2,779
Debt securities issued by states of the United States and political subdivisions of the states	2,998	1	54	2,945
Mortgage-backed securities	7,821	23	92	7,752
	<u>\$ 13,604</u>	<u>\$ 35</u>	<u>\$ 163</u>	<u>\$ 13,476</u>
December 31, 2014 :				
Debt securities issued by U.S. government corporations and agencies	\$ 1,985	\$ 7	\$ 17	\$ 1,975
Debt securities issued by states of the United States and political subdivisions of the states	3,258	5	30	3,233
Mortgage-backed securities	6,606	24	71	6,559
	<u>\$ 11,849</u>	<u>\$ 36</u>	<u>\$ 118</u>	<u>\$ 11,767</u>
	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Held-to-maturity securities:				
June 30, 2015 (unaudited):				
Mortgage-backed securities	\$ 133	\$ 44	\$ 2	\$ 175
	<u>\$ 133</u>	<u>\$ 44</u>	<u>\$ 2</u>	<u>\$ 175</u>
December 31, 2014 :				
Mortgage-backed securities	\$ 149	\$ 47	\$ -	\$ 196
	<u>\$ 149</u>	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ 196</u>

The scheduled maturities of debt securities were as follows as of June 30, 2015 (unaudited):

	Available-For-Sale	Held-To-Maturity	
	Fair Value	Amortized Cost Basis	Fair Value
		(In Thousands)	
Due within one year	\$ 407	\$ -	\$ -
Due after one year through five years	2,357	-	-
Due after five years through ten years	1,461	-	-
Due after ten years	1,499	-	-
Mortgage-backed securities	7,752	133	175
	\$ 13,476	\$ 133	\$ 175

There were no sales of available-for-sale securities during the six months ended June 30, 2015 (unaudited). Proceeds from sales of available-for-sale securities during the six months ended June 30, 2014 (unaudited) were \$3,300,000 with gross realized gains of \$68,000 and no gross realized losses. The tax expense applicable to these net realized gains for the six month periods ended June 30, 2014 (unaudited) amounted to \$28,000.

As of June 30, 2015 (unaudited) and December 31, 2014, there were no securities of issuers whose aggregate carrying amount exceeded 10% of stockholders' equity.

The aggregate fair value and unrealized losses of securities that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more are as follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
June 30, 2015 (unaudited) :						
Debt securities issued by U.S. government corporations and agencies	\$ 299	\$ 1	\$ 484	\$ 16	\$ 783	\$ 17
Debt securities issued by states of the United States and political subdivisions of the states	1,462	23	1,366	31	2,828	54
Mortgage-backed securities	2,151	21	2,339	72	4,490	93
Total temporarily impaired securities	3,912	45	4,189	119	8,101	164
Other-than-temporarily impaired securities:						
Mortgage-backed securities	-	-	2	1	2	1
Total temporarily impaired and other- than-temporarily impaired securities	\$ 3,912	\$ 45	\$ 4,191	\$ 120	\$ 8,103	\$ 165
December 31, 2014 :						
Debt securities issued by U.S. government corporations and agencies	\$ -	\$ -	\$ 1,485	\$ 17	\$ 1,485	\$ 17
Debt securities issued by states of the United States and political subdivisions of the states	950	8	1,232	22	2,182	30
Mortgage-backed securities	1,411	3	2,641	68	4,052	71
Total temporarily impaired securities	2,361	11	5,358	107	7,719	118
Other-than-temporarily impaired securities:						
Mortgage-backed securities	-	-	3	-	3	-
Total temporarily impaired and other- than-temporarily impaired securities	\$ 2,361	\$ 11	\$ 5,361	\$ 107	\$ 7,722	\$ 118

As of June 30, 2015 (unaudited) and December 31, 2014, investment securities with unrealized losses consist of debt securities issued by U.S. government agencies and government-sponsored enterprises, debt securities issued by states of the United States and political subdivisions of the states and non-agency mortgage-backed securities. The Company reviews investments for other-than-temporary impairment using a number of factors including the length of time and the extent to which the market value has been less than cost and by examining any credit deterioration or ratings downgrades. The unrealized losses in the above tables are primarily attributable to changes in market interest rates. As Company management has the intent and ability to hold impaired debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

For those debt securities for which the fair value of the security is less than its amortized cost and the Company does not intend to sell such security and it is more likely than not that it will not be required to sell such security prior to the recovery of its amortized cost basis less any credit losses, ASC 320-10, "Investments - Debt and Equity Securities," requires that the credit component of the other-than-temporary impairment losses be recognized in earnings while the noncredit component is recognized in other comprehensive income, net of related taxes.

Upon acquisition of a security, the Company decides whether it is within the scope of the accounting guidance for beneficial interests in securitized financial assets or will be evaluated for impairment under the accounting guidance for investments in debt and equity securities.

The accounting guidance for beneficial interests in securitized financial assets provides incremental impairment guidance for a subset of debt securities within the scope of the guidance for investments in debt and equity securities. For securities where the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interests in securitized financial assets impairment model. For securities where the security is not a beneficial interest in securitized financial assets, the Company uses the debt and equity securities impairment model.

The following table summarizes other-than-temporary impairment losses on securities for the three and six months ended June 30, 2015 and 2014 (unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	Non-Agency Mortgage-Backed Securities	Non-Agency Mortgage-Backed Securities	Non-Agency Mortgage-Backed Securities	Non-Agency Mortgage-Backed Securities
	(In Thousands)		(In Thousands)	
Total other-than-temporary impairment losses	\$ -	\$ 12	\$ -	\$ 12
Less: unrealized other-than-temporary losses recognized in other comprehensive income (1)	-	-	-	-
Net impairment losses recognized in earnings (2)	\$ -	\$ 12	\$ -	\$ 12

(1) Represents the noncredit component of the other-than-temporary impairment on the securities.

(2) Represents the credit component of the other-than-temporary impairment on securities

For the three and six months ended June 30, 2014, debt securities with other-than-temporary impairment losses related to credit quality that were recognized in earnings consisted of non-agency mortgage-backed securities. The Company estimated the credit component portion of loss for the non-agency mortgage-backed securities using a discounted cash flow model. Significant inputs for the non-agency mortgage-backed securities included estimated cash flows of the underlying collateral based on key assumptions such as default rate, loss severity and prepayment rate. The present value of the expected cash flows was compared to the Company's holdings to determine the credit-related impairment loss. Based on the expected cash flows derived from the model, the Company expects to recover the remaining unrealized losses on non-agency mortgage-backed securities.

NOTE 6 - LOANS

Loans consisted of the following:

	June 30, 2015 (unaudited)	December 31, 2014
	(In Thousands)	
Real estate loans:		
One-to four- family residential	\$ 101,123	\$ 96,440
Commercial	18,836	17,401
Multi-family	12,562	10,171
Home equity loans and lines of credit	2,121	2,854
Construction	17,556	12,072
Commercial and industrial loans	4,661	3,012
Consumer loans:		
Consumer line of credit	23	21
Other consumer loans	3,665	2,446
	<u>160,547</u>	<u>144,417</u>
Net deferred loan origination fees, costs and discounts	102	100
Allowance for loan losses	(803)	(743)
Net loans	\$ 159,846	\$ 143,774

The following tables set forth information regarding the allowance for loan losses as of and for the six months ended June 30, 2015 and 2014 (unaudited) and at December 31, 2014:

	Real Estate:					Consumer			Unallocated	Total
	One- to four-family Residential	Commercial	Multi-family	Home Equity Loans and Lines of Credit	Construction (In Thousands)	Commercial and Industrial Loans	Consumer Line of Credit	Other Consumer		
Six months ended June 30, 2015 (unaudited):										
Allowance for loan losses:										
Beginning balance	\$ 362	\$ 134	\$ 36	\$ 27	\$ 121	\$ 8	\$ 1	\$ 20	\$ 34	\$ 743
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-
(Benefit) provision	(15)	1	5	(5)	81	11	-	14	(32)	60
Ending balance	<u>\$ 347</u>	<u>\$ 135</u>	<u>\$ 41</u>	<u>\$ 22</u>	<u>\$ 202</u>	<u>\$ 19</u>	<u>\$ 1</u>	<u>\$ 34</u>	<u>\$ 2</u>	<u>\$ 803</u>
Six months ended June 30, 2014 (unaudited):										
Allowance for loan losses:										
Beginning balance	\$ 323	\$ 195	\$ 51	\$ 30	\$ 49	\$ 16	\$ 1	\$ 20	\$ 57	\$ 742
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-
(Benefit) provision	(45)	(23)	1	(5)	30	9	-	(4)	37	-
Ending balance	<u>\$ 278</u>	<u>\$ 172</u>	<u>\$ 52</u>	<u>\$ 25</u>	<u>\$ 79</u>	<u>\$ 25</u>	<u>\$ 1</u>	<u>\$ 16</u>	<u>\$ 94</u>	<u>\$ 742</u>
At June 30, 2015 (unaudited):										
Allowance for loan losses:										
Ending balance:										
Individually evaluated for impairment	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28
Ending balance:										
Collectively evaluated for impairment	319	135	41	22	202	19	1	34	2	775
Total allowance for loan losses ending balance	<u>\$ 347</u>	<u>\$ 135</u>	<u>\$ 41</u>	<u>\$ 22</u>	<u>\$ 202</u>	<u>\$ 19</u>	<u>\$ 1</u>	<u>\$ 34</u>	<u>\$ 2</u>	<u>\$ 803</u>
Loans:										
Ending balance:										
Individually evaluated for impairment	\$ 6,517	\$ 691	\$ -	\$ 53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,261
Ending balance:										
Collectively evaluated for impairment	94,606	18,145	12,562	2,068	17,556	4,661	23	3,665	-	153,286
Total loans ending balance	<u>\$ 101,123</u>	<u>\$ 18,836</u>	<u>\$ 12,562</u>	<u>\$ 2,121</u>	<u>\$ 17,556</u>	<u>\$ 4,661</u>	<u>\$ 23</u>	<u>\$ 3,665</u>	<u>\$ -</u>	<u>\$ 160,547</u>
At December 31, 2014 :										
Allowance for loan losses:										
Ending balance:										
Individually evaluated for impairment	\$ 37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37
Ending balance:										
Collectively evaluated for impairment	325	134	36	27	121	8	1	20	34	706
Total allowance for loan losses ending balance	<u>\$ 362</u>	<u>\$ 134</u>	<u>\$ 36</u>	<u>\$ 27</u>	<u>\$ 121</u>	<u>\$ 8</u>	<u>\$ 1</u>	<u>\$ 20</u>	<u>\$ 34</u>	<u>\$ 743</u>
Loans:										
Ending balance:										
Individually evaluated for impairment	\$ 6,572	\$ 695	\$ -	\$ 53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,320
Ending balance:										
Collectively evaluated for impairment	89,868	16,706	10,171	2,801	12,072	3,012	21	2,446	-	137,097
Total loans ending balance	<u>\$ 96,440</u>	<u>\$ 17,401</u>	<u>\$ 10,171</u>	<u>\$ 2,854</u>	<u>\$ 12,072</u>	<u>\$ 3,012</u>	<u>\$ 21</u>	<u>\$ 2,446</u>	<u>\$ -</u>	<u>\$ 144,417</u>

The following tables set forth information regarding nonaccrual loans and past-due loans at June 30, 2015 and December 31, 2014:

	<u>30-59 Days</u>	<u>60-89 Days</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Total Current</u>	<u>Total</u>	<u>90 Days or More Past Due and Accruing</u>	<u>Nonaccrual Loans</u>
(In Thousands)								
June 30, 2015 (unaudited):								
Real estate loans:								
One- to four-family residential	\$ 1,103	\$ -	\$ 1,393	\$ 2,496	\$ 98,627	\$ 101,123	\$ -	\$ 1,414
Commercial	-	-	-	-	18,836	18,836	-	-
Multi-family	-	-	-	-	12,562	12,562	-	-
Home equity loans and lines of credit	178	53	-	231	1,890	2,121	-	-
Construction	-	-	-	-	17,556	17,556	-	-
Commercial and industrial loans	7	-	-	7	4,654	4,661	-	-
Consumer loans:								
Consumer line of credit	-	-	-	-	23	23	-	-
Other consumer	8	-	-	8	3,657	3,665	-	-
Total	\$ 1,296	\$ 53	\$ 1,393	\$ 2,742	\$ 157,805	\$ 160,547	\$ -	\$ 1,414
December 31, 2014:								
Real estate loans:								
One- to four-family residential	\$ 728	\$ -	\$ 1,393	\$ 2,121	\$ 94,319	\$ 96,440	\$ -	\$ 1,419
Commercial	-	-	-	-	17,401	17,401	-	-
Multi-family	938	-	-	938	9,233	10,171	-	-
Home equity loans and lines of credit	-	53	-	53	2,801	2,854	-	-
Construction	-	-	-	-	12,072	12,072	-	-
Commercial and industrial loans	-	-	-	-	3,012	3,012	-	-
Consumer loans:								
Consumer line of credit	-	-	-	-	21	21	-	-
Other consumer	9	-	-	9	2,437	2,446	-	-
Total	\$ 1,675	\$ 53	\$ 1,393	\$ 3,121	\$ 141,296	\$ 144,417	\$ -	\$ 1,419

Information about loans that meet the definition of an impaired loan in ASC 310-10-35, "Receivables – Overall – Subsequent Measurement," is as follows at June 30, 2015 and December 31, 2014 and the six months and year then ended, respectively.

	Recorded Investment	Unpaid Principal Balance	Related Allowance (In Thousands)	Average Recorded Investment	Interest Income Recognized
June 30, 2015 (unaudited):					
With no related allowance recorded:					
Real estate loans:					
One- to four-family residential	\$ 5,945	\$ 5,945	\$ -	\$ 5,966	\$ 108
Commercial	691	691	-	693	22
Home equity lines of credit	53	53	-	53	1
Total impaired with no related allowance	<u>\$ 6,689</u>	<u>\$ 6,689</u>	<u>\$ -</u>	<u>\$ 6,712</u>	<u>\$ 131</u>
With an allowance recorded:					
Real estate loans:					
One- to four-family residential	\$ 572	\$ 572	\$ 28	\$ 575	\$ 11
Commercial	-	-	-	-	-
Home equity lines of credit	-	-	-	-	-
Total impaired with an allowance recorded	<u>\$ 572</u>	<u>\$ 572</u>	<u>\$ 28</u>	<u>\$ 575</u>	<u>\$ 11</u>
Total					
Real estate loans:					
One- to four-family residential	\$ 6,517	\$ 6,517	\$ 28	\$ 6,541	\$ 119
Commercial	691	691	-	693	22
Home equity lines of credit	53	53	-	53	1
Total impaired loans	<u>\$ 7,261</u>	<u>\$ 7,261</u>	<u>\$ 28</u>	<u>\$ 7,287</u>	<u>\$ 142</u>
December 31, 2014:					
With no related allowance recorded:					
Real estate loans:					
One- to four-family residential	\$ 5,991	\$ 5,991	\$ -	\$ 5,586	\$ 226
Commercial	695	695	-	699	50
Home equity lines of credit	53	53	-	8	-
Total impaired with no related allowance	<u>\$ 6,739</u>	<u>\$ 6,739</u>	<u>\$ -</u>	<u>\$ 6,293</u>	<u>\$ 276</u>
With an allowance recorded:					
Real estate loans:					
One- to four-family residential	\$ 581	\$ 581	\$ 37	\$ 589	\$ 22
Commercial	-	-	-	-	-
Home equity lines of credit	-	-	-	-	-
Total impaired with an allowance recorded	<u>\$ 581</u>	<u>\$ 581</u>	<u>\$ 37</u>	<u>\$ 589</u>	<u>\$ 22</u>
Total					
Real estate loans:					
One- to four-family residential	\$ 6,572	\$ 6,572	\$ 37	\$ 6,175	\$ 248
Commercial	695	695	-	699	50
Home equity lines of credit	53	53	-	8	-
Total impaired loans	<u>\$ 7,320</u>	<u>\$ 7,320</u>	<u>\$ 37</u>	<u>\$ 6,882</u>	<u>\$ 298</u>

The following tables present the Company's loans by risk rating:

	Real Estate:					Commercial and Industrial Loans	Consumer		Total
	One- to four-family Residential	Commercial	Multi-family	Home Equity Loans and Lines of Credit	Construction		Consumer Line of Credit	Other Consumer	
June 30, 2015 (unaudited):									
Grade:									
Pass	\$ -	\$ 18,145	\$ 11,631	\$ -	\$ 17,556	\$ 4,661	\$ -	\$ -	\$ 51,993
Special mention	2,397	691	-	53	-	-	-	-	3,141
Substandard	1,393	-	931	-	-	-	-	-	2,324
Loans not formally rated	97,333	-	-	2,068	-	-	23	3,665	103,089
Total	<u>\$ 101,123</u>	<u>\$ 18,836</u>	<u>\$ 12,562</u>	<u>\$ 2,121</u>	<u>\$ 17,556</u>	<u>\$ 4,661</u>	<u>\$ 23</u>	<u>\$ 3,665</u>	<u>\$ 160,547</u>
December 31, 2014:									
Grade:									
Pass	\$ -	\$ 16,706	\$ 9,233	\$ -	\$ 12,072	\$ 3,012	\$ -	\$ -	\$ 41,023
Special mention	2,417	695	-	53	-	-	-	-	3,165
Substandard	1,393	-	938	-	-	-	-	-	2,331
Loans not formally rated	92,630	-	-	2,801	-	-	21	2,446	97,898
Total	<u>\$ 96,440</u>	<u>\$ 17,401</u>	<u>\$ 10,171</u>	<u>\$ 2,854</u>	<u>\$ 12,072</u>	<u>\$ 3,012</u>	<u>\$ 21</u>	<u>\$ 2,446</u>	<u>\$ 144,417</u>

At June 30, 2015 and December 31, 2014, there were no loans rated "doubtful" or "loss."

Credit Quality Information

The Company utilizes a seven grade internal loan rating system for commercial real estate, construction and commercial loans as follows:

Loans rated 1 - 3: Loans in these categories are considered "pass" rated loans with low to average risk.

Loans rated 4: Loans in this category are considered "special mention." These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 5: Loans in this category are considered "substandard." Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.

Loans rated 6: Loans in this category are considered "doubtful." Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 7: Loans in this category are considered uncollectible ("loss") and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Company formally reviews the ratings on all commercial real estate, construction and commercial loans. For residential real estate and consumer loans, the Company initially assesses credit quality based upon the borrower's ability to pay and subsequently monitors these loans based on the borrower's payment activity.

The Company classifies loans modified as troubled debt restructurings (TDRs) as impaired loans with an allowance established as part of the allocated component of the allowance for loan losses when the discounted cash flows or value of the underlying collateral of the impaired loan is lower than its carrying value.

During the six months ended June 30, 2015 (unaudited), there were no loans modified as TDRs.

As of June 30, 2015 (unaudited), there were no commitments to lend additional funds to borrowers whose loans were modified as troubled debt restructurings.

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage and other loans serviced for others were \$19.5 million and \$17.6 million at June 30, 2015 (unaudited) and December 31, 2014, respectively.

NOTE 7 – DEPOSITS

The aggregate amount of time deposit accounts in denominations of \$100,000 or more as of June 30, 2015 (unaudited) and December 31, 2014 was \$38.9 million and \$38.7 million, respectively.

The aggregate amount of time deposits in denominations that meet or exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 at June 30, 2015 (unaudited) and December 31, 2014 was \$15.8 million and \$15.7 million, respectively.

For time deposits as of June 30, 2015 (unaudited), the scheduled maturities for each of the following five years ended June 30 are:

	(In Thousands)
2016	\$ 33,794
2017	12,029
2018	16,109
2019	1,966
2020	1,257
Total	<u>\$ 65,155</u>

NOTE 8 - FEDERAL HOME LOAN BANK ADVANCES

Maturities of advances from the Federal Home Loan Bank of Boston (“FHLB”) for the years ending after June 30, 2015 (unaudited) are summarized as follows:

	(In Thousands)
2016	\$ 3,500
2017	2,500
2018	3,000
	<u>\$ 9,000</u>

Interest rates range from 0.24% to 2.03% with a weighted-average interest rate of 0.80% at June 30, 2015 (unaudited).

Borrowings from the FHLB are secured by a blanket lien on qualified collateral, consisting primarily of loans with first mortgages secured by one-to-four family properties, certain unencumbered investment securities and other qualified assets.

NOTE 9 - FAIR VALUE MEASUREMENTS

ASC 820-10, "Fair Value Measurement - Overall," provides a framework for measuring fair value under generally accepted accounting principles. This guidance also allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis.

In accordance with ASC 820-10, the Company groups its financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury, other U.S. Government and agency mortgage-backed securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other methodologies, including option pricing models, discounted cash flow models and similar techniques, are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's financial assets and financial liabilities carried at fair value as of June 30, 2015 (unaudited) and December 31, 2014. The Company did not have any significant transfers between level 1 and level 2 of the fair value hierarchy during the six months ended June 30, 2015 (unaudited) and the year ended December 31, 2014.

The Company's investment in mortgage-backed securities and other debt securities available-for-sale is generally classified within level 2 of the fair value hierarchy. For these securities, we obtain fair value measurements from independent pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. treasury yield curve, trading levels, market consensus prepayment speeds, credit information and the instrument's terms and conditions.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used. Subsequent to inception, management only changes level 3 inputs and assumptions when corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalization and other transactions across the capital structure, offerings in the equity or debt markets, and changes in financial ratios or cash flows.

The Company's impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using level 2 inputs based upon appraisals of similar properties obtained from a third party. For level 3 inputs, fair value is based upon management estimates of the value of the underlying collateral or the present value of the expected cash flows.

Other real estate owned values are estimated using level 2 inputs based upon appraisals of similar properties obtained from a third party. For level 3 inputs, fair values are based on management estimates.

The following summarizes assets measured at fair value as of June 30, 2015 (unaudited) and December 31, 2014.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

	Fair Value Measurements at Reporting Date Using:			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
(In Thousands)				
June 30, 2015 (unaudited):				
Debt securities issued by U.S. government corporations and agencies	\$ 2,779	\$ -	\$ 2,779	\$ -
Debt securities issued by states of the United States and political subdivisions of the states	2,945	-	2,945	-
Mortgage-backed securities	7,752	-	7,752	-
Totals	\$ 13,476	\$ -	\$ 13,476	\$ -
December 31, 2014:				
Debt securities issued by U.S. government corporations and agencies	\$ 1,975	\$ -	\$ 1,975	\$ -
Debt securities issued by states of the United States and political subdivisions of the states	3,233	-	3,233	-
Mortgage-backed securities	6,559	-	6,559	-
Totals	\$ 11,767	\$ -	\$ 11,767	\$ -

ASSETS MEASURED AT FAIR VALUE ON A NONRECURRING BASIS

Under certain circumstances we make adjustments to fair value for certain assets and liabilities although they are not measured at fair value on an ongoing basis. The following table presents assets carried on the consolidated balance sheets by caption and by level in the fair value hierarchy at June 30, 2015 (unaudited) and December 31, 2014, for which a nonrecurring change in fair value has been recorded:

	Fair Value Measurements at Reporting Date Using:			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
(In Thousands)				
June 30, 2015 (unaudited):				
Impaired loans	\$ 544	\$ -	\$ -	\$ 544
Totals	\$ 544	\$ -	\$ -	\$ 544
December 31, 2014:				
Impaired loans	\$ 544	\$ -	\$ -	\$ 544
Totals	\$ 544	\$ -	\$ -	\$ 544

The estimated fair values of the Company's financial instruments, all of which are held or issued for purposes other than trading, are as follows:

	June 30, 2015 (unaudited)				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
(In Thousands)					
Financial assets:					
Cash and cash equivalents	\$ 6,897	\$ 6,897	\$ -	\$ -	\$ 6,897
Interest-bearing time deposits with other banks	1,080	-	1,081	-	1,081
Available-for-sale securities	13,476	-	13,476	-	13,476
Held-to-maturity securities	133	-	175	-	175
Federal Home Loan Bank stock	831	831	-	-	831
Investment in The Co-operative Central Reserve Fund	384	384	-	-	384
Loans, net	159,846	-	-	162,415	162,415
Accrued interest receivable	455	455	-	-	455
Financial liabilities:					
Deposits	151,703	-	152,290	-	152,290
FHLB advances	9,000	-	8,987	-	8,987

	December 31, 2014				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
(In Thousands)					
Financial assets:					
Cash and cash equivalents	\$ 18,295	\$ 18,295	\$ -	\$ -	\$ 18,295
Interest-bearing time deposits with other banks	2,575	-	2,578	-	2,578
Available-for-sale securities	11,767	-	11,767	-	11,767
Held-to-maturity securities	149	-	196	-	196
Federal Home Loan Bank stock	694	694	-	-	694
Investment in The Co-operative Central Reserve Fund	384	384	-	-	384
Loans, net	143,774	-	-	146,705	146,705
Accrued interest receivable	447	447	-	-	447
Financial liabilities:					
Deposits	151,010	-	151,638	-	151,638
FHLB advances	5,000	-	5,006	-	5,006

The carrying amounts of financial instruments shown in the above table are included in the consolidated balance sheets as of June 30, 2015 (unaudited) and December 31, 2014 under the indicated captions. Accounting policies related to financial instruments are described below.

ASC 825, "Financial Instruments," requires that the Company disclose estimated fair values for its financial instruments. Fair value methods and assumptions used by the Company in estimating its fair value disclosures are as follows:

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate those assets' fair values.

Interest-bearing time deposits with other banks: The fair value of interest-bearing time deposits with other banks was determined by discounting the cash flows associated with these instruments using current market rates for deposits with similar characteristics.

Securities: Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans receivable: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for other loans are estimated by discounting the future cash flows, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Accrued interest receivable: The carrying amount of accrued interest receivable approximates its fair value.

Deposit liabilities: The fair values disclosed for demand deposits, regular savings, NOW accounts, and money market accounts are equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Federal Home Loan Bank advances: Fair values for Federal Home Loan Bank advances are estimated using a discounted cash flow technique that applies interest rates currently being offered on advances to a schedule of aggregated expected monthly maturities on Federal Home Loan Bank advances.

Off-balance sheet instruments: The fair value of commitments to originate loans is estimated using the fees currently charged to enter similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments and the unadvanced portion of loans, fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 10 – REGULATORY CAPITAL

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Effective January 1, 2015 (with a phase-in period of two to four years for certain components), the Bank became subject to new capital regulations adopted by the Board of Governors of the Federal Reserve System ("FRB") and the FDIC, which implement the Basel III regulatory capital reforms and the changes required by the Dodd-Frank Act. The new regulations require a new common equity Tier 1 ("CET1") capital ratio of 4.5%, increase the minimum Tier 1 capital to risk-weighted assets ratio to 6.0% from 4.0%, require a minimum total capital to risk-weighted assets ratio of 8.0% and require a minimum Tier 1 leverage ratio of 4.0%. CETI generally consists of common stock and retained earnings, subject to applicable adjustments and deductions. Under new prompt corrective action regulations, in order to be considered "well capitalized," the Bank must maintain a CETI capital ratio of 6.5% (new) and a Tier 1 ratio of 8.0% (increased from 6.0%), a total risk based capital ratio of 10.0% (unchanged) and a Tier 1 leverage ratio of 5.0% (unchanged). In addition, the regulations establish a capital conservation buffer above the required capital ratios that phases in beginning January 1, 2016 at 0.625% of risk-weighted assets and increases each year by 0.625% until it is fully phased in at 2.5% effective January 1, 2019. Beginning January 1, 2016, failure to maintain the capital conservation buffer will limit the ability of the Bank and the Company to pay dividends, repurchase shares or pay discretionary bonuses.

The new regulations implemented changes to what constitutes regulatory capital. Certain instruments will no longer constitute qualifying capital, subject to phase-out periods. In addition, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of CETI will be deducted from capital. The Bank has elected to permanently opt out of the inclusion of accumulated other comprehensive income (loss) in capital calculations, as permitted by the regulations. This opt-out will reduce the impact of market volatility on our regulatory capital ratios.

The new regulations also changed the risk weights of certain assets, including an increase in the risk weight of certain high volatility commercial real estate acquisition, development and construction loans and non-residential mortgage loans that are 90 days past due or on non-accrual status to 150% from 100%, a credit conversion factor for the unused portion of commitments with maturities of less than one year that are not cancellable to 20% from 0%, an increase in the risk weight for mortgage servicing and deferred tax assets that are not deducted from capital to 250% from 100%, and an increase in the risk weight for equity exposures to 600% from 0%.

As of June 30, 2015 (unaudited), the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and ratios are presented in the table below.

Regulatory Capital and Ratios	June 30, 2015	December 31, 2014
	(Dollars In Thousands)	
Regulatory Capital		
Total Shareholders' Equity	\$ 21,612	\$ 21,347
Add (deduct): Net unrealized losses on investment securities	80	51
Other	-	-
Common Equity Tier 1 Capital	21,692	na
Tier 1 Capital	21,692	21,398
Allowable reserve for credit losses and unfunded commitments	824	755
Total Regulatory Capital ⁽¹⁾	\$ 22,516	\$ 22,153
Risk Weighted Assets ⁽¹⁾	\$ 133,375	\$ 101,078
Key Regulatory Ratios ⁽¹⁾		
Common Equity Tier 1 Capital Ratio	16.3%	na
Tier 1 Capital Ratio	16.3	21.2%
Total Capital Ratio	16.9	21.9
Tier 1 Leverage Ratio	11.4	11.7

⁽¹⁾ June 30, 2015 capital levels and ratios were calculated under the new capital regulations, which became effective January 1, 2015

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's discussion and analysis of the financial condition and results of operations at and for the three and six months ended June 30, 2015 and 2014 is intended to assist in understanding the financial condition and results of operations of the Company on a consolidated basis. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto, appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q.

This Report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "believe," "contemplate," "continue," "intend," "target" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this Report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- our ability to manage our operations under the current adverse economic conditions nationally and in our market area;
- adverse changes in the financial industry, securities, credit and national and local real estate markets (including real estate values);
- significant increases in our loan losses, including as a result of our inability to resolve classified and non-performing assets or reduce risks associated with our loans, and management's assumptions in determining the adequacy of the allowance for loan losses;
- credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and in our allowance for loan losses and provision for loan losses;
- competition among depository and other financial institutions;
- our success in implementing our business strategy, particularly increasing our commercial real estate, multi-family, non-owner occupied residential and construction lending;
- our success in introducing new financial products;

- our ability to attract and maintain deposits;
- our ability to continue to improve our asset quality even as we increase our non-residential and non-owner occupied residential lending;
- changes in interest rates generally, including changes in the relative differences between short term and long term interest rates and in deposit interest rates, that may affect our net interest margin and funding sources;
- fluctuations in the demand for loans, which may be affected by the number of unsold homes, land and other properties in our market areas and by declines in the value of real estate in our market area;
- changes in consumer spending, borrowing and saving habits;
- declines in the yield on our assets resulting from the current low interest rate environment;
- risks related to a high concentration of loans secured by real estate located in our market area;
- the results of examinations by our regulators, including the possibility that our regulators may, among other things, require us to increase our reserve for loan losses, write down assets, change our regulatory capital position, limit our ability to borrow funds or maintain or increase deposits, or prohibit us from paying dividends, which could adversely affect our dividends and earnings;
- changes in the level of government support of housing finance;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in laws or government regulations or policies affecting financial institutions, including the Dodd-Frank Act and the JOBS Act, which could result in, among other things, increased deposit insurance premiums and assessments, capital requirements (particularly the new capital regulations), regulatory fees and compliance costs and the resources we have available to address such changes;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans, and our ability to retain key members of our senior management team and to address staffing needs in response to product demand or to implement our strategic plans;
- loan delinquencies and changes in the underlying cash flows of our borrowers;
- our ability to control costs and expenses, particularly those associated with operating as a publicly traded company;
- the failure or security breaches of computer systems on which we depend;
- the ability of key third-party service providers to perform their obligations to us;
- changes in the financial condition or future prospects of issuers of securities that we own; and

- other economic, competitive, governmental, regulatory and operational factors affecting our operations, pricing, products and services described elsewhere in this Report.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

During the six months ended June 30, 2015, there were no material changes to the critical accounting policies disclosed in Pilgrim Bancshares, Inc.'s 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on March 25, 2015.

Comparison of Financial Condition at June 30, 2015 (unaudited) and December 31, 2014

Total Assets. Total assets increased \$4.9 million, or 2.6%, to \$192.9 million at June 30, 2015 from \$188.0 million at December 31, 2014.

Cash and Cash Equivalents and Time Deposits with Other Banks. Total cash and cash equivalents decreased \$11.4 million, or 62.3%, to \$6.9 million at June 30, 2015 from \$18.3 million at December 31, 2014. The decrease in cash resulted from \$16.1 million in net loan growth and \$1.7 million in investment securities purchases net of principal payments and maturities, offset by a \$693,000 increase in deposits and a \$4.0 million increase in FHLB borrowings. Interest-bearing time deposits with other banks decreased by \$1.5 million, or 58.1%, to \$1.1 million at June 30, 2015 from \$2.6 million at December 31, 2014.

Net Loans. Net loans increased \$16.1 million, or 11.2%, to \$159.8 million at June 30, 2015 from \$143.8 million at December 31, 2014. The Company originated \$41.5 million and purchased \$8.1 million of new loans during the six months ended June 30, 2015. Partially offsetting the loan originations and purchases were \$19.0 million of loan payoffs and amortization, \$1.6 million of loan participations sold, \$1.3 million of mortgages sold to the FHLB, and \$11.6 million of unadvanced funds on loans originated during the six months ended June 30, 2015.

Investment Securities. Investment securities classified as available-for-sale increased \$1.7 million, or 14.5%, to \$13.5 million at June 30, 2015 from \$11.8 million at December 31, 2014, due to the purchase of mortgage backed securities partially offset by the maturity of a municipal security. Investment securities classified as held-to-maturity decreased \$16,000, or 10.7%, to \$133,000 at June 30, 2015, from \$149,000 at December 31, 2014 due to maturities in the ordinary course of business. At June 30, 2015, investment securities classified as available-for-sale consisted primarily of debt securities issued by U.S. government corporations and agencies, debt securities issued by states and political subdivisions, and U.S. government-sponsored mortgage-backed securities, with a focus on suitable U.S. government-sponsored securities to augment risk-based capital.

Bank Owned Life Insurance. Bank-owned life insurance at June 30, 2015 increased \$24,000, or 1.1%, compared to December 31, 2014 due to normal increases in cash surrender value.

Deposits. Deposits increased \$693,000, or 0.5%, to \$151.7 million at June 30, 2015 from \$151.0 million at December 31, 2014, primarily due to a \$2.4 million increase in savings accounts and a \$2.0 million increase in noninterest bearing accounts, offset by a \$1.4 million decrease in NOW accounts, \$1.3 million decrease in certificates of deposits, and a \$1.0 million decrease in money market deposits. Our core deposits, which we consider to be our noninterest bearing demand accounts, NOW accounts, savings accounts and money market accounts, increased \$2.0 million, or 2.4%, to \$86.5 million at June 30, 2015 from \$84.5 million at December 31, 2014.

Borrowings and Other Liabilities. FHLB advances increased \$4.0 million, or 80.0%, to \$9.0 million at June 30, 2015 from \$5.0 million at December 31, 2014. FHLB borrowings as of June 30, 2015 consist of \$3.0 million in short term borrowings, and \$6.0 million in long term borrowings, with \$500,000 maturing in 2015. Other liabilities, which include interest payable, accruals for employee pension and medical plans and normal accruals for expenses, decreased \$19,000, or 4.5%, to \$404,000 at June 30, 2015 from \$423,000 at December 31, 2014.

Total Stockholders' Equity. Stockholders' equity increased \$225,000, or 0.7%, to \$31.8 million at June 30, 2015 from \$31.6 million at December 31, 2014. The increase resulted from net income of \$235,000 during the six months ended June 30, 2015 and the committed allocation of common stock held by the ESOP of \$35,000, offset by an increase of \$29,000 in accumulated other comprehensive loss due to an increase in the net unrealized loss position of our available-for-sale investment securities portfolio and additional issuance costs related to the public offering of \$16,000.

Delinquent Loans. The following table sets forth our loan delinquencies, including non-accrual loans, by type and amount at the dates indicated.

	At June 30, 2015			At December 31, 2014		
	30-59 Days Past Due	(unaudited) 60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
	(In Thousands)					
Real estate loans:						
One- to four-family residential ⁽¹⁾	\$ 1,103	\$ -	\$ 1,393	\$ 728	\$ -	\$ 1,393
Commercial	-	-	-	-	-	-
Multi-family	-	-	-	938	-	-
Home equity loans and lines of credit	178	53	-	-	53	-
Construction	-	-	-	-	-	-
Total real estate	1,281	53	1,393	1,666	53	1,393
Commercial and industrial loans	7	-	-	-	-	-
Consumer loans	8	-	-	9	-	-
Total loans	\$ 1,296	\$ 53	\$ 1,393	\$ 1,675	\$ 53	\$ 1,393

(1) There were no delinquent non-owner occupied residential real estate loans at June 30, 2015 or December 31, 2014.

The net decrease in total delinquent loans in the 30 – 59 day period from December 31, 2014 to June 30, 2015 was the result of current payments on the loans.

Classified Assets. The following table sets forth our amounts of classified assets and assets designated as special mention as of June 30, 2015 and December 31, 2014.

	At June 30,	At December 31,
	2015	2014
	(In Thousands)	
	(unaudited)	
Classified assets:		
Substandard:		
Loans ⁽¹⁾	\$ 2,324	\$ 2,331
Securities	125	138
Total substandard	2,449	2,469
Doubtful	-	-
Loss	-	-
Other real estate owned	-	-
Total classified assets	\$ 2,449	\$ 2,469
Special mention	\$ 3,141	\$ 3,165

(1) Includes \$1.4 million of non-accruing loans that are more than 90 days past due for each period.

The decrease in classified assets from December 31, 2014 to June 30, 2015 was the result of loan and securities amortization from contractual payments.

Non-Performing Assets. The following table sets forth information regarding our non-performing assets and troubled debt restructurings at the dates indicated. The information reflects net charge-offs but not specific reserves. Troubled debt restructurings include loans where the borrower is experiencing financial difficulty and for which either a portion of interest or principal has been forgiven or an extension of term granted, or for which the loans were modified at interest rates materially less than current market rates.

	At June 30, 2015	At December 31, 2014
	(Dollars In Thousands)	
	(unaudited)	
Non-accrual loans:		
Real estate loans:		
One- to four-family residential ⁽¹⁾	\$ 1,414	\$ 1,419
Commercial	-	-
Multi-family	-	-
Home equity loans and lines of credit	-	-
Construction	-	-
Total real estate	1,414	1,419
Commercial and industrial loans	-	-
Consumer loans	-	-
Total non-accrual loans	1,414	1,419
Accruing loans past due 90 days or more:		
Real estate loans:		
One- to four-family residential	-	-
Commercial	-	-
Multi-family	-	-
Home equity loans and lines of credit	-	-
Construction	-	-
Total real estate	-	-
Commercial and industrial loans	-	-
Consumer loans	-	-
Total accruing loans past due 90 days or more	-	-
Total of nonaccrual loans and accruing loans 90 days or more past due	1,414	1,419
Other real estate owned:		
One- to four-family residential	-	-
Commercial	-	-
Multi-family	-	-
Home equity loans and lines of credit	-	-
Construction	-	-
Total other real estate owned	-	-
Other non-performing assets	-	-
Total non-performing assets	1,414	1,419
Performing troubled debt restructurings:		
Real estate loans:		
One- to four-family residential ⁽²⁾	5,125	5,180
Commercial	691	695
Multi-family	-	-
Home equity loans and lines of credit	53	53
Total real estate	5,869	5,928
Commercial and industrial loans	-	-
Consumer loans	-	-
Total troubled debt restructurings	5,869	5,928
Total non-performing loans and troubled debt restructurings	\$ 7,283	\$ 7,347
Non-performing loans to total loans	0.88%	0.98%
Non-performing assets to total assets	0.73%	0.75%
Non-performing assets and troubled debt restructurings to total assets	3.77%	3.91%

(1) There were no non-performing non-owner occupied residential real estate loans at June 30, 2015 or December 31, 2014.

(2) There were no troubled debt restructurings related to non-owner occupied residential real estate loans at June 30, 2015 or December 31, 2014.

The decrease in non-performing assets from December 31, 2014 to June 30, 2015 was the result of loan amortization from contractual payments.

Interest income that would have been recorded for the six months ended June 30, 2015, had non-accruing loans been current according to their original terms amounted to \$20,000. Interest of approximately \$600 related to these loans was included in interest income for the six months ended June 30, 2015.

Non-performing loans totaled \$1.4 million at June 30, 2015, and consisted of three loans, all owner occupied one- to four- family residential first and second mortgage loans. Our largest non-performing loan was a \$1.4 million one- to four-family residential loan secured by property located in Connecticut that was in foreclosure proceedings at June 30, 2015. We had no non-performing commercial real estate and multi-family loans at June 30, 2015. We had no foreclosed real estate at June 30, 2015.

Other Loans of Concern. There were no other loans at June 30, 2015 that are not already disclosed where there is information about possible credit problems of borrowers that caused management to have serious doubts about the ability of the borrowers to comply with present loan repayment terms and that may result in disclosure of such loans in the future.

Comparison of Operating Results for the Three Months Ended June 30, 2015 and June 30, 2014

General. Net income for the three months ended June 30, 2015 was \$134,000, compared to net income of \$175,000 for the three months ended June 30, 2014. The decrease of \$41,000 in net income was primarily due to an increase in noninterest expense of \$166,000, a decrease in noninterest income of \$84,000, and an increase in provision for loan losses of \$38,000, offset by an increase in net interest income of \$231,000.

Interest and Dividend Income. Total interest and dividend income for the three months ended June 30, 2015 increased \$212,000, or 14.4%, to \$1.7 million compared to \$1.5 million for the three months ended June 30, 2014. On a tax-equivalent basis, total interest and dividend income for the three months ended June 30, 2015 increased \$211,000, or 14.2%, to \$1.7 million compared to \$1.5 million for the three months ended June 30, 2014. The increase in interest income was the result of higher average loans in the three months ended June 30, 2015, partially offset by a lower yield on loans, and a decrease in interest on investment securities due to a decrease in investment yields. The average balance of loans during the three months ended June 30, 2015 increased \$25.0 million to \$156.3 million from \$131.3 million for the three months ended June 30, 2014, while the average yield on loans decreased by 13 basis points to 4.12% for the three months ended June 30, 2015 from 4.25% for the three months ended June 30, 2014. The decrease in yield reflected the lower market rates for originated loans in 2014 and 2015. The average balance of investment securities increased \$749,000 to \$13.5 million for the three months ended June 30, 2015 from \$12.8 million for the three months ended June 30, 2014, and the yield on investment securities (on a tax-equivalent basis) decreased by 21 basis points to 2.16% for the three months ended June 30, 2015 from 2.37% for the three months ended June 30, 2014.

Interest Expense. Total interest expense decreased \$19,000, or 7.0%, to \$253,000 for the three months ended June 30, 2015 from \$272,000 for the three months ended June 30, 2014. Interest expense on interest-bearing deposit accounts decreased \$20,000, or 7.8%, to \$238,000 for the three months ended June 30, 2015 from \$258,000 for the three months ended June 30, 2014. The decrease was primarily due to lower average deposits, the impact of maturing certificates of deposit renewing at lower rates and overall changes in deposit mix.

Interest expense on FHLB advances increased \$1,000, or 7.1%, to \$15,000 for the three months ended June 30, 2015 from \$14,000 for the three months ended June 30, 2014. The average balance of advances increased \$2.8 million, or 52.8%, to \$8.2 million for the three months ended June 30, 2015 from \$5.4 million for the three months ended June 30, 2014. The cost of funds on FHLB advances decreased 31 basis points to 0.73% for the three months ended June 30, 2015 from 1.04% for the three months ended June 30, 2014.

Net Interest and Dividend Income. Net interest and dividend income increased \$231,000, or 19.3%, to \$1.4 million for the three months ended June 30, 2015 from \$1.2 million for the three months ended June 30, 2014. On a tax-equivalent basis, net interest and dividend income increased \$230,000, or 19.0%, to \$1.4 million for the three months ended June 30, 2015 from \$1.2 million for the three months ended June 30, 2014. The tax-equivalent basis increase resulted from a \$211,000 increase in interest income and a \$19,000 decrease in interest expense. Our average interest-earning assets increased \$22.2 million to \$178.7 million for the three months ended June 30, 2015 from \$156.5 million for the three months ended June 30, 2014. Our net interest rate spread increased 5 basis points to 3.08% for the three months ended June 30, 2015 from 3.03% for the three months ended June 30, 2014, and our net interest margin increased 13 basis points to 3.22% for the three months ended June 30, 2015 from 3.09% for the three months ended June 30, 2014. The increase in our interest rate spread and net interest margin reflected the impact of higher earning assets.

Provision for Loan Losses. We recorded a provision for loan losses for the three months ended June 30, 2015 of \$38,000, compared to no provision for the three months ended June 30, 2014. The fact that we did not record a provision for loan losses for the three months ended June 30, 2014 was due to our evaluation as to the adequacy of the allowance for loan losses. We maintain the allowance for loan losses at levels adequate to cover our estimate of probable credit losses as of the end of the reporting period. There were no charge-offs for the three months ended June 30, 2015 and 2014, respectively. The allowance for loan losses was \$803,000, or 0.50% of total loans at June 30, 2015, compared to \$742,000, or 0.58% of total loans at June 30, 2014. Total non-performing loans were \$1.4 million at June 30, 2015 compared to \$1.7 million at June 30, 2014. As a percentage of non-performing loans, the allowance for loan losses was 56.79% at June 30, 2015 compared to 44.86% at June 30, 2014. This increase is due primarily to the reduction in non-performing loans at June 30, 2015 and an increased level of allowance for loan losses. Total classified loans were \$2.3 million at June 30, 2015 compared to \$5.1 million at June 30, 2014.

Noninterest Income. Noninterest income decreased \$84,000, or 38.7%, to \$133,000 for the three months ended June 30, 2015 from \$217,000 for the three months ended June 30, 2014. The decrease was due to no net gains on sales of securities for the three months ended June 30, 2015 compared to \$63,000 for the three months ended June 30, 2014, a decrease in gains on sales of loans of \$30,000 to \$3,000 for the three months ended June 30, 2015 from \$33,000 for the three months ended June 30, 2014, a decrease in rental income of \$3,000 to \$64,000 for the three months ended June 30, 2015 from \$67,000 for the three months ended June 30, 2014, partially offset by no write-downs on securities for the three months ended June 30, 2015 compared to \$12,000 for the three months ended June 30, 2014.

Noninterest Expense. Noninterest expense increased \$166,000 to \$1.3 million for the three months ended June 30, 2015 compared to \$1.1 million for the three months ended June 30, 2014. The increase was primarily driven by \$98,000 of incremental salaries and benefits expense, due to additions to staff and expenses associated with the supplemental executive retirement plan (“SERP”) and the employee stock ownership plan (“ESOP”). Professional fees included \$33,000 and other expense included \$13,000, of incremental costs associated with being a publicly traded company. All other expenses increased \$22,000, spread across various categories.

Income Taxes. The income before income taxes of \$211,000 resulted in income tax expense of \$77,000 for the three months ended June 30, 2015, compared to income before income taxes of \$268,000 resulting in an income tax expense of \$93,000 for the three months ended June 30, 2014. The effective income tax rate was 36.49% for the three months ended June 30, 2015 compared to 34.70% for the three months ended June 30, 2014.

Comparison of Operating Results for the Six Months Ended June 30, 2015 and June 30, 2014

General. Net income for the six months ended June 30, 2015 was \$235,000, compared to net income of \$301,000 for the six months ended June 30, 2014. The decrease in net income was primarily due to an increase in noninterest expense of \$302,000, a decrease in noninterest income of \$63,000 and an increase in provision for loan losses of \$60,000, offset by an increase in net interest income of \$302,000.

Interest and Dividend Income. Total interest and dividend income for the six months ended June 30, 2015 increased \$275,000, or 9.1%, to \$3.3 million compared to \$3.0 million for the six months ended June 30, 2014. On a tax-equivalent basis, total interest and dividend income for the six months ended June 30, 2015 increased \$271,000, or 8.9%, to \$3.3 million compared to \$3.0 million for the six months ended June 30, 2014. The increase in interest income was the result of higher average loans in the six months ended June 30, 2015, partially offset by a lower yield on loans due to non-accrual interest recapture recognized in the six months ended June 30, 2014, and a decrease in interest on investment securities due to a decrease in investment yields. The average balance of loans during the six months ended June 30, 2015 increased \$19.9 million to \$152.5 million from \$132.6 million for the six months ended June 30, 2014, while the average yield on loans decreased by 19 basis points to 4.12% for the six months ended June 30, 2015 from 4.31% for the six months ended June 30, 2014. The decrease in yield reflected the lower market rates for originated loans in 2014 and 2015, as well as non-accrual interest income recapture in 2014. The average balance of investment securities decreased \$156,000 to \$12.8 million for the six months ended June 30, 2015 from \$12.9 million for the six months ended June 30, 2014, and the yield on investment securities (on a tax-equivalent basis) decreased by 17 basis points to 2.24% for the six months ended June 30, 2015 from 2.41% for the six months ended June 30, 2014.

Interest Expense. Total interest expense decreased \$27,000, or 5.1%, to \$507,000 for the six months ended June 30, 2015 from \$534,000 for the six months ended June 30, 2014. Interest expense on interest-bearing deposit accounts decreased \$25,000, or 5.0%, to \$479,000 for the six months ended June 30, 2015 from \$504,000 for the six months ended June 30, 2014. The decrease was primarily due to the impact of lower average deposits, maturing certificates of deposit renewing at lower rates and overall changes in deposit mix.

Interest expense on FHLB advances decreased \$2,000, or 6.7%, to \$28,000 for the six months ended June 30, 2015 from \$30,000 for the six months ended June 30, 2014. The average balance of advances increased \$1.4 million, or 24.2%, to \$7.4 million for the six months ended June 30, 2015 from \$6.0 million for the six months ended June 30, 2014. The cost of funds on FHLB advances decreased 26 basis points to 0.75% for the six months ended June 30, 2015 from 1.01% for the six months ended June 30, 2014.

Net Interest and Dividend Income. Net interest and dividend income increased \$302,000, or 12.2%, to \$2.8 million for the six months ended June 30, 2015 from \$2.5 million for the six months ended June 30, 2014. On a tax-equivalent basis, net interest and dividend income increased \$298,000, or 11.9%, to \$2.8 million for the six months ended June 30, 2015 from \$2.5 million for the six months ended June 30, 2014. The tax-equivalent basis increase resulted from a \$271,000 increase in interest income and a \$27,000 decrease in interest expense. Our average interest-earning assets increased \$21.5 million to \$178.2 million for the six months ended June 30, 2015 from \$156.7 million for the six months ended June 30, 2014, but our net interest rate spread decreased 13 basis points to 3.01% for the six months ended June 30, 2015 from 3.14% for the six months ended June 30, 2014. Our net interest margin decreased 5 basis points to 3.15% for the six months ended June 30, 2015 from 3.20% for the six months ended June 30, 2014. The reduction in our interest rate spread and net interest margin reflected the impact of non-accrual interest recapture recognized in the six months ended June 30, 2014 and lower loan yields on new volume.

Provision for Loan Losses. We recorded a provision for loan losses for the six months ended June 30, 2015 of \$60,000, compared to no provision for the six months ended June 30, 2014. The fact that we did not record a provision for loan losses for the six months ended June 30, 2014 was due to our evaluation as to the adequacy of the allowance for loan losses. We maintain the allowance for loan losses at levels adequate to cover our estimate of probable credit losses as of the end of the reporting period. There were no charge-offs for the six months ended June 30, 2015 and 2014, respectively. The allowance for loan losses was \$803,000, or 0.50% of total loans at June 30, 2015, compared to \$742,000, or 0.58% of total loans at June 30, 2014. Total non-performing loans were \$1.4 million at June 30, 2015 compared to \$1.7 million at June 30, 2014. As a percentage of non-performing loans, the allowance for loan losses was 56.79% at June 30, 2015 compared to 44.86% at June 30, 2014. This increase is due primarily to the reduction in non-performing loans at June 30, 2015 and an increased level of allowance for loan losses. Total classified loans were \$2.3 million at June 30, 2015 compared to \$5.1 million at June 30, 2014.

Noninterest Income. Noninterest income decreased \$63,000, or 17.7%, to \$292,000 for the six months ended June 30, 2015 from \$355,000 for the six months ended June 30, 2014. The decrease was due to no gains on sales of securities for the six months ended June 30, 2015 compared to \$68,000 for the six months ended June 30, 2014, a decrease in gains on sales of loans of \$11,000 to \$37,000 for the six months ended June 30, 2015 from \$48,000 for the six months ended June 30, 2014, and a decrease in deposit service charges and other income of \$1,000, partially offset by no write-downs on securities for the six months ended June 30, 2015 compared to \$12,000 for the six months ended June 30, 2014, and an increase in rental income of \$5,000 to \$131,000 for the six months ended June 30, 2015 compared to \$126,000 for the six months ended June 30, 2014.

Noninterest Expense. Noninterest expense increased \$302,000 to \$2.7 million for the six months ended June 30, 2015 compared to \$2.4 million for the six months ended June 30, 2014. The increase primarily related to increases in salaries and employee benefits expense of \$154,000 due to additions to staff and expenses associated with the supplemental executive retirement plan (“SERP”) and the employee stock ownership plan (“ESOP”). Professional fees included \$56,000 and other expense included \$23,000, of incremental costs associated with being a publicly traded company. The \$10,000 increase in FDIC assessment expense was driven by an increase in assets. Occupancy expense increased \$39,000 due to \$14,000 of incremental snow removal costs, \$15,000 of increased tax assessments and \$10,000 of incremental utility costs. All other expenses increased \$20,000, spread across various categories.

Income Taxes. The income before income taxes of \$356,000 resulted in income tax expense of \$121,000 for the six months ended June 30, 2015, compared to income before income taxes of \$479,000 resulting in an income tax expense of \$178,000 for the six months ended June 30, 2014. The effective income tax rate was 34.00% for the six months ended June 30, 2015 compared to 37.16% for the six months ended June 30, 2014.

Average Balances and Yields. The following tables set forth average balance sheets, average yields and costs, and certain other information at June 30, 2015 and 2014 for the periods indicated. Tax-equivalent yield adjustments have been made because we had tax-exempt interest-earning assets during the periods. All average balances are daily average balances based upon amortized costs. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Three Months Ended June 30,					
	2015			2014		
	Average Outstanding Balance	Interest	Average Yield/Rate ⁽¹⁾	Average Outstanding Balance	Interest	Average Yield/Rate ⁽¹⁾
	(In Thousands)					
Interest-earning assets:						
Loans	\$ 156,254	\$ 1,609	4.12%	\$ 131,302	\$ 1,394	4.25%
Interest-earning deposits	7,720	7	0.37%	11,320	10	0.35%
Investment securities ⁽²⁾	13,544	73	2.16%	12,795	76	2.37%
Federal Home Loan Bank stock and The Co-operative Central Reserve Fund	1,193	4	1.34%	1,097	2	0.73%
Total interest-earning assets	<u>178,711</u>	<u>1,693</u>	3.79%	<u>156,514</u>	<u>1,482</u>	3.79%
Noninterest-earning assets	11,394			11,816		
Total assets	<u>\$ 190,105</u>			<u>\$ 168,330</u>		
Interest-bearing liabilities:						
Savings accounts	\$ 18,866	9	0.20%	\$ 16,167	8	0.20%
NOW accounts	19,647	5	0.10%	18,431	5	0.11%
Money market accounts	31,797	30	0.37%	36,578	35	0.38%
Certificates of deposit	64,665	194	1.20%	67,389	210	1.25%
Total interest-bearing deposits	<u>134,975</u>	<u>238</u>	0.70%	<u>138,565</u>	<u>258</u>	0.74%
Federal Home Loan Bank advances	8,192	15	0.73%	5,363	14	1.04%
Total interest-bearing liabilities	<u>143,167</u>	<u>253</u>	0.71%	<u>143,928</u>	<u>272</u>	0.76%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	13,724			11,178		
Other noninterest-bearing liabilities	1,342			330		
Total noninterest-bearing liabilities	<u>15,066</u>			<u>11,508</u>		
Total liabilities	158,233			155,436		
Total stockholders' equity	31,872			12,894		
Total liabilities and total stockholders' equity	<u>\$ 190,105</u>			<u>\$ 168,330</u>		
Net interest income		<u>\$ 1,440</u>			<u>\$ 1,210</u>	
Net interest rate spread ⁽³⁾			3.08%			3.03%
Net interest-earning assets ⁽⁴⁾	<u>\$ 35,544</u>			<u>\$ 12,586</u>		
Net interest margin ⁽⁵⁾			3.22%			3.09%
Average interest-earning assets to interest-bearing liabilities	124.63%			108.74%		

(1) Yields and rates are annualized.

(2) Includes securities available-for-sale and held-to-maturity. A tax equivalent adjustment of \$11,000 and \$12,000 was applied to tax-exempt income for the three months ended June 30, 2015 and June 30, 2014, respectively.

(3) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(5) Net interest margin represents net interest income divided by average total interest-earning assets.

For the Six Months Ended June 30,

	2015			2014		
	Average Outstanding Balance	Interest	Average Yield/Rate ⁽¹⁾	Average Outstanding Balance	Interest	Average Yield/Rate ⁽¹⁾
(In Thousands)						
Interest-earning assets:						
Loans	\$ 152,461	\$ 3,143	4.12%	\$ 132,631	\$ 2,860	4.31%
Interest-earning deposits	11,822	18	0.31%	10,115	19	0.38%
Investment securities ⁽²⁾	12,761	143	2.24%	12,917	156	2.41%
Federal Home Loan Bank stock and The Co-operative Central Reserve Fund	1,164	7	1.21%	1,077	5	0.93%
Total interest-earning assets	178,208	3,311	3.72%	156,740	3,040	3.88%
Noninterest-earning assets	11,438			11,571		
Total assets	<u>\$ 189,646</u>			<u>\$ 168,311</u>		
Interest-bearing liabilities:						
Savings accounts	\$ 18,252	18	0.20%	\$ 16,245	16	0.20%
NOW accounts	20,008	10	0.10%	18,285	9	0.10%
Money market accounts	32,302	60	0.37%	36,900	70	0.38%
Certificates of deposit	65,319	391	1.20%	66,349	409	1.23%
Total interest-bearing deposits	135,881	479	0.70%	137,779	504	0.73%
Federal Home Loan Bank advances	7,412	28	0.75%	5,967	30	1.01%
Total interest-bearing liabilities	143,293	507	0.71%	143,746	534	0.74%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	13,334			11,431		
Other noninterest-bearing liabilities	1,206			344		
Total noninterest-bearing liabilities	14,540			11,775		
Total liabilities	157,833			155,521		
Total stockholders' equity	31,813			12,790		
Total liabilities and total stockholders' equity	<u>\$ 189,646</u>			<u>\$ 168,311</u>		
Net interest income		<u>\$ 2,804</u>			<u>\$ 2,506</u>	
Net interest rate spread ⁽³⁾			3.01%			3.14%
Net interest-earning assets ⁽⁴⁾	<u>\$ 34,915</u>			<u>\$ 12,994</u>		
Net interest margin ⁽⁵⁾			3.15%			3.20%
Average interest-earning assets to interest-bearing liabilities	124.18%			109.04%		

(1) Yields and rates are annualized.

(2) Includes securities available-for-sale and held-to-maturity. A tax equivalent adjustment of \$23,000 and \$24,000 was applied to tax-exempt income for the six months ended June 30, 2015 and June 30, 2014, respectively.

(3) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(5) Net interest margin represents net interest income divided by average total interest-earning assets.

Liquidity and Capital Resources

Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from the sale of loans, proceeds from maturities and calls of securities, maturities of certificate of deposit investments and FHLB advances. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments including interest-bearing demand deposits. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by (used in) operating activities was \$517,000 and \$(417,000) for the six months ended June 30, 2015 and June 30, 2014, respectively. Net cash (used in) provided by investing activities, which consists primarily of disbursements for loan originations, the purchase of securities and the purchase of time deposits with other banks, offset by principal collections on loans, proceeds from the sale of securities, proceeds from redemption of time deposits and proceeds from maturing securities and pay downs on mortgage-backed securities, was \$(16.6) million, and \$8.3 million for the six months ended June 30, 2015 and June 30, 2014, respectively. During the six months ended June 30, 2015, we purchased \$2.8 million and sold no securities held as available-for-sale, and during the six months ended June 30, 2014, we purchased \$1.2 million and sold \$3.3 million in securities held as available-for-sale. Net cash provided by (used in) financing activities, consisting primarily of the activity in deposit accounts and FHLB advances, was \$4.7 million, and \$(5.6) million for the six months ended June 30, 2015 and June 30, 2014, respectively.

At June 30, 2015, we exceeded all “well capitalized” regulatory capital requirements with a CETI capital level of \$21.7 million, or 16.3% of risk-weighted assets, which is above the required level of \$8.7 million, or 6.50%; a tier 1 capital level of \$21.7 million, or 16.3% of risk-weighted assets, which is above the required level of \$10.7 million, or 8.00%; a tier 1 leverage capital level of \$21.7 million, or 11.4% of assets, which is above the required level of \$9.5 million, or 5.00%; and total risk-based capital of \$22.5 million, or 16.9% of risk-weighted assets, which is above the required level of \$13.3 million, or 10.00%. At December 31, 2014, we exceeded all of our regulatory capital requirements with a tier 1 capital level of \$ 21.4 million, or 21.2% of risk-weighted assets which is above the required level of \$6.1 million, or 6.00%; a tier 1 leverage capital level of \$21.4 million, or 11.7% of average assets, which is above the required level of \$9.2 million, or 5.00%; and total risk-based capital of \$22.2 million, or 21.9% of risk-weighted assets, which is above the required level of \$10.1 million, or 10.00%. Accordingly, Pilgrim Bank was categorized as well capitalized at June 30, 2015 and December 31, 2014. Management is not aware of any conditions or events since the most recent notification that would change our category.

At June 30, 2015, we had outstanding commitments to originate and purchase loans of \$5.8 million and unadvanced funds on loans of \$21.4 million. We anticipate that we will have sufficient funds available to meet our current loan origination and securities purchase commitments. Certificates of deposit that are scheduled to mature in less than one year from June 30, 2015 totaled \$33.8 million. Management expects, based on historical experience, that a substantial portion of the maturing certificates of deposit will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize FHLB advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Off-Balance Sheet Arrangements. In the normal course of operations, we engage in a variety of financial transactions that, in accordance with U.S. Generally Accepted Accounting Principles, are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers’ requests for funding and take the form of loan commitments, lines of credit and standby letters of credit. These arrangements are not expected to have a material impact on the Company’s financial condition or results of operations.

We have not engaged in any other off-balance sheet transactions in the normal course of our lending activities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk are not required by smaller reporting companies, such as the Company.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of June 30, 2015. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

During the quarter ended June 30, 2015, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

The Bank is subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Bank's or the Company's financial condition or results of operations.

Item 1A. Risk Factors

Disclosure of risk factors is not required by smaller reporting companies, such as the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

- (a) There were no sales of unregistered securities during the period covered by this Report.
- (b) Not applicable.
- (c) There were no issuer repurchases of securities during the period covered by this Report.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits required by Item 601 of Regulation S-K are included with this Form 10-Q and are listed on the “Index to Exhibits” immediately following the signatures.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Pilgrim Bancshares, Inc.

Date: August 14, 2015

/s/ Francis E. Campbell
Francis E. Campbell
President and Chief Executive Officer

Date: August 14, 2015

/s/ Christopher G. McCourt
Christopher G. McCourt
Senior Vice President, Chief Financial
Officer and Treasurer

INDEX TO EXHIBITS

- 3.1 Articles of Incorporation of Pilgrim Bancshares, Inc.*
 - 3.2 Bylaws of Pilgrim Bancshares, Inc.*
 - 31.1 Certification of Francis E. Campbell, President and Chief Executive Officer, Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
 - 31.2 Certification of Christopher G. McCourt, Senior Vice President and Chief Financial Officer, Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
 - 32 Certification of Francis E. Campbell, President and Chief Executive Officer, and Christopher G. McCourt, Senior Vice President and Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
 - 101 The following materials from the Company's Quarterly Report on Form 10Q for the quarter ended June 30, 2015, formatted in XBRL (Extensible Business Reporting Language):
 - (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Changes in Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements
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* Incorporated herein by reference to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-194485).

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Francis E. Campbell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pilgrim Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2015

/s/ Francis E. Campbell
Francis E. Campbell
President and Chief Executive Officer

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Christopher G. McCourt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pilgrim Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2015

/s/ Christopher G. McCourt
Christopher G. McCourt
Senior Vice President and
Chief Financial Officer

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Francis E. Campbell, President and Chief Executive Officer of Pilgrim Bancshares, Inc., (the "Company") and Christopher G. McCourt, Senior Vice President and Chief Financial Officer of the Company, each certify in his capacity as an officer of the Company that he has reviewed the quarterly report on Form 10-Q for the quarter ended June 30, 2015 (the "Report") and that to the best of his knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2015

/s/ Francis E. Campbell
Francis E. Campbell
President and Chief Executive Officer

Date: August 14, 2015

/s/ Christopher G. McCourt
Christopher G. McCourt
Senior Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
