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 September 30, 2016.
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	**46-5110553**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
40 South Main Street, Cohasset, Massachusetts	**02025**
(Address of principal executive offices)	(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 ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	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 November 14, 2016, there were issued and outstanding 2,253,439 shares of the Registrant's Common Stock with a par value of $0.01 per share.

Pilgrim Bancshares, Inc.
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Part I. – Financial Information

PILGRIM BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(In Thousands, except share data)

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Cash and due from banks	$ 2,264	$ 2,351
Interest-bearing demand deposits with other banks	9,637	8,319
Total cash and cash equivalents	11,901	10,670
Interest-bearing time deposits with other banks	1,092	1,087
Investments in available-for-sale securities (at fair value)	17,595	16,556
Investments in held-to-maturity securities (fair value of $139 at September 30, 2016, and $155 at December 31, 2015)	107	120
Federal Home Loan Bank stock, at cost	2,231	971
Investment in The Co-operative Central Reserve Fund, at cost	384	384
Loans, net of allowance for loan losses of $1,013 at September 30, 2016, and $886 at December 31, 2015	207,515	170,427
Premises and equipment, net	4,979	5,177
Investment in real estate, net	1,545	1,578
Accrued interest receivable	581	508
Deferred income tax asset, net	426	496
Bank-owned life insurance	2,307	2,276
Other assets	217	257
Total assets	$ 250,880	$ 210,507
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$ 18,506	$ 15,290
Interest-bearing	162,975	154,082
Total deposits	181,481	169,372
Federal Home Loan Bank advances	36,372	8,500
Other liabilities	715	666
Total liabilities	218,568	178,538
Stockholders' equity:		
Common stock $.01 par value per share: 10,000,000 shares authorized, 2,253,439 shares issued at September 30, 2016 and 2,224,489 shares issued at December 31, 2015	23	22
Additional paid-in capital	20,876	20,466
Retained earnings	13,870	13,253
Unearned compensation - ESOP (163,324 shares unallocated at September 30, 2016 and 167,819 shares unallocated at December 31, 2015)	(1,634)	(1,679)
Unearned compensation - Restricted Stock	(852)	-
Accumulated other comprehensive income (loss)	29	(93)
Total stockholders' equity	32,312	31,969
Total liabilities and stockholders' equity	$ 250,880	$ 210,507

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 September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	(unaudited)		(unaudited)	
Interest and dividend income:				
Interest and fees on loans	$ 2,119	$ 1,696	$ 5,730	$ 4,839
Interest on debt securities:				
Taxable	46	47	152	133
Tax-exempt	8	17	34	51
Other interest and dividends	21	12	72	37
Total interest and dividend income	2,194	1,772	5,988	5,060
Interest expense:				
Interest on deposits	357	250	1,033	730
Interest on Federal Home Loan Bank advances	69	18	119	45
Total interest expense	426	268	1,152	775
Net interest and dividend income	1,768	1,504	4,836	4,285
Provision for loan losses	62	36	134	96
Net interest and dividend income after provision for loan losses	1,706	1,468	4,702	4,189
Noninterest income:				
Service charges on deposit accounts	27	30	81	90
Gain on sales/calls of securities, net	25	16	28	17
Writedown of securities (includes losses of $3 for the three and nine month periods ended September 30, 2015, no amounts recognized in other comprehensive income in any of the periods before taxes)	-	(3)	-	(3)
Gain on sales of loans, net	9	17	43	54
Rental income	62	63	196	194
Other income	32	33	100	96
Total noninterest income	155	156	448	448
Noninterest expense:				
Salaries and employee benefits	847	749	2,467	2,259
Occupancy expense	106	120	366	418
Equipment expense	49	45	143	138
Data processing expense	107	100	304	277
Professional fees	112	104	311	300
Federal Deposit Insurance Corporation assessment	38	36	112	106
Communications expense	27	31	91	90
Advertising and public relations expense	33	36	96	92
Insurance expense	15	20	46	61
Supplies expense	13	14	41	47
Other expense	54	49	167	173
Total noninterest expense	1,401	1,304	4,144	3,961
Income before income taxes	460	320	1,006	676
Income tax expense	184	117	389	238
Net income	$ 276	$ 203	$ 617	$ 438
Weighted-average number of common shares outstanding:				
Basic	2,025,166	2,077,522	2,026,604	2,076,024
Diluted	2,025,829	2,077,522	2,026,809	2,076,024
Earnings per share:				
Basic	$ 0.14	$ 0.10	$ 0.30	$ 0.21
Diluted	$ 0.14	$ 0.10	$ 0.30	$ 0.21

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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(unaudited)		(unaudited)	
Net income	$ 276	$ 203	$ 617	$ 438
Other comprehensive (loss) income, net of tax:				
Net unrealized holding (loss) gain on available-for-sale securities	(36)	110	220	63
Reclassification adjustment for net realized gains in net income [1]	(25)	(16)	(28)	(16)
Other comprehensive (loss) income before income tax effect	(61)	94	192	47
Income tax expense	23	(35)	(70)	(17)
Other comprehensive (loss) income, net of tax	(38)	59	122	30
Comprehensive income	$ 238	$ 262	$ 739	$ 468

(1) Reclassification adjustments are comprised of realized security gains. The realized gains have been reclassified out of accumulated other comprehensive income (loss) and have affected certain lines in the consolidated statements of income as follows: the pre-tax amount is included in gain on sales/calls of securities, net; the tax expense amount which was $9,000 and $5,000 for the three months ended September 30, 2016 and 2015, respectively, and $10,000 and $6,000 for the nine months ended September 30, 2016 and 2015, respectively, is included in income tax expense. The after tax amount included in net income was $16,000 and $11,000 for the three months ended September 30, 2016 and 2015, respectively, and $18,000 and $10,000 for the nine months ended September 30, 2016 and 2015, respectively.

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 Nine Months Ended September 30, 2016 and 2015 (unaudited)

(In Thousands, except share data)

	Common Stock		Additional Paid-in	Retained	Unearned Compensation-	Unearned Compensation-	Other Comprehensive	
	Shares	Amount	Capital	Earnings	ESOP	Restricted Stock	(Loss) Income	Total
Balance, December 31, 2014	2,247,589	$ 22	$ 20,770	$ 12,599	$ (1,738)	$ -	$ (51)	$ 31,602
Net income	-	-	-	438	-	-	-	438
Common stock held by ESOP committed to be allocated (4,495 shares)	-	-	8	-	45	-	-	53
Other comprehensive income, net of tax effect	-	-	-	-	-	-	30	30
Issuance costs related to initial public offering	-	-	(17)	-	-	-	-	(17)
Balance, September 30, 2015	2,247,589	$ 22	$ 20,761	$ 13,037	$ (1,693)	$ -	$ (21)	$ 32,106
Balance, December 31, 2015	2,224,489	$ 22	$ 20,466	$ 13,253	$ (1,679)	$ -	$ (93)	$ 31,969
Net income	-	-	-	617	-	-	-	617
Common stock held by ESOP committed to be allocated (4,495 shares)	-	-	13	-	45	-	-	58
Restricted stock granted in connection with equity incentive plan	70,950	1	911	-	-	(912)	-	-
Share based compensation-restricted stock	-	-	-	-	-	60	-	60
Share based compensation-options	-	-	36	-	-	-	-	36
Shares purchased and retired	(42,000)	-	(550)	-	-	-	-	(550)
Other comprehensive income, net of tax effect	-	-	-	-	-	-	122	122
Balance, September 30, 2016	2,253,439	$ 23	$ 20,876	$ 13,870	$ (1,634)	$ (852)	$ 29	$ 32,312

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

PILGRIM BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Nine Months Ended September 30, 2016	2015
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 617	$ 438
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	134	96
Capitalized interest on interest-bearing time deposits	(5)	(9)
Amortization of securities, net	65	63
Gain on sales/calls of securities, net	(28)	(17)
Loans originated for sale	(2,205)	(2,631)
Proceeds from sales of loans originated for sale	2,248	2,685
Gain on sales of loans, net	(43)	(54)
Change in deferred origination fees, costs and discounts	(224)	(47)
Writedown of securities	-	3
Depreciation and amortization	254	255
Stock based compensation expense	154	53
Increase in accrued interest receivable	(73)	(33)
Increase in bank-owned life insurance	(31)	(35)
Decrease in other assets	40	121
Increase in other liabilities	49	99
Net cash provided by operating activities	952	987
Cash flows from investing activities:		
Proceeds from redemption and maturities of interest-bearing time deposits	-	1,500
Purchase of Federal Home Loan Bank stock	(1,339)	(251)
Redemption of Federal Home Loan Bank stock	79	-
Purchases of available-for-sale securities	(6,342)	(4,384)
Proceeds from maturities/calls/pay downs of available-for-sale securities	4,245	2,438
Proceeds from sales of available-for-sale securities	1,208	-
Proceeds from maturities of held-to-maturity securities	18	28
Loan principal originations and collections, net	(12,875)	(13,284)
Loans purchased	(29,158)	(8,558)
Loan participations sold	5,035	1,650
Capital expenditures	(23)	(52)
Net cash used in investing activities	(39,152)	(20,913)
Cash flows from financing activities:		
Net increase (decrease) in demand deposits, NOW and savings accounts	3,660	(1,909)
Net increase in time deposits	8,449	7,004
Payments on Federal Home Loan Bank long-term advances	(2,728)	(1,000)
Proceeds from Federal Home Loan Bank long-term advances	30,600	5,500
Net change in short-term Federal Home Loan Bank advances	-	(500)
Issuance costs related to initial public offering	-	(17)
Purchase and retirement of common stock	(550)	-
Net cash provided by financing activities	39,431	9,078
Net increase (decrease) in cash and cash equivalents	1,231	(10,848)
Cash and cash equivalents at beginning of period	10,670	18,295
Cash and cash equivalents at end of period	$ 11,901	$ 7,447
Supplemental disclosures:		
Interest paid	$ 1,133	$ 773
Income taxes paid	500	149

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - NATURE OF OPERATIONS

Pilgrim Bancshares, Inc. (the "Company"), was incorporated in February 2014 under the laws of the State of Maryland. The Company owns all of the outstanding shares of common stock of Pilgrim Bank (the "Bank"). The Bank is a Massachusetts chartered stock 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. The Bank is subject to the regulations of, and periodic examination by, the Massachusetts Division of Banks ("DOB") and the Federal Deposit Insurance Corporation ("the FDIC").

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 ("GAAP") 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 GAAP for complete financial statements. Information included herein as of September 30, 2016 and for the interim periods ended September 30, 2016 and 2015 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 three and nine months ended September 30, 2016 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, 2015. In preparing consolidated financial statements in conformity with GAAP, 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

As an "emerging growth company," as defined in Title 1 of the Jumpstart Our Business Startups (JOBS) Act, the Company has elected to use the extended transition period to delay adoption of new or reissued accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, the consolidated financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards. As of September 30, 2016, there is no significant difference in the comparability of the financial statements as a result of this extended transition period.

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments in this ASU address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments and make targeted improvements to GAAP as follows:

1. Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same manner.
2. Simplify the impairment assessment of equity investments without determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.
3. Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
4. Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
5. Require an entity to present separately in other comprehensive income the portion of the total change in fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.
6. Require separate presentation of financial assets and financial liabilities by measurement category and form of financial assets (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.
7. Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.

Under the extended transition period for an emerging growth company, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of item 5 above is permitted as of the beginning of fiscal years or interim periods for which financial statements have not been issued. Early adoption of all other amendments in this ASU is not permitted. The Company anticipates that the adoption of this ASU will not have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." This ASU was issued to increase transparency and comparability among organizations by requiring reporting entities to recognize all leases, including operating, as lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. Under the extended transition period for an emerging growth company, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Company anticipates that the adoption of this ASU will not have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-based Payment Accounting." The ASU simplifies several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. Under the extended transition period for an emerging growth company, the amendments in this ASU are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The Company is currently reviewing this ASU to determine if it will have an impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326)." The amendments in this ASU affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU also requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a reporting entity's portfolio. Additionally, this ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. Under the extended transition period for an emerging growth company, the amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities may adopt the amendments in this ASU earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. An entity will apply the amendments in this ASU through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Company is currently reviewing the amendments in this ASU to determine the impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments." Current GAAP is unclear or does not include specific guidance on how to classify certain transactions in the statement of cash flows. This ASU is intended to reduce diversity in practice in how eight particular transactions are classified in the statement of cash flows. Under the extended transition period for an emerging growth company, the amendments in ASU 2016-15 are effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, provided that all of the amendments are adopted in the same period. Entities will be required to apply the guidance retrospectively. If it is impracticable to apply the guidance retrospectively for an issue, the amendments related to that issue would be applied prospectively. As this guidance only affects the classification within the statement of cash flows, ASU No. 2016-15 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 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.

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

EPS for the three and nine months ended September 30, 2016 and 2015 (unaudited) have been computed based on the following:

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net income (In thousands)	$ 276	$ 203	$ 617	$ 438
Basic and diluted common shares:				
Weighted average common shares outstanding	2,189,239	2,247,589	2,192,175	2,247,589
Weighted average unallocated ESOP shares	(164,073)	(170,067)	(165,571)	(171,565)
Basic weighted average shares outstanding	2,025,166	2,077,522	2,026,604	2,076,024
Dilutive effect of unearned restricted stock	663	-	205	-
Diluted weighted average shares outstanding	2,025,829	2,077,522	2,026,809	2,076,024
Basic earnings per share	$ 0.14	$ 0.10	$ 0.30	$ 0.21
Diluted earnings per share (1)	$ 0.14	$ 0.10	$ 0.30	$ 0.21

(1) Options to purchase 169,500 shares, representing all outstanding options, were not included in the computation of diluted earnings per share for the three and nine months ended September 30, 2016 because the effect is anti-dilutive.

NOTE 5 - INVESTMENTS IN SECURITIES

Investments in securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost basis 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:				
September 30, 2016 (unaudited):				
Debt securities issued by U.S. government corporations and agencies	$ 8,879	$ 25	$ 2	$ 8,902
Debt securities issued by states of the United States and political subdivisions of the states	2,706	31	14	2,723
Mortgage-backed securities	5,965	37	32	5,970
	$ 17,550	$ 93	$ 48	$ 17,595
December 31, 2015:				
Debt securities issued by U.S. government corporations and agencies	$ 6,339	$ 6	$ 34	$ 6,311
Debt securities issued by states of the United States and political subdivisions of the states	2,456	7	19	2,444
Mortgage-backed securities	7,908	6	113	7,801
	$ 16,703	$ 19	$ 166	$ 16,556

	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
Held-to-maturity securities:				
September 30, 2016 (unaudited):				
Mortgage-backed securities	$ 107	$ 32	$ -	$ 139
	$ 107	$ 32	$ -	$ 139
December 31, 2015:				
Mortgage-backed securities	$ 120	$ 35	$ -	$ 155
	$ 120	$ 35	$ -	$ 155

The scheduled maturities of debt securities were as follows as of September 30, 2016 (unaudited):

	Available-For-Sale	Held-To-Maturity	
	Fair Value	Amortized Cost Basis	Fair Value
	(In Thousands)		
Due within one year	$ -	$ -	$ -
Due after one year through five years	10,043	-	-
Due after five years through ten years	1,314	-	-
Due after ten years	268	-	-
Mortgage-backed securities	5,970	107	139
	$ 17,595	$ 107	$ 139

Proceeds from sales of available-for-sale securities during the nine months ended September 30, 2016 (unaudited) were $1.2 million with gross realized gains of $24,000 and no gross realized losses. The tax expense related to these net realized gains for the nine month period ended September 30, 2016 (unaudited) amounted to $9,000.

As of September 30, 2016 (unaudited) and December 31, 2015, 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, and are not other-than-temporarily impaired, 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)			
September 30, 2016 (unaudited):						
Debt securities issued by U.S. government corporations and agencies	$ 1,997	$ 2	$ -	$ -	$ 1,997	$ 2
Debt securities issued by states of the United States and political subdivisions of the states	203	-	436	14	639	14
Mortgage-backed securities	586	3	1,477	29	2,063	32
Total temporarily impaired securities	$ 2,786	$ 5	$ 1,913	$ 43	$ 4,699	$ 48
December 31, 2015:						
Debt securities issued by U.S. government corporations and agencies	$ 5,320	$ 21	$ 487	$ 13	$ 5,807	$ 34
Debt securities issued by states of the United States and political subdivisions of the states	-	-	912	19	912	19
Mortgage-backed securities	4,302	46	2,101	67	6,403	113
Total temporarily impaired securities	$ 9,622	$ 67	$ 3,500	$ 99	$ 13,122	$ 166

As of September 30, 2016 (unaudited), investment securities with unrealized losses consist of 4 debt securities issued by U.S. government agencies and government-sponsored enterprises, 3 debt securities issued by states of the United States and political subdivisions of the states and 12 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 basis 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.

The following table summarizes other-than-temporary impairment losses on securities for the three and nine months ended September 30, 2016 and 2015 (unaudited):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	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	$ -	$ 3	$ -	$ 3
Less: unrealized other-than-temporary losses recognized in other comprehensive income (loss) (1)	-	-	-	-
Net impairment losses recognized in earnings (2)	$ -	$ 3	$ -	$ 3

(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

No other-than-temporary impairment losses were recognized for the nine months ended September 30, 2016. For the three and nine months ended September 30, 2015, 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:

	September 30, 2016 (unaudited)	December 31, 2015
	(In Thousands)	
Real estate loans:		
One-to four- family residential	$ 132,440	$ 104,861
Commercial	25,521	21,848
Multi-family	18,850	16,559
Home equity loans and lines of credit	2,230	2,093
Construction	23,952	18,755
Commercial and industrial loans	2,975	3,964
Consumer loans:		
Consumer lines of credit	17	20
Other consumer loans	2,166	3,060
	208,151	171,160
Net deferred loan origination fees, costs and discounts	377	153
Allowance for loan losses	(1,013)	(886)
Net loans	$ 207,515	$ 170,427

The following tables set forth information regarding the allowance for loan losses for the nine months ended September 30, 2016 and 2015 (unaudited) and at September 30, 2016 (unaudited) and December 31, 2015:

	Real Estate:						Consumer			
	One- to four-family Residential	Commercial	Multi-family	Home Equity Loans and Lines of Credit	Construction	Commercial and Industrial Loans	Consumer Line of Credit	Other Consumer	Unallocated	Total
					(In Thousands)					
Nine months ended September 30, 2016 (unaudited):										
Allowance for loan losses:										
Beginning balance	$ 373	$ 146	$ 62	$ 14	$ 216	$ 13	$ 1	$ 29	$ 32	$ 886
Charge-offs	-	-	-	-	-	-	-	(7)	-	(7)
Recoveries	-	-	-	-	-	-	-	-	-	-
Provision (benefit)	72	1	9	(2)	60	(3)	-	(1)	(2)	134
Ending balance	$ 445	$ 147	$ 71	$ 12	$ 276	$ 10	$ 1	$ 21	$ 30	$ 1,013
Nine months ended September 30, 2015 (unaudited):										
Allowance for loan losses:										
Beginning balance	$ 362	$ 134	$ 36	$ 27	$ 121	$ 8	$ 1	$ 20	$ 34	$ 743
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-	-
Provision (benefit)	8	(14)	19	(13)	99	9	-	12	(24)	96
Ending balance	$ 370	$ 120	$ 55	$ 14	$ 220	$ 17	$ 1	$ 32	$ 10	$ 839
At September 30, 2016 (unaudited):										
Allowance for loan losses:										
Ending balance:										
Individually evaluated for impairment	$ 21	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 21
Ending balance:										
Collectively evaluated for impairment	424	147	71	12	276	10	1	21	30	992
Total allowance for loan losses ending balance	$ 445	$ 147	$ 71	$ 12	$ 276	$ 10	$ 1	$ 21	$ 30	$ 1,013
Loans:										
Ending balance:										
Individually evaluated for impairment	$ 3,423	$ 659	$ -	$ 6	$ -	$ -	$ -	$ -	$ -	$ 4,088
Ending balance:										
Collectively evaluated for impairment	129,017	24,862	18,850	2,224	23,952	2,975	17	2,166	-	204,063
Total loans ending balance	$ 132,440	$ 25,521	$ 18,850	$ 2,230	$ 23,952	$ 2,975	$ 17	$ 2,166	$ -	$ 208,151

	Real Estate:						Consumer			
	One- to four-family Residential	Commercial	Multi-family	Home Equity Loans and Lines of Credit	Construction	Commercial and Industrial Loans	Consumer Line of Credit	Other Consumer	Unallocated	Total
At December 31, 2015:										
Allowance for loan losses:										
Ending balance:										
Individually evaluated for impairment	$ 21	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 21
Ending balance:										
Collectively evaluated for impairment	352	146	62	14	216	13	1	29	32	865
Total allowance for loan losses ending balance	$ 373	$ 146	$ 62	$ 14	$ 216	$ 13	$ 1	$ 29	$ 32	$ 886
Loans:										
Ending balance:										
Individually evaluated for impairment	$ 5,665	$ 679	$ -	$ 59	$ -	$ -	$ -	$ -	$ -	$ 6,403
Ending balance:										
Collectively evaluated for impairment	99,196	21,169	16,559	2,034	18,755	3,964	20	3,060	-	164,757
Total loans ending balance	$ 104,861	$ 21,848	$ 16,559	$ 2,093	$ 18,755	$ 3,964	$ 20	$ 3,060	$ -	$ 171,160

The following tables set forth information regarding nonaccrual loans and past-due loans at September 30, 2016 (unaudited) and December 31, 2015:

	30-59 Days	60-89 Days	90 Days or More Past Due	Total Past Due	Total Current	Total	90 Days or More Past Due and Accruing	Nonaccrual Loans
				(In Thousands)				
September 30, 2016 (unaudited):								
Real estate loans:								
One- to four-family residential	$ 567	$ -	$ -	$ 567	$ 131,873	$ 132,440	$ -	$ 11
Commercial		-	-	-	25,521	25,521	-	-
Multi-family	-	-	-	-	18,850	18,850	-	-
Home equity loans and lines of credit	6	-	-	6	2,224	2,230	-	-
Construction	-	-	-	-	23,952	23,952	-	-
Commercial and industrial loans	-	-	-	-	2,975	2,975	-	-
Consumer loans:								
Consumer lines of credit	-	-	-	-	17	17	-	-
Other consumer		-	-	-	2,166	2,166	-	-
Total	$ 573	$ -	$ -	$ 573	$ 207,578	$ 208,151	$ -	$ 11
December 31, 2015:								
Real estate loans:								
One- to four-family residential	$ 1,088	$ 18	$ 1,393	$ 2,499	$ 102,362	$ 104,861	$ -	$ 1,410
Commercial	-	-	-	-	21,848	21,848	-	-
Multi-family	-	-	-	-	16,559	16,559	-	-
Home equity loans and lines of credit	-	59	-	59	2,034	2,093	-	-
Construction	-	-	-	-	18,755	18,755	-	-
Commercial and industrial loans	-	-	-	-	3,964	3,964	-	-
Consumer loans:								
Consumer lines of credit	-	-	-	-	20	20	-	-
Other consumer	16	-	-	16	3,044	3,060	-	-
Total	$ 1,104	$ 77	$ 1,393	$ 2,574	$ 168,586	$ 171,160	$ -	$ 1,410

Information about loans that meet the definition of an impaired loan in ASC 310-10-35, "Receivables – Overall Subsequent Measurement," is as follows at September 30, 2016 and December 31, 2015.

	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In Thousands)	
September 30, 2016 (unaudited):			
With no related allowance recorded:			
Real estate loans:			
One- to four-family residential	$ 2,856	$ 2,856	$ -
Commercial	659	659	-
Home equity loans and lines of credit	6	88	-
Total impaired with no related allowance	$ 3,521	$ 3,603	$ -
With an allowance recorded:			
Real estate loans:			
One- to four-family residential	$ 567	$ 567	$ 21
Commercial	-	-	-
Home equity loans and lines of credit	-	-	-
Total impaired with an allowance recorded	$ 567	$ 567	$ 21
Total			
Real estate loans:			
One- to four-family residential	$ 3,423	$ 3,423	$ 21
Commercial	659	659	-
Home equity loans and lines of credit	6	88	-
Total impaired loans	$ 4,088	$ 4,170	$ 21
December 31, 2015:			
With no related allowance recorded:			
Real estate loans:			
One- to four-family residential	$ 5,098	$ 5,098	$ -
Commercial	679	679	-
Home equity loans and lines of credit	59	141	-
Total impaired with no related allowance	$ 5,836	$ 5,918	$ -
With an allowance recorded:			
Real estate loans:			
One- to four-family residential	$ 567	$ 567	$ 21
Commercial	-	-	-
Home equity loans and lines of credit	-	-	-
Total impaired with an allowance recorded	$ 567	$ 567	$ 21
Total			
Real estate loans:			
One- to four-family residential	$ 5,665	$ 5,665	$ 21
Commercial	679	679	-
Home equity loans and lines of credit	59	141	-
Total impaired loans	$ 6,403	$ 6,485	$ 21

The following presents by class, information related to average recorded investment and interest income recognized on impaired loans for the nine months ended September 30, 2016 and 2015 (unaudited).

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Real estate loans:				
One- to four-family residential	$ 3,607	$ 135	$ 5,840	$ 147
Commercial	670	28	691	29
Home equity loans and lines of credit	48	4	53	1
Total impaired with no related allowance	$ 4,325	$ 167	$ 6,584	$ 177
With an allowance recorded:				

Real estate loans:				
One- to four-family residential	$ 567	$ 17	$ 573	$ 17
Commercial	-	-	-	-
Home equity loans and lines of credit	-	-	-	-
Total impaired with an allowance recorded	$ 567	$ 17	$ 573	$ 17
Total				
Real estate loans:				
One- to four-family residential	$ 4,174	$ 152	$ 6,413	$ 164
Commercial	670	28	691	29
Home equity loans and lines of credit	48	4	53	1
Total impaired loans	$ 4,892	$ 184	$ 7,157	$ 194

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

	Real Estate: One- to four-family Residential	Real Estate: Commercial	Real Estate: Multi-family	Real Estate: Home Equity Loans and Lines of Credit	Real Estate: Construction	Commercial and Industrial Loans	Consumer: Consumer Lines of Credit	Consumer: Other Consumer	Total
				(In Thousands)					
September 30, 2016 (unaudited):									
Grade:									
Pass	$ -	$ 24,862	$ 18,850	$ -	$ 23,952	$ 2,975	$ -	$ -	$ 70,639
Special mention	2,026	659	-		-	-	-	-	2,685
Substandard	567	-	-	6	-	-	-	-	573
Loans not formally rated	129,847	-	-	2,224	-	-	17	2,166	134,254
Total	$ 132,440	$ 25,521	$ 18,850	$ 2,230	$ 23,952	$ 2,975	$ 17	$ 2,166	$ 208,151
December 31, 2015:									
Grade:									
Pass	$ -	$ 21,169	$ 16,559	$ -	$ 18,755	$ 3,964	$ -	$ -	$ 60,447
Special mention	539	-	-	53	-	-	-	-	592
Substandard	3,796	679	-	6	-	-	-	-	4,481
Loans not formally rated	100,526	-	-	2,034	-	-	20	3,060	105,640
Total	$ 104,861	$ 21,848	$ 16,559	$ 2,093	$ 18,755	$ 3,964	$ 20	$ 3,060	$ 171,160

At September 30, 2016 (unaudited) and December 31, 2015, 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 three months ended September 30, 2016 (unaudited), there were no loans modified as TDRs. During the nine months ended September 30, 2016 (unaudited), five loans were modified as TDRs. Three of the modified loans paid off by September 30, 2016. During the nine months ended September 30, 2015 (unaudited), there were no loans modified as TDRs. The following table sets forth information regarding the remaining loans modified as TDRs during the nine months ended September 30, 2016.

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(Dollars In Thousands)	
September 30, 2016:			
Troubled Debt Restructurings:			
Real estate loans:			
One- to four- family residential	1	$ 567	$ 567
Home equity loans and lines of credit	1	6	6
	2	$ 573	$ 573

At September 30, 2016 (unaudited) there were no loans modified as TDRs that subsequently defaulted.

As of September 30, 2016 (unaudited), there were no commitments to lend additional funds to borrowers whose loans were modified as troubled debt restructurings.

The following table provides information on how loans outstanding as of September 30, 2016 were modified as TDRs:

	Rate Reduction	Interest Only Period	Rate Reduction and Interest Only Period
		(In Thousands)	
September 30, 2016 (unaudited):			
Real estate loans:			
One- to four- family residential	$ -	$ 567	$ -
Home equity loans and lines of credit	-	6	-
Total	$ -	$ 573	$ -

An analysis of the loans modified as TDRs was performed as of September 30, 2016 (unaudited). An allowance of $21,000 was assigned to 1 one-to-four family residential loan. All loans were accruing.

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 $27.5 million and $21.8 million at September 30, 2016 (unaudited) and December 31, 2015, respectively.

On March 25, 2016, the Company entered into an agreement to purchase $20.0 million of residential mortgages, with 50% of the purchase being fixed rate loans and 50% being adjustable rate mortgages of varying maturities. The purchase premium is fixed at 1%. As of September 30, 2016, the Company had purchased $17.8 million of loans under this agreement.

NOTE 7 – DEPOSITS

The aggregate amount of time deposits in denominations that meet or exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000 at September 30, 2016 (unaudited) and December 31, 2015 was $24.4 million and $20.9 million, respectively. The totals at September 30, 2016 (unaudited) and December 31, 2015 exclude $5.0 million of brokered time deposits which were bifurcated into amounts below the FDIC insurance limit.

For time deposits as of September 30, 2016 (unaudited), the scheduled maturities for each of the following five years ended September 30 are:

		(In Thousands)
2017	$	59,008
2018		17,444
2019		3,949
2020		3,410
2021		7,888
Total	$	91,699

NOTE 8 - FEDERAL HOME LOAN BANK ADVANCES

Maturities of advances from the Federal Home Loan Bank of Boston ("FHLB") for the years ending after September 30, 2016 (unaudited) are summarized as follows:

		(In Thousands)
2017	$	3,600
2018		4,500
2019		4,377
2020		-
2021		7,895
Thereafter		16,000
	$	36,372

Interest rates range from 0.39% to 1.41% with a weighted-average interest rate of 0.91% at September 30, 2016 (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. 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 September 30, 2016 (unaudited) and December 31, 2015. The Company did not have any significant transfers between level 1 and level 2 of the fair value hierarchy during the nine months ended September 30, 2016 (unaudited) and the year ended December 31, 2015.

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.

The following summarizes assets measured at fair value as of September 30, 2016 (unaudited) and December 31, 2015.

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)			
September 30, 2016 (unaudited) :				
Debt securities issued by U.S. government corporations and agencies	$ 8,902	$ -	$ 8,902	$ -
Debt securities issued by states of the United States and political subdivisions of the states	2,723	-	2,723	-
Mortgage-backed securities	5,970	-	5,970	-
Totals	$ 17,595	$ -	$ 17,595	$ -
December 31, 2015 :				
Debt securities issued by U.S. government corporations and agencies	$ 6,311	$ -	$ 6,311	$ -
Debt securities issued by states of the United States and political subdivisions of the states	2,444	-	2,444	-
Mortgage-backed securities	7,801	-	7,801	-
Totals	$ 16,556	$ -	$ 16,556	$ -

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 September 30, 2016 (unaudited) and December 31, 2015, 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)			
September 30, 2016 (unaudited):				
Impaired loans	$ 546	$ -	$ -	$ 546
Totals	$ 546	$ -	$ -	$ 546
December 31, 2015:				
Impaired loans	$ 546	$ -	$ -	$ 546
Totals	$ 546	$ -	$ -	$ 546

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:

	September 30, 2016 (unaudited)				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
			(In Thousands)		
Financial assets:					
Cash and cash equivalents	$ 11,901	$ 11,901	$ -	$ -	$ 11,901
Interest-bearing time deposits with other banks	1,092	-	1,094	-	1,094
Available-for-sale securities	17,595	-	17,595	-	17,595
Held-to-maturity securities	107	-	139	-	139
Federal Home Loan Bank stock	2,231	2,231	-	-	2,231
Investment in The Co-operative Central Reserve Fund	384	384	-	-	384
Loans, net	207,515	-	-	209,319	209,319
Accrued interest receivable	581	581	-	-	581
Financial liabilities:					
Deposits	181,481	-	182,267	-	182,267
FHLB advances	36,372	-	36,242	-	36,242

	December 31, 2015				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
			(In Thousands)		
Financial assets:					
Cash and cash equivalents	$ 10,670	$ 10,670	$ -	$ -	$ 10,670
Interest-bearing time deposits with other banks	1,087	-	1,086	-	1,086
Available-for-sale securities	16,556	-	16,556	-	16,556
Held-to-maturity securities	120	-	155	-	155
Federal Home Loan Bank stock	971	971	-	-	971
Investment in The Co-operative Central Reserve Fund	384	384	-	-	384
Loans, net	170,427	-	-	171,150	171,150
Accrued interest receivable	508	508	-	-	508
Financial liabilities:					
Deposits	169,372	-	170,134	-	170,134
FHLB advances	8,500	-	8,458	-	8,458

The carrying amounts of financial instruments shown in the above table are included in the consolidated balance sheets as of September 30, 2016 (unaudited) and December 31, 2015 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%. CET1 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 CET1 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 began phasing in on 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 changed 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 CET1 will be deducted from capital.

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 rights 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 100%.

Management believes, as of September 30, 2016, that the Bank meets all capital adequacy requirements to which it is subject.

As of September 30, 2016 (unaudited), the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier 1 risk-based, Common Equity risk-based, and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars In Thousands)			
As of September 30, 2016 (unaudited) :						
Total Capital (to Risk Weighted Assets)	$ 23,998	14.4%	$ 13,350	8.0%	$ 16,687	10.0%
Tier 1 Capital (to Risk Weighted Assets)	22,974	13.8	10,012	6.0	13,350	8.0
Common Equity Tier 1 Capital (to Risk Weighted Assets)	22,974	13.8	7,509	4.5	10,846	6.5
Tier 1 Capital (to Average Assets)	22,974	9.5	9,721	4.0	12,151	5.0
As of December 31, 2015:						
Total Capital (to Risk Weighted Assets)	$ 23,066	16.2%	$ 11,408	8.0%	$ 14,260	10.0%
Tier 1 Capital (to Risk Weighted Assets)	22,171	15.6	8,556	6.0	11,408	8.0
Common Equity Tier 1 Capital (to Risk Weighted Assets)	22,171	15.6	6,417	4.5	9,269	6.5
Tier 1 Capital (to Average Assets)	22,171	10.9	8,169	4.0	10,211	5.0

NOTE 11 – COMMON STOCK REPURCHASES

On November 24, 2015, the Board of Directors of the Company authorized a stock repurchase program pursuant to which the Company may purchase up to 89,903 shares of the Company's common stock, equal to 4.0% of the Company's outstanding common stock at the time. The program allows the Company to repurchase common stock at various prices in the open market or through private transactions. The actual amount and timing of future repurchases, if any, will depend on market conditions, applicable SEC rules and various other factors.

During the fourth quarter of 2015, the Company repurchased 23,100 shares of common stock, at an average cost of $12.89.

During the nine month period ending September 30, 2016 (unaudited), a total of 42,000 shares of common stock were repurchased at an average cost of $13.10.

NOTE 12 – EQUITY INCENTIVE PLANS

On November 24, 2015, stockholders of the Company approved the 2015 Equity Incentive Plan (“2015 EIP”). The 2015 EIP provides for the award of up to 314,661 shares of common stock pursuant to grants of restricted stock awards and stock options. Pursuant to the terms of the 2015 EIP, on June 1, 2016, the Board of Directors granted 70,950 shares of restricted stock and 169,500 stock options to employees and directors. Of the 70,950 shares of restricted stock granted, 47,600 shares vest evenly over a five year period and 23,350 shares vest over a four year period. Of the 169,500 stock options granted, 122,500 options vest evenly over a five year period and 47,000 options vest over a four year period. The maximum term of each option is ten years. At September 30, 2016, there were 18,953 restricted stock awards and 55,258 stock options available for future grants.

The fair value of each option awarded for the 2015 EIP is estimated on the date of the grant using the Black-Scholes Option-Pricing Model. The expected life represents the period of time that the option is expected to be outstanding, taking into account the contractual term and the vesting period. The expected volatility is based on peer group volatility because the Company does not have sufficient trading history. The dividend yield is based on the Company’s expectation of no dividend payouts. The risk-free rate was based on the U.S. Treasury yield curve in effect at the date of the grant for a period equivalent to the expected life of the option.

The weighted average assumptions used and fair value for options granted during the nine months ended September 30, 2016 (unaudited) are as follows:

	Stock Option Assumptions
Expected life (years)	6.40 years
Expected dividend yield	0%
Expected volatility	20.24%
Expected forfeiture rate	0%
Risk free rate	1.67%
Fair value per option	$3.17

A summary of activity for the 2015 Equity Incentive Plan as of and for the nine months ended September 30, 2016 (unaudited) is as follows:

	Stock Options 2016	
	Number of Shares	
Outstanding at beginning of period		-
Granted		169,500
Outstanding at end of period		169,500
Exercisable at end of period		-
Weighted average fair value of options granted during the period	$	3.17
Weighted average contractual life remaining		9.6 years
Weighted average exercise price	$	12.85

	Non-vested Restricted Stock 2016	
	Number of Shares	
Outstanding at beginning of period		-
Granted		70,950
Outstanding at end of period		70,950
Weighted average grant date fair value	$	12.85

As of September 30, 2016 (unaudited), unrecognized share-based compensation expense related to non-vested options amounted to $501,000 and the unrecognized share-based compensation expense related to non-vested restricted stock amounted to $852,000. The unrecognized expense related to the non-vested options and non-vested restricted stock will be recognized over a weighted average period of 4.4 years.

For the three months ended September 30, 2016 (unaudited), the Company recognized stock option related compensation expense of $26,000, and the recognized tax benefit related to this expense was $3,000. For the nine months ended September 30, 2016 (unaudited), the Company recognized stock option related compensation expense of $36,000, and the recognized tax benefit related to this expense was $4,000. For the three months ended September 30, 2016 (unaudited), the Company recognized restricted stock related compensation expense of $46,000, and the recognized tax benefit related to this expense was $18,000. For the nine months ended September 30, 2016 (unaudited), the Company recognized restricted stock related compensation expense of $60,000, and the recognized tax benefit related to this expense was $24,000.

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 nine months ended September 30, 2016 and 2015 is intended to assist in understanding the financial condition and results of operations of the Company. 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," "contemplate," "continue," "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 nine months ended September 30, 2016, there were no material changes to the critical accounting policies disclosed in Pilgrim Bancshares, Inc.'s 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on March 28, 2016.

Comparison of Financial Condition at September 30, 2016 (unaudited) and December 31, 2015

Total assets increased $40.4 million, or 19.2%, to $250.9 million at September 30, 2016 from $210.5 million at December 31, 2015. The increase was primarily due to an increase in loans.

Total cash and cash equivalents increased $1.2 million, or 11.5%, to $11.9 million at September 30, 2016 from $10.7 million at December 31, 2015. The increase in cash resulted from the timing of normal cash flows.

Net loans increased $37.1 million, or 21.8%, to $207.5 million at September 30, 2016 from $170.4 million at December 31, 2015. The Company originated $60.2 million and purchased $29.2 million of new loans during the nine months ended September 30, 2016. Partially offsetting the loan originations and purchases were $35.0 million of loan payoffs and amortization, $7.2 million of loans and loan participations sold and $10.1 million of unadvanced funds on loans originated during the nine months ended September 30, 2016.

Investment securities classified as available-for-sale increased $1.0 million, or 6.3%, to $17.6 million at September 30, 2016 from $16.6 million at December 31, 2015, due to the purchase of U.S. government and agency securities. Investment securities classified as held-to-maturity decreased $13,000, or 10.8%, to $107,000 at September 30, 2016, from $120,000 at December 31, 2015 due to payments in the ordinary course of business and a payoff of one security.

Bank-owned life insurance at September 30, 2016 increased $31,000, or 1.4%, compared to December 31, 2015 due to normal increases in cash surrender value.

Deposits increased $12.1 million, or 7.1%, to $181.5 million at September 30, 2016 from $169.4 million at December 31, 2015, primarily due to a $12.1 million increase in certificates of deposit, a $3.2 million increase in noninterest-bearing demand accounts, a $1.3 million increase in savings accounts, a $1.5 million increase in Money Market accounts, and a $2.4 million decrease in NOW accounts. Our core deposits, which we consider to be our noninterest-bearing demand accounts, NOW accounts, savings accounts and money market accounts, collectively increased $3.7 million, or 4.2%, to $89.8 million at September 30, 2016 from $86.1 million at December 31, 2015.

FHLB advances increased $27.9 million, or 327.9%, to $36.4 million at September 30, 2016 from $8.5 million at December 31, 2015, to fund loan growth. FHLB advances as of September 30, 2016 consisted of short and long term borrowings.

Stockholders' equity increased $343,000, or 1.1%, to $32.3 million at September 30, 2016 from $32.0 million at December 31, 2015. The increase was driven by $617,000 of net income for the nine months ended September 30, 2016 and $122,000 in other comprehensive income, due to an increase in the net unrealized gain position of our available-for-sale investment securities portfolio. Partially offsetting the increase was the purchase and retirement of 42,000 shares of the Company's common stock at a cost of $550,000.

Delinquent Loans. The following table sets forth our loan delinquencies by type and amount at the dates indicated.

	At September 30, 2016 (unaudited)			At December 31, 2015		
	30-59 Days Past Due	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]	$ 567	$ -	$ -	$ 1,088	$ 18	$ 1,393
Commercial		-	-	-	-	-
Multi-family	-	-	-	-	-	-
Home equity loans and lines of credit	6		-	-	59	-
Construction	-	-	-	-	-	-
Total real estate	573	-	-	1,088	77	1,393
Commercial and industrial loans	-	-	-	-	-	-
Consumer loans		-	-	16	-	-
Total loans	$ 573	$ -	$ -	$ 1,104	$ 77	$ 1,393

(1) There were no delinquent non-owner occupied residential real estate loans at September 30, 2016 or December 31, 2015.

The decrease in total delinquent loans 90 days or more past due from December 31, 2015 to September 30, 2016 was the result of the payoff of one loan in the amount of $1.4 million.

Classified Assets. The following table sets forth our amounts of classified assets and assets designated as special mention as of September 30, 2016 and December 31, 2015.

	At September 30, 2016 (unaudited)	At December 31, 2015
	(In Thousands)	
Classified assets:		
Substandard:		
Loans[1]	$ 573	$ 4,481
Securities	106	115
Other real estate owned	-	-
Total substandard	679	4,596
Doubtful	-	-
Loss	-	-
Other real estate owned	-	-
Total classified assets	$ 679	$ 4,596
Special mention	$ 2,685	$ 592

(1) Includes $1.4 million of non-accruing loans that were more than 90 days past due at December 31, 2015.

The decrease in classified assets from December 31, 2015 to September 30, 2016 was the result of the payoff of one non-accruing loan in the amount of $1.4 million, the upgrade of two loans totaling $2.5 million from “substandard” to “special mention,” and normal amortization.

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 September 30, 2016 (unaudited)	At December 31, 2015
	(Dollars In Thousands)	
Non-accrual loans:		
Real estate loans:		
One- to four-family residential(1)	$ 11	$ 1,410
Commercial	-	-
Multi-family	-	-
Home equity loans and lines of credit	-	-
Construction	-	-
Total real estate	11	1,410
Commercial and industrial loans	-	-
Consumer loans	-	-
Total non-accrual loans	11	1,410
Total accruing loans past due 90 days or more	-	-
Total of nonaccrual loans and accruing loans 90 days or more past due	11	1,410
Other non-performing assets	-	-
Total non-performing assets	11	1,410
Performing troubled debt restructurings:		
Real estate loans:		
One- to four-family residential(2)	3,423	4,272
Commercial	659	679
Multi-family	-	-
Home equity loans and lines of credit	6	59
Total real estate	4,088	5,010
Commercial and industrial loans	-	-
Consumer loans	-	-
Total troubled debt restructurings	4,088	5,010
Total non-performing loans and troubled debt restructurings	$ 4,099	$ 6,420
Non-performing loans to total loans	0.01%	0.82%
Non-performing assets to total assets	0.00%	0.67%
Non-performing assets and troubled debt restructurings to total assets	1.63%	3.05%

(1) There were no non-performing non-owner occupied residential real estate loans at September 30, 2016 or December 31, 2015.
(2) There were no troubled debt restructurings related to non-owner occupied residential real estate loans at September 30, 2016 or December 31, 2015.

The decrease in non-performing assets from December 31, 2015 to September 30, 2016 was the result of the payoff of a non-accruing loan totaling $1.4 million.

Non-performing loans totaled $11,000 at September 30, 2016, and consisted of one owner occupied one- to four- family residential loan. We had no non-performing commercial real estate and multi-family loans at September 30, 2016. We had no foreclosed real estate at September 30, 2016.

Interest income that would have been recorded for the nine months ended September 30, 2016, had the one non-accruing loan been current according to its original terms, amounted to less than $1,000.

Other Loans of Concern. There were no other loans at September 30, 2016 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 September 30, 2016 and September 30, 2015

General. Net income for the three months ended September 30, 2016 was $276,000, compared to net income of $203,000 for the three months ended September 30, 2015. The increase of $73,000, or 36.0%, in net income was due to an increase in net interest income, partially offset by an increase in provision for loan losses, and an increase in noninterest expense.

Interest and Dividend Income. Total interest and dividend income for the three months ended September 30, 2016 increased $422,000, or 23.8%, to $2.2 million compared to $1.8 million for the three months ended September 30, 2015. The increase in interest and dividend income was the result of higher average loans in the three months ended September 30, 2016. The average balance of loans during the three months ended September 30, 2016 increased $43.5 million to $204.3 million from $160.8 million for the three months ended September 30, 2015, while the average yield on loans decreased 7 basis points to 4.15% for the three months ended September 30, 2016 from 4.22% for the three months ended September 30, 2015. The average balance of investment securities increased $1.8 million to $16.3 million for the three months ended September 30, 2016 from $14.5 million for the three months ended September 30, 2015, and the yield on investment securities (on a tax-equivalent basis) decreased 60 basis points to 1.41% for the three months ended September 30, 2016 from 2.01% for the three months ended September 30, 2015.

Interest Expense. Total interest expense increased $158,000, or 59.0%, to $426,000 for the three months ended September 30, 2016 from $268,000 for the three months ended September 30, 2015. Interest expense on interest-bearing deposit accounts increased $107,000, or 42.8%, to $357,000 for the three months ended September 30, 2016 from $250,000 for the three months ended September 30, 2015. The increase was primarily due to higher average deposit balances and overall changes in the deposit mix.

Interest expense on FHLB advances increased $51,000, or 283.3%, to $69,000 for the three months ended September 30, 2016 from $18,000 for the three months ended September 30, 2015. The average balance of advances increased $19.4 million, or 199.4%, to $29.2 million for the three months ended September 30, 2016 from $9.8 million for the three months ended September 30, 2015. The cost of funds on FHLB advances increased 19 basis points to 0.92% for the three months ended September 30, 2016 from 0.73% for the three months ended September 30, 2015.

Net Interest and Dividend Income. Net interest and dividend income increased $264,000, or 17.6%, to $1.8 million for the three months ended September 30, 2016 from $1.5 million for the three months ended September 30, 2015. On a tax-equivalent basis, net interest and dividend income increased $259,000, or 17.1%, to $1.8 million for the three months ended September 30, 2016 from $1.5 million for the three months ended September 30, 2015. The tax-equivalent basis increase resulted from a $417,000 increase in interest income, partially offset by a $158,000 increase in interest expense. Our average interest-earning assets increased $48.7 million to $232.3 million for the three months ended September 30, 2016 from $183.5 million for the three months ended September 30, 2015. Our net interest rate spread decreased 25 basis points to 2.89% for the three months ended September 30, 2016 from 3.14% for the three months ended September 30, 2015, and our net interest margin decreased 25 basis points to 3.05% for the three months ended September 30, 2016 from 3.30% for the three months ended September 30, 2015. The decrease in our interest rate spread and net interest margin reflected a reduction in the average yield on loans and higher average balances of certificates of deposit and Federal Home Loan Bank advances.

Provision for Loan Losses. We recorded a provision for loan losses for the three months ended September 30, 2016 of $62,000, compared to a provision of $36,000 for the three months ended September 30, 2015. We maintain the allowance for loan losses at levels we believe are adequate to cover our estimate of probable credit losses as of the end of the reporting period. There were no charge-offs recognized for the three months ended September 30, 2015 and 2016, respectively. The allowance for loan losses was $1.0 million, or 0.49% of total loans at September 30, 2016, compared to $839,000, or 0.51% of total loans at September 30, 2015.

Noninterest Income. Noninterest income decreased $1,000, or 0.6%, to $155,000 for the three months ended September 30, 2016 from $156,000 for the three months ended September 30, 2015. The slight decrease was spread across various categories.

Noninterest Expense. Noninterest expense increased $97,000, or 7.4%, to $1.4 million for the three months ended September 30, 2016 compared to $1.3 million for the three months ended September 30, 2015. The increase was primarily driven by an increase of $98,000 in salaries and benefits expense, due to staff merit increases and equity incentive compensation. Additionally, professional fees increased $8,000, occupancy expense decreased $14,000, and all other noninterest expenses increased $5,000, spread across various categories.

Income Taxes. Income before income taxes of $460,000 resulted in income tax expense of $184,000 for the three months ended September 30, 2016, compared to income before income taxes of $320,000 resulting in an income tax expense of $117,000 for the three months ended September 30, 2015. The effective income tax rate was 40.0% for the three months ended September 30, 2016 compared to 36.6% for the three months ended September 30, 2015.

Comparison of Operating Results for the Nine Months Ended September 30, 2016 and September 30, 2015

General. Net income for the nine months ended September 30, 2016 was $617,000, compared to net income of $438,000 for the nine months ended September 30, 2015. The increase of $179,000, or 40.9%, in net income, was due to an increase in net interest income, partially offset by an increase in provision for loan losses, and an increase in noninterest expense.

Interest and Dividend Income. Total interest and dividend income for the nine months ended September 30, 2016 increased $928,000, or 18.3%, to $6.0 million compared to $5.1 million for the nine months ended September 30, 2015. The increase in interest and dividend income was the result of higher average loans in the nine months ended September 30, 2016. The average balance of loans during the nine months ended September 30, 2016 increased $30.5 million to $185.8 million from $155.3 million for the nine months ended September 30, 2015, while the average yield on loans decreased five basis points to 4.11% for the nine months ended September 30, 2016 from 4.16% for the nine months ended September 30, 2015. The average balance of investment securities increased $3.5 million to $16.9 million for the nine months ended September 30, 2016 from $13.3 million for the nine months ended September 30, 2015, and the yield on investment securities (on a tax-equivalent basis) decreased 50 basis points to 1.62% for the nine months ended September 30, 2016 from 2.12% for the nine months ended September 30, 2015.

Interest Expense. Total interest expense increased $377,000, or 48.6%, to $1.2 million for the nine months ended September 30, 2016 from $775,000 for the nine months ended September 30, 2015. Interest expense on interest-bearing deposit accounts increased $303,000, or 41.5%, to $1.0 million for the nine months ended September 30, 2016 from $730,000 for the nine months ended September 30, 2015. The increase was primarily due to higher average deposit balances and Federal Home Loan Bank advances, and overall changes in the deposit mix.

Interest expense on FHLB advances increased $74,000, or 164.4%, to $119,000 for the nine months ended September 30, 2016 from $45,000 for the nine months ended September 30, 2015. The average balance of advances increased $8.0 million, or 97.0%, to $16.2 million for the nine months ended September 30, 2016 from $8.2 million for the nine months ended September 30, 2015. The cost of funds on FHLB advances increased 22 basis points to 0.97% for the nine months ended September 30, 2016 from 0.75% for the nine months ended September 30, 2015.

Net Interest and Dividend Income. Net interest and dividend income increased $551,000, or 12.9%, to $4.8 million for the nine months ended September 30, 2016 from $4.3 million for the nine months ended September 30, 2015. On a tax-equivalent basis, net interest and dividend income increased $541,000, or 12.5%, to $4.9 million for the nine months ended September 30, 2016 from $4.3 million for the nine months ended September 30, 2015. The tax-equivalent basis increase resulted from a $918,000 increase in interest income, partially offset by a $377,000 increase in interest expense. Our average interest-earning assets increased $35.9 million to $215.9 million for the nine months ended September 30, 2016 from $180.0 million for the nine months ended September 30, 2015. Our net interest rate spread decreased 20 basis points to 2.85% for the nine months ended September 30, 2016 from 3.05% for the nine months ended September 30, 2015, and our net interest margin decreased 19 basis points to 3.00% for the nine months ended September 30, 2016 from 3.19% for the nine months ended September 30, 2015. The decrease in our interest rate spread and net interest margin reflected higher average balances of certificates of deposit and Federal Home Loan Bank advances, and related cost of funds.

Provision for Loan Losses. We recorded a provision for loan losses for the nine months ended September 30, 2016 of $134,000, compared to a provision of $96,000 for the nine months ended September 30, 2015. We maintain the allowance for loan losses at levels we believe are adequate to cover our estimate of probable credit losses as of the end of the reporting period. There was a charge-off of $7,000 related to a consumer loan for the nine months ended September 30, 2016. No charge-offs were recognized for the nine months ended September 30, 2015. The allowance for loan losses was $1.0 million, or 0.49% of total loans at September 30, 2016, compared to $839,000, or 0.51% of total loans at September 30, 2015.

Noninterest Income. Noninterest income was level at $448,000 for the nine months ended September 30, 2016 and 2015, respectively.

Noninterest Expense. Noninterest expense increased $183,000, or 4.6%, to $4.1 million for the nine months ended September 30, 2016 compared to $4.0 million for the nine months ended September 30, 2015. The increase was primarily driven by an increase of $208,000 in salaries and benefits expense, due to staff merit increases and equity incentive compensation. Additionally, data processing expense increased $27,000 and occupancy expense decreased $52,000.

Income Taxes. Income before income taxes of $1.0 million resulted in income tax expense of $389,000 for the nine months ended September 30, 2016, compared to income before income taxes of $676,000 resulting in an income tax expense of $238,000 for the nine months ended September 30, 2015. The effective income tax rate was 38.7% for the nine months ended September 30, 2016 compared to 35.2% for the nine months ended September 30, 2015.

Average Balances and Yields. The following tables set forth average balance sheets, average yields and costs, and certain other information 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 September 30,					
	2016			2015		
	Average Outstanding Balance	Interest	Average Yield/Rate(1)	Average Outstanding Balance	Interest	Average Yield/Rate(1)
	(In Thousands)					
Interest-earning assets:						
Loans	$ 204,324	$ 2,119	4.15%	$ 160,780	$ 1,696	4.22%
Interest-earning deposits	9,430	12	0.51%	6,961	5	0.37%
Investment securities(2)	16,307	58	1.41%	14,470	73	2.01%
Federal Home Loan Bank stock and The Co- operative Central Reserve Fund	2,200	9	1.62%	1,310	7	2.02%
Total interest-earning assets	232,261	2,198	3.79%	183,522	1,781	3.88%
Noninterest-earning assets	10,919			11,164		
Total assets	$ 243,180			$ 194,686		
Interest-bearing liabilities:						
Savings accounts	$ 20,969	8	0.15%	$ 19,189	7	0.20%
NOW accounts	19,722	2	0.05%	18,996	3	0.06%
Money market accounts	28,755	27	0.37%	30,180	29	0.37%
Certificates of deposit	93,910	320	1.36%	68,141	211	1.24%
Total interest-bearing deposits	163,356	357	0.87%	136,506	250	0.70%
Federal Home Loan Bank advances	29,198	69	0.92%	9,751	18	0.73%
Total interest-bearing liabilities	192,554	426	0.88%	146,257	268	0.73%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	17,611			14,988		
Other noninterest-bearing liabilities	648			1,411		
Total noninterest-bearing liabilities	18,259			16,399		
Total liabilities	210,813			162,656		
Total stockholders' equity	32,367			32,029		
Total liabilities and total stockholders' equity	$ 243,180			$ 194,685		
Net interest income		$ 1,772			$ 1,513	
Net interest rate spread(3)			2.89%			3.14%
Net interest-earning assets(4)	$ 39,707			$ 37,265		
Net interest margin(5)			3.05%			3.30%
Average interest-earning assets to interest-bearing liabilities	120.62%			124.63%		

(1) Yields and rates are annualized.
(2) Includes securities available-for-sale and held-to-maturity. A tax equivalent adjustment of $4,000 and $9,000 was applied to tax-exempt income for the three months ended September 30, 2016 and September 30, 2015, 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 Nine Months Ended September 30,					
	2016			2015		
	Average Outstanding Balance	Interest	Average Yield/Rate(1)	Average Outstanding Balance	Interest	Average Yield/Rate(1)
	(In Thousands)					
Interest-earning assets:						
Loans	$ 185,764	$ 5,730	4.11%	$ 155,264	$ 4,839	4.16%
Interest-earning deposits	11,656	46	0.53%	10,183	23	0.31%
Investment securities(2)	16,862	204	1.62%	13,337	212	2.12%
Federal Home Loan Bank stock and The Co- operative Central Reserve Fund	1,634	26	2.13%	1,213	14	1.51%
Total interest-earning assets	215,916	6,006	3.71%	179,997	5,088	3.77%
Noninterest-earning assets	11,003			11,347		
Total assets	$ 226,919			$ 191,344		
Interest-bearing liabilities:						
Savings accounts	$ 20,741	23	0.15%	$ 18,568	26	0.18%
NOW accounts	21,030	8	0.05%	19,667	13	0.09%
Money market accounts	28,582	80	0.37%	31,587	89	0.37%
Certificates of deposit	91,061	922	1.35%	66,270	602	1.20%
Total interest-bearing deposits	161,414	1,033	0.85%	136,092	730	0.70%
Federal Home Loan Bank advances	16,153	119	0.97%	8,200	45	0.75%
Total interest-bearing liabilities	177,567	1,152	0.87%	144,292	775	0.72%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	16,675			13,900		
Other noninterest-bearing liabilities	607			1,266		
Total noninterest-bearing liabilities	17,282			15,166		
Total liabilities	194,849			159,458		
Total stockholders' equity	32,070			31,886		
Total liabilities and total stockholders' equity	$ 226,919			$ 191,344		
Net interest income		$ 4,854			$ 4,313	
Net interest rate spread(3)			2.85%			3.05%
Net interest-earning assets(4)	$ 38,349			$ 35,705		
Net interest margin(5)			3.00%			3.19%
Average interest-earning assets to interest-bearing liabilities	121.60%			124.18%		

(1) Yields and rates are annualized.
(2) Includes securities available-for-sale and held-to-maturity. A tax equivalent adjustment of $18,000 and $28,000 was applied to tax-exempt income for the nine months ended September 30, 2016 and September 30, 2015, 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 operating activities was $952,000 and $987,000 for the nine months ended September 30, 2016 and September 30, 2015, respectively. For the nine months ended September 30, 2016 and 2015, net cash used in investing activities consists primarily of disbursements for the purchase of loans, the origination of loans, and the purchase of available-for-sale securities, offset by principal collections on loans, proceeds from loan sales, proceeds from maturing securities and pay downs on mortgage-backed securities. Net cash used in investing activities was $39.2 million and $20.9 million for the nine months ended September 30, 2016 and September 30, 2015, respectively. During the nine months ended September 30, 2016, we purchased $6.3 million of securities held as available-for-sale securities, and during the nine months ended September 30, 2015, we purchased $4.4 million of securities held as available-for-sale. We sold $1.2 million and $0 of securities during the nine months ended September 30, 2016 and 2015, respectively. Net cash provided by financing activities, consisting primarily of the activity in deposit accounts and FHLB advances, was $39.4 million and $9.1 million for the nine months ended September 30, 2016 and September 30, 2015, respectively.

At September 30, 2016, we exceeded all “well capitalized” regulatory capital requirements with a CET1 capital level of $23.0 million or 13.8% of risk-weighted assets, which is above the required level of $10.8 million, or 6.5% of risk-weighted assets; a tier 1 capital level of $23.0 million, or 13.8% of risk-weighted assets, which is above the required level of $13.4 million, or 8.0% of risk-weighted assets; a tier 1 leverage capital level of $23.0 million, or 9.5% of average assets, which is above the required level of $12.2 million, or 5.0% of average assets; and total risk-based capital of $24.0 million, or 14.4% of risk-weighted assets, which is above the required level of $16.7 million, or 10.0% of risk-weighted assets. At December 31, 2015, we exceeded all of our regulatory capital requirements with a CET1 capital level of $22.2 million, or 15.6% of risk-weighted assets, which was the above the required level of $9.3 million, or 6.5% of risk-weighted assets; a tier 1 capital level of $ 22.2 million, or 15.6% of risk-weighted assets which is above the required level of $11.4 million, or 8.0% of risk-weighted assets; a tier 1 leverage capital level of $22.2 million, or 10.9% of average assets, which is above the required level of $10.2 million, or 5.0% of average assets; and a total risk-based capital of $23.1 million, or 16.2% of risk-weighted assets, which is above the required level of $14.3 million, or 10.0% of risk-weighted assets. Accordingly, Pilgrim Bank was categorized as well capitalized at September 30, 2016 and December 31, 2015. Management is not aware of any conditions or events since the most recent notification that would change our category.

At September 30, 2016, we had outstanding commitments to originate loans of $8.3 million, commitments to purchase loans of $2.2 million, and unadvanced funds on loans of $21.8 million. We anticipate that we will have sufficient funds available to meet our current loan origination, loan purchase and securities purchase commitments. Certificates of deposit that are scheduled to mature in less than one year from September 30, 2016 totaled $59.0 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 September 30, 2016. 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 September 30, 2016, 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) The following table presents a summary of the Company's share repurchases during the three months ended September 30, 2016.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Maximum Number of Shares That May Yet be Purchased Under the Program (1)
July 1 through July 31, 2016	-	$ -	-	31,803
August 1 through August 31, 2016	-	$ -	-	31,803
September 1 through September 30, 2016	7,000	$ 13.01	7,000	24,803

(1) On November 24, 2015, the Board of Directors of the Company authorized a stock repurchase program pursuant to which the Company may purchase up to 89,903 shares of the Company's common stock equal to 4.0% of the Company's outstanding common stock.

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: November 14, 2016

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

Date: November 14, 2016

/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 September 30, 2016, 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) and 15(d) – 15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a –15(f) and 15(d) –15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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: November 14, 2016

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

Exhibit 31.2

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) and 15(d) –15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13(a) –15(f) and 15(d) –15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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: November 14, 2016

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

Exhibit 32

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 September 30, 2016 (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: November 14, 2016	/s/ Francis E. Campbell Francis E. Campbell President and Chief Executive Officer
Date: November 14, 2016	/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.