BSB Bancorp, Inc.
Form 10-Q
August 04, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

Commission file number: 001-35309

BSB BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland	80-0752082
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S Employer Identification No.)

2 Leonard Street

Belmont, Massachusetts	**02478**
(Address of Principal Executive Officers)	**(Zip Code)**

(617) 484-6700

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The Registrant had 9,696,660 shares of common stock, par value $0.01 per share, outstanding as of July 28, 2017.

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BSB BANCORP, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

BSB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Cash and due from banks	$ 2,041	$ 2,211
Interest-bearing deposits in other banks	50,000	56,665
Cash and cash equivalents	52,041	58,876
Interest-bearing time deposits with other banks	235	234
Investments in available-for-sale securities	22,118	22,048
Investments in held-to-maturity securities (fair value of $139,952 as of June 30, 2017 (unaudited) and $129,465 as of December 31, 2016)	140,524	130,197
Loans, net of allowance for loan losses of $15,089 as of June 30, 2017 (unaudited) and $13,585 as of December 31, 2016	2,067,584	1,866,035
Federal Home Loan Bank stock, at cost	30,428	25,071
Premises and equipment, net	2,333	2,355
Accrued interest receivable	5,115	4,635
Deferred tax asset, net	7,918	8,321
Income taxes receivable	1,033	423
Bank-owned life insurance	36,393	35,842
Other assets	5,159	4,667
Total assets	$ 2,370,881	$ 2,158,704
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Noninterest-bearing	$ 203,711	$ 208,082
Interest-bearing	1,407,104	1,261,340
Total deposits	1,610,815	1,469,422
Federal Home Loan Bank advances	567,250	508,850
Securities sold under agreements to repurchase	3,030	1,985
Accrued interest payable	1,293	1,023
Deferred compensation liability	7,464	7,043
Other liabilities	11,204	9,460

Total liabilities	2,201,056	1,997,783
Stockholders Equity:		
Common stock; $0.01 par value per share, 100,000,000 shares authorized; 9,694,260 and 9,110,077 shares issued and outstanding at June 30, 2017 (unaudited) and December 31, 2016, respectively	97	91
Additional paid-in capital	93,092	92,013
Retained earnings	80,176	72,498
Accumulated other comprehensive income	167	103
Unearned compensation - ESOP	(3,707)	(3,784)
Total stockholders equity	169,825	160,921
Total liabilities and stockholders equity	$ 2,370,881	$ 2,158,704

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

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BSB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(**Dollars in thousands, except per share data**)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Interest and dividend income:				
Interest and fees on loans	$ 17,508	$ 14,138	$ 33,895	$ 27,550
Interest on taxable debt securities	855	801	1,634	1,629
Dividends	290	186	546	341
Other interest income	111	39	195	84
Total interest and dividend income	18,764	15,164	36,270	29,604
Interest expense:				
Interest on deposits	2,988	2,348	5,601	4,472
Interest on Federal Home Loan Bank advances	1,827	1,108	3,458	2,135
Interest on securities sold under agreements to repurchase	1	1	2	2
Interest on other borrowed funds				5
Total interest expense	4,816	3,457	9,061	6,614
Net interest and dividend income	13,948	11,707	27,209	22,990
Provision for loan losses	707	741	1,536	1,340
Net interest and dividend income after provision for loan losses	13,241	10,966	25,673	21,650
Noninterest income:				
Customer service fees	199	224	382	450
Income from bank-owned life insurance	294	237	546	470
Net gain on sales of loans	338	106	347	167
Loan servicing fee income	101	92	217	205
Other income	63	46	133	75
Total noninterest income	995	705	1,625	1,367
Noninterest expense:				
Salaries and employee benefits	4,803	4,359	9,474	8,959
Director compensation	356	247	659	481
Occupancy expense	232	240	498	492
Equipment expense	103	109	227	214

Deposit insurance	416	287	818	567
Data processing	694	879	1,388	1,761
Professional fees	270	187	558	422
Marketing	283	208	561	429
Other expense	488	468	938	915
Total noninterest expense	7,645	6,984	15,121	14,240
Income before income tax expense	6,591	4,687	12,177	8,777
Income tax expense	2,579	1,735	4,499	3,286
Net income	$ 4,012	$ 2,952	$ 7,678	$ 5,491
Earnings per share				
Basic	$ 0.45	$ 0.34	$ 0.87	$ 0.63
Diluted	$ 0.43	$ 0.33	$ 0.83	$ 0.61

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

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BSB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Net income	$ 4,012	$ 2,952	$ 7,678	$ 5,491
Other comprehensive (loss) income, net of tax:				
Net change in fair value of securities available for sale	(3)	94	64	170
Total other comprehensive (loss) income	(3)	94	64	170
Total comprehensive income	$ 4,009	$ 3,046	$ 7,742	$ 5,661

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

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BSB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Dollars in thousands)

(Unaudited)

	Common Stock		Additional		Accumulated Other Comprehensive	Unearned	Total
	Shares	Amount	Paid-In Capital	Retained Earnings	(Loss) Income	Compensation ESOP	Stockholders Equity
Balance at December 31, 2015	9,086,639	$ 91	$ 89,648	$ 60,517	$ (116)	$ (3,937)	$ 146,203
Net income				5,491			5,491
Other comprehensive income					170		170
ESOP shares committed to be released			95			77	172
Stock based compensation-restricted stock awards			425				425
Stock based compensation-stock options			387				387
Tax benefit from stock based compensation			54				54
Proceeds from exercises of stock options, net of cash paid	14,176		136				136
Balance at June 30, 2016	9,100,815	$ 91	$ 90,745	$ 66,008	$ 54	$ (3,860)	$ 153,038
Balance at December 31, 2016	9,110,077	$ 91	$ 92,013	$ 72,498	$ 103	$ (3,784)	$ 160,921
Net income				7,678			7,678
Other comprehensive income					64		64
ESOP shares committed to be released			141			77	218
Stock based compensation-restricted stock awards			807				807
Stock based compensation-stock options			385				385
Restricted stock awards granted	487,200	5	(5)				
Proceeds from exercises of stock options, net of cash paid	96,983	1	(249)				(248)
Balance at June 30, 2017	9,694,260	$ 97	$ 93,092	$ 80,176	$ 167	$ (3,707)	$ 169,825

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

BSB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Six months ended June 30, 2017	2016
Cash flows from operating activities:		
Net income	$ 7,678	$ 5,491
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of securities, net	406	381
Gain on sales of loans, net	(347)	(167)
Loans originated for sale	(2,564)	(5,151)
Proceeds from sales of loans	26,388	6,562
Provision for loan losses	1,536	1,340
Change in net unamortized mortgage premiums	(1,133)	(823)
Change in net deferred loan costs	145	675
ESOP expense	218	172
Stock based compensation expense	1,192	812
Excess tax benefit from stock based compensation		(54)
Depreciation and amortization expense	303	308
Impairment of fixed assets	18	
Deferred income tax expense (benefit)	359	(724)
Increase in bank-owned life insurance	(546)	(470)
Net change in:		
Accrued interest receivable	(480)	(570)
Other assets	(475)	730
Income taxes receivable	(610)	(692)
Income taxes payable		(130)
Accrued interest payable	270	23
Deferred compensation liability	421	467
Other liabilities	918	(2,510)
Net cash provided by operating activities	33,697	5,670
Cash flows from investing activities:		
Maturities of interest-bearing time deposits with other banks	134	131
Purchases of interest-bearing time deposits with other banks	(135)	(134)
Proceeds from maturities, payments, and calls of held-to-maturity securities	13,014	11,586
Purchases of held-to-maturity securities	(23,709)	(12,151)
Redemption of Federal Home Loan Bank stock	642	1,240
Purchases of Federal Home Loan Bank stock	(5,999)	(4,755)
Recoveries of loans previously charged off	17	13

Loan originations and principal collections, net	(19,145)	(7,050)
Purchases of loans	(206,446)	(149,512)
Capital expenditures	(299)	(212)
Premiums paid on bank-owned life insurance	(5)	(5,004)
Net cash used in investing activities	(241,931)	(165,848)

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BSB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

(Continued)

	Six months ended June 30,	
	2017	2016
Cash flows from financing activities:		
Net increase in demand deposits, NOW and savings accounts	62,931	63,934
Net increase in time deposits	78,462	51,172
Net proceeds from long-term Federal Home Loan Bank borrowings	95,000	116,250
Net change in short-term Federal Home Loan Bank advances	(36,600)	(67,000)
Net increase (decrease) in securities sold under agreement to repurchase	1,045	(1,924)
Net increase in mortgagors escrow accounts	826	138
Net proceeds from exercise of stock options	183	136
Payment of income taxes for shares withheld in stock based award activity	(448)	
Excess tax benefit from stock based compensation		54
Net cash provided by financing activities	201,399	162,760
Net (decrease) increase in cash and cash equivalents	(6,835)	2,582
Cash and cash equivalents at beginning of period	58,876	51,261
Cash and cash equivalents at end of period	$ 52,041	$ 53,843
Supplemental disclosures:		
Interest paid	$ 8,791	$ 6,591
Income taxes paid	4,750	4,832
Transfer of loans held for investment to loans held for sale, net	23,559	
Derecognition of loans and related recourse obligation in other borrowings		1,020

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

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BSB BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of BSB Bancorp, Inc. have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The consolidated financial statements of BSB Bancorp, Inc. include the balances and results of operations of BSB Bancorp, Inc., a Maryland corporation, and its wholly-owned subsidiaries, Belmont Savings Bank and BSB Funding Corporation and the Bank s wholly owned subsidiary, BSB Investment Corporation (referred to herein as the Company, we, us, or our). Intercompany transactions and balance are eliminated in the consolidation.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company s financial position as of June 30, 2017 and December 31, 2016 and the results of operations and cash flows for the interim periods ended June 30, 2017 and 2016. All interim amounts have not been audited, and the results of operations for the interim periods herein are not necessarily indicative of the results of operations to be expected for the fiscal year. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2016.

Certain previously reported amounts have been reclassified to conform to the current period s presentation.

NOTE 2 RECENT ACCOUNTING STANDARDS UPDATES

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. ASU 2016-01, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public business entities to disclose the methods 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, (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (v) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and (vii) clarifies 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. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The adoption of this guidance is not expected to have a material impact on the Company s

consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new ASU will require both types of leases to be recognized on the balance sheet. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods therein. Early adoption is permitted. We are currently evaluating the impact of adopting the new guidance on the Company s consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This update makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for interim and annual reporting periods beginning after December 15, 2016. The Company adopted this standard as of January 1, 2017. As a result, we recognized excess tax benefits from stock-based compensation of $718 and $781 during the three and six months ended June 30, 2017 within income tax expense on the consolidated statements of operations (adopted prospectively). Excess tax benefits from stock based compensation are now classified in net income within operating activities in the statement of cash flows instead of being separately stated in financing activities for the six months ended June 30, 2017 (adopted prospectively).

Amendments related to the presentation of employee taxes paid within financing activities in the statement of cash flows have been adopted retrospectively and prior period reclassifications will be made. Following the adoption of the new standard, the Company has elected to continue to estimate forfeitures. The adoption did not impact the existing classification of the awards.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The update changes the impairment model for most financial assets and sets forth a current expected credit loss (CECL) model which will require the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This method is forward-looking and will generally result in earlier recognition of allowances for losses. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and also applies to some off-balance sheet credit exposures. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of adopting the new guidance on the Company s consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and

Cash Payments. The update provides guidance on the classification of certain cash receipts and cash payments for presentation in the statement of cash flows. The amendment is effective for the Company for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted. The amendments will be applied using a retrospective transition method to each period presented unless impracticable. The adoption of this guidance is not expected to have a material impact on the Company s consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendment is effective for the Company for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company s consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. This ASU is meant to clarify the scope of Accounting Standards Codification (ASC) Subtopic 610-20, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets. The guidance is to be applied using a full retrospective method or a modified retrospective method and is effective at the same time as the amendments in update 2014-09. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company s consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU is meant to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The amendments in this ASU require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately. The amendments in

this Update are effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company s consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in this ASU shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of this guidance is not expected to have a material impact on the Company s consolidated financial statements.

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NOTE 3 - INVESTMENTS IN SECURITIES

The amortized cost basis of available-for-sale and held-to-maturity securities and their approximate fair values were as follows at the dates indicated (in thousands):

	June 30, 2017				December 31, 2016			
	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(unaudited)							
Available-for-sale securities:								
Corporate debt securities	$ 22,013	$ 180	$ (75)	$ 22,118	$ 22,051	$ 147	$ (150)	$ 22,048
	$ 22,013	$ 180	$ (75)	$ 22,118	$ 22,051	$ 147	$ (150)	$ 22,048
Held-to-maturity securities:								
U.S. government sponsored mortgage-backed securities	$ 122,844	$ 256	$ (1,175)	$ 121,925	$ 112,543	$ 306	$ (1,289)	$ 111,560
Corporate debt securities	17,680	347		18,027	17,654	251		17,905
	$ 140,524	$ 603	$ (1,175)	$ 139,952	$ 130,197	$ 557	$ (1,289)	$ 129,465

The amortized cost basis and estimated fair value of debt securities by contractual maturity at June 30, 2017 is as follows (in thousands and unaudited). Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2017			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost Basis	Fair Value	Amortized Cost Basis	Fair Value
	(unaudited)		(unaudited)	
Due within one year	$ 12,762	$ 12,839	$ 7,011	$ 7,058
Due after one year through five years	4,251	4,176	5,579	5,606
Due after five years through ten years	5,000	5,103	43,570	43,555
Due after ten years			84,364	83,733
	$ 22,013	$ 22,118	$ 140,524	$ 139,952

When securities are sold, the adjusted cost basis of the specific security sold is used to compute the gain or loss on the sale. During the six months ended June 30, 2017 (unaudited) and June 30, 2016 (unaudited), there were no sales of available-for-sale securities.

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows (in thousands):

		Less than 12 Months		Over 12 Months	
	# of Holdings	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2017 (unaudited):					
Available-for-sale					
Corporate debt securities	1	$ 4,176	$ (75)	$	$
Held-to-maturity					
U.S. government sponsored mortgage-backed securities	67	94,102	(897)	12,447	(278)
Total temporarily impaired securities	68	$ 98,278	$ (972)	$ 12,447	$ (278)
December 31, 2016:					
Available-for-sale					
Corporate debt securities	1	$ 4,130	$ (150)	$	$
Held-to-maturity					
U.S. government sponsored mortgage-backed securities	57	77,474	(1,097)	6,518	(192)
Total temporarily impaired securities	58	$ 81,604	$ (1,247)	$ 6,518	$ (192)

The investment securities portfolio is generally evaluated for other-than-temporary impairment under ASC 320-10, Investments - Debt and Equity Securities.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. At June 30, 2017 (unaudited), 68 debt securities were in an unrealized loss position. When there are securities in an unrealized loss position, consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Based on the Company s June 30, 2017 (unaudited) quarterly review of securities in the investment portfolio, management has determined that unrealized losses related to 68 debt securities with aggregate depreciation of 1.12% from the Company s amortized cost basis were caused primarily by changes in market interest rates. The contractual terms of these investments do not permit the companies to settle the security at a price less than the par value of the investment. The Company currently does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the investments. Therefore, it is expected that the securities would not be settled at a price less than the par value of the investment. Because the Company does not intend to sell the investments and it is more likely than not that the Company will not be required to sell the investments before recovery of their amortized cost basis, it does not consider these investments to be other-than-temporarily impaired at June 30, 2017.

At December 31, 2016, 58 debt securities had unrealized losses with aggregate depreciation of 1.61% from the Company s amortized cost basis. The Company s unrealized losses on investments in corporate bonds and mortgage-backed securities are primarily caused by changes in market interest rates.

In addition to the securities listed above, the Company holds investments in a Rabbi Trust that are used to fund the executive and director non-qualified deferred compensation plan. These investments are available to satisfy the claims of general creditors of the Company in the event of bankruptcy and are included in our consolidated balance sheets in other assets. The investments consisted primarily of mutual funds and are classified as trading securities and recorded at fair value. The fair value of these investments at June 30, 2017 (unaudited) and December 31, 2016 was $2.7 million and $2.6 million, respectively. For the three and six month periods ending June 30, 2017 (unaudited), the net gain on these investments still held at the reporting date was $38,000 and $83,000, respectively. For the three and six month periods ending June 30, 2016 (unaudited), the net gain on these investments still held at the reporting date was $13,000 and $14,000, respectively. Refer to Note 7 Employee and Director Benefit Plans, for more information.

NOTE 4 LOANS, ALLOWANCE FOR LOAN LOSSES AND CREDIT QUALITY

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, deferred fees or costs on originated loans, and any premiums or discounts on purchased loans.

Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on all loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual is reversed against interest income. The interest on these loans is

accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Payments received on impaired loans are applied to reduce the recorded investment in the loan principal to the extent necessary to eliminate doubt as to the collectability of the net carrying amount of the loan. Some or all of the payments received on impaired loans are recognized as interest income if the remaining net carrying amount of the loan is deemed to be fully collectible. When recognition of interest income on an impaired loan on a cash basis is appropriate, the amount of income that is recognized is limited to that which would have been accrued on the net carrying amount of the loan at the contractual interest rate. Any cash interest payments received in excess of the limit and not applied to reduce the net carrying amount of the loan are recorded as recoveries of charge-offs until the charge-offs are fully recovered.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general, allocated and unallocated components, as further described below.

General Component:

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: residential real estate, home equity lines of credit, commercial real estate, construction, commercial, indirect auto and other consumer. Management uses a rolling average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies; trends in volume and terms of loans; effects of changes in risk selection and underwriting standards and other changes in lending policies, procedures and practices; experience/ability/depth of lending management and staff; and national and local economic trends and conditions. There were no changes in the Company s policies or methodology pertaining to the general component of the allowance for loan losses during the six months ended June 30, 2017 or during fiscal year 2016.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate loans and home equity lines of credit The Company generally does not originate or purchase loans with a loan-to-value ratio greater than 80 percent and generally does not grant subprime loans. Loans in this segment are generally collateralized by owner-occupied residential real estate and repayment is dependent on the cash flow and credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Commercial real estate loans Loans in this segment are primarily secured by income-producing properties in eastern Massachusetts. The underlying cash flows generated by the properties may be adversely impacted by a downturn in the economy and increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management generally obtains rent rolls annually and continually monitors the cash flows of these borrowers.

Construction loans Loans in this segment primarily include speculative real estate development loans for which payment is derived from sale and/or lease up of the property. Credit risk is affected by cost overruns, time to sell, or lease at adequate prices, and market conditions.

Commercial loans Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer and business spending, will have an effect on the credit quality in this segment.

Indirect auto loans Loans in this segment are secured installment loans that were originated through a network of select regional automobile dealerships. The Company s interest in the vehicle is secured with a recorded lien on the state title of each automobile. Collections are sensitive to changes in borrower financial circumstances, and the collateral can depreciate or be damaged in the event

of repossession. Repayment is primarily dependent on the credit worthiness and the cash flow of the individual borrower and secondarily, liquidation of the collateral.

Other consumer loans - Loans in this segment include secured and unsecured consumer loans including passbook loans, consumer lines of credit and overdraft protection, and consumer unsecured loans. Repayment is dependent on the credit quality and the cash flow of the individual borrower.

Allocated Component:

The allocated component relates to loans that are classified as impaired. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

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The Company periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are classified as impaired.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan s effective interest rate or, as a practical expedient, at the loan s observable market price or the fair value of the collateral if the loan is collateral-dependent. Generally, TDRs are measured for impairment using the discounted cash flow method except in instances where foreclosure is probable in which case the fair value of collateral method is used. When the fair value of the impaired loan is determined to be less than the recorded investment in the loan, the impairment is recorded through the valuation allowance. However, for collateral dependent loans, the amount of the recorded investment in a loan that exceeds the fair value of the collateral is charged-off against the allowance for loan losses in lieu of an allocation of a specific allowance amount when such an amount has been identified definitively as uncollectable.

Unallocated Component:

An unallocated component may be maintained to cover uncertainties that could affect management s estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio. At June 30, 2017 (unaudited) and December 31, 2016, the Company had unallocated reserves of $572,000 and $517,000, respectively.

Loans consisted of the following (dollars in thousands):

	June 30, 2017		December 31, 2016	
	Amount	Percent	Amount	Percent
	(unaudited)			
Mortgage loans:				
Residential one-to-four family	$ 1,159,603	55.97%	$ 997,336	53.34%
Commercial real estate loans (1)	558,818	26.97	491,838	26.31
Home equity lines of credit	167,853	8.10	167,465	8.96
Construction loans	81,780	3.95	89,003	4.76
Total mortgage loans	1,968,054	94.99	1,745,642	93.37
Commercial loans	60,363	2.92	63,404	3.39
Consumer loans:				
Indirect auto loans	42,954	2.07	60,240	3.22
Other consumer loans	419	0.02	439	0.02
	103,736	5.01	124,083	6.63
Total loans	2,071,790	100.00%	1,869,725	100.00%
Net deferred loan costs	3,477		3,622	
Net unamortized mortgage premiums	7,406		6,273	

Allowance for loan losses	(15,089)	(13,585)
Total loans, net	$ 2,067,584	$ 1,866,035

(1) Includes multi-family real estate loans.

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The following tables (in thousands) present the activity in the allowance for loan losses by portfolio class for the three and six months ended June 30, 2017 and 2016 (unaudited); and the balances of the allowance for loan losses and recorded investment in loans by portfolio class based on impairment method at June 30, 2017 (unaudited) and December 31, 2016. The recorded investment in loans in any of the following tables does not include accrued and unpaid interest or any deferred loan fees or costs, as amounts are not significant.

	Three Months Ended June 30, 2017				
	Beginning balance	Provision (benefit)	Charge-offs	Recoveries	Ending balance
Residential one-to-four family	$ 5,223	$ 441	$	$	$ 5,664
Commercial real estate	5,250	362			5,612
Construction	1,297	(144)			1,153
Commercial	713	5			718
Home equity lines of credit	1,011	13			1,024
Indirect auto	335	1	(9)	12	339
Other consumer	8	2	(4)	1	7
Unallocated	545	27			572
Total	$ 14,382	$ 707	$ (13)	$ 13	$ 15,089

	Three Months Ended June 30, 2016				
	Beginning balance	Provision (benefit)	Charge-offs	Recoveries	Ending balance
Residential one-to-four family	$ 3,980	$ 175	$	$	$ 4,155
Commercial real estate	4,868	(58)			4,810
Construction	679	185			864
Commercial	505	193			698
Home equity lines of credit	1,008	30			1,038
Indirect auto	554	(36)	(28)	2	492
Other consumer	9	4	(4)	1	10
Unallocated	228	248			476
Total	$ 11,831	$ 741	$ (32)	$ 3	$ 12,543

	Six Months Ended June 30, 2017				
	Beginning balance	Provision (benefit)	Charge-offs	Recoveries	Ending balance
Residential one-to-four family	$ 4,828	$ 836	$	$	$ 5,664
Commercial real estate	4,885	727			5,612
Construction	1,219	(66)			1,153
Commercial	728	(10)			718
Home equity lines of credit	1,037	(13)			1,024
Indirect auto	362	1	(40)	16	339
Other consumer	9	6	(9)	1	7
Unallocated	517	55			572

Total	$ 13,585	$ 1,536	$ (49)	$ 17	$ 15,089

	Six Months Ended June 30, 2016				
	Beginning balance	Provision (benefit)	Charge-offs	Recoveries	Ending balance
Residential one-to-four family	$ 3,574	$ 581	$	$	$ 4,155
Commercial real estate	4,478	332			4,810
Construction	801	63			864
Commercial	613	85			698
Home equity lines of credit	928	110			1,038
Indirect auto	623	(100)	(42)	11	492
Other consumer	10	6	(8)	2	10
Unallocated	213	263			476
Total	$ 11,240	$ 1,340	$ (50)	$ 13	$ 12,543

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	June 30, 2017					
	Individually evaluated for impairment		Collectively evaluated for impairment		Total	
	Loan balance	Allowance	Loan balance	Allowance	Loan balance	Allowance
Residential one-to-four family	$ 2,989	$ 228	$ 1,156,614	$ 5,436	$ 1,159,603	$ 5,664
Commercial real estate	3,185		555,633	5,612	558,818	5,612
Construction			81,780	1,153	81,780	1,153
Commercial			60,363	718	60,363	718
Home equity lines of credit			167,853	1,024	167,853	1,024
Indirect auto			42,954	339	42,954	339
Other consumer			419	7	419	7
Unallocated				572		572
Total	$ 6,174	$ 228	$ 2,065,616	$ 14,861	$ 2,071,790	$ 15,089

	December 31, 2016					
	Individually evaluated for impairment		Collectively evaluated for impairment		Total	
	Loan balance	Allowance	Loan balance	Allowance	Loan balance	Allowance
Residential one-to-four family	$ 2,896	$ 154	$ 994,440	$ 4,674	$ 997,336	$ 4,828
Commercial real estate	3,364		488,474	4,885	491,838	4,885
Construction			89,003	1,219	89,003	1,219
Commercial			63,404	728	63,404	728
Home equity lines of credit	200		167,265	1,037	167,465	1,037
Indirect auto	15		60,225	362	60,240	362
Other consumer			439	9	439	9
Unallocated				517		517
Total	$ 6,475	$ 154	$ 1,863,250	$ 13,431	$ 1,869,725	$ 13,585

Information about loans that meet the definition of an impaired loan in ASC 310-10-35 is as follows as of June 30, 2017 (unaudited and in thousands):

	Impaired loans with a related allowance for credit losses		
	Recorded Investment	Unpaid Principal Balance	Related Allowance for Credit Losses
Residential one-to-four family	$ 1,228	$ 1,228	$ 228

Totals	$ 1,228	$ 1,228	$ 228

	Impaired loans with no related allowance for credit losses		
	Recorded Investment	Unpaid Principal Balance	Related Allowance for Credit Losses
Residential one-to-four family	$ 1,761	$ 1,871	$
Commercial real estate	3,185	3,185	
Totals	$ 4,946	$ 5,056	$

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Information about loans that meet the definition of an impaired loan in ASC 310-10-35 is as follows as of December 31, 2016 (in thousands):

	Impaired loans with a related allowance for credit losses		
	Recorded Investment	Unpaid Principal Balance	Related Allowance for Credit Losses
Residential one-to-four family	$ 740	$ 740	$ 154
Totals	$ 740	$ 740	$ 154

	Impaired loans with no related allowance for credit losses		
	Recorded Investment	Unpaid Principal Balance	Related Allowance for Credit Losses
Residential one-to-four family	$ 2,156	$ 2,278	$
Commercial real estate	3,364	3,364	
Home equity lines of credit	200	200	
Indirect auto	15	15	
Totals	$ 5,735	$ 5,857	$

The following tables set forth information regarding interest income recognized on impaired loans, by portfolio, for the periods indicated (unaudited and in thousands):

	Three months ended June 30, 2017		Three months ended June 30, 2016	
With an allowance recorded	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Residential one-to-four family	$ 1,229	$ 8	$ 1,400	$ 8
Commercial real estate			2,977	30
Totals	$ 1,229	$ 8	$ 4,377	$ 38

	Three months ended June 30, 2017		Three months ended June 30, 2016	
	Average	Interest	Average	Interest

Without an allowance recorded	Recorded Investment	Income Recognized	Recorded Investment	Income Recognized
Residential one-to-four family	$ 1,767	$ 6	$ 2,882	$ 19
Commercial real estate	3,215	36	569	6
Home equity lines of credit	65	2	200	2
Indirect auto	7		15	
Totals	$ 5,054	$ 44	$ 3,666	$ 27

	Six months ended June 30, 2017		Six months ended June 30, 2016	
With an allowance recorded	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Residential one-to-four family	$ 1,066	$ 16	$ 1,407	$ 16
Commercial real estate			3,783	85
Totals	$ 1,066	$ 16	$ 5,190	$ 101

	Six months ended June 30, 2017		Six months ended June 30, 2016	
Without an allowance recorded	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Residential one-to-four family	$ 1,953	$ 9	$ 2,886	$ 39
Commercial real estate	3,260	72	596	13
Home equity lines of credit	212	13	200	4
Indirect auto	8		19	
Totals	$ 5,433	$ 94	$ 3,701	$ 56

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The following is a summary of past due and non-accrual loans (in thousands):

	June 30, 2017 (unaudited)					
	30 59 Days	60 89 Days	90 Days or More	Total Past Due	90 days or more and accruing	Loans on Non-accrual
Real estate loans:						
Residential one-to-four family	$ 1,360	$	$ 992	$ 2,352	$	$ 1,656
Home equity lines of credit	323			323		
Other loans:						
Indirect auto	267	99		366		
Other Consumer		2		2		
Total	$ 1,950	$ 101	$ 992	$ 3,043	$	$ 1,656

	December 31, 2016					
	30 59 Days	60 89 Days	90 Days or More	Total Past Due	90 days or more and accruing	Loans on Non-accrual
Real estate loans:						
Residential one-to-four family	$	$	$ 497	$ 497	$	$ 1,804
Commercial real estate						
Home equity lines of credit	57	486		543		
Other loans:						
Indirect auto	460	106	15	581		15
Total	$ 517	$ 592	$ 512	$ 1,621	$	$ 1,819

Credit Quality Information

The Company utilizes a nine grade internal loan rating system for commercial, commercial real estate and construction loans, and a five grade internal loan rating system for certain residential real estate and home equity lines of credit that are rated if the loans become delinquent.

Loans rated 1, 2, 2.5, 3 and 3.5: 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, commercial real estate loans, and construction loans. On an annual basis, the Company engages an independent third party to review a significant portion of loans within these segments. Management uses the results of these reviews as part of its annual review process.

On a quarterly basis, the Company formally reviews the ratings on all residential real estate and home equity lines of credit if they have become delinquent. Criteria used to determine the rating consists of loan-to-value and days delinquent.

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The following tables present the Company s loans by risk rating at June 30, 2017 (unaudited and in thousands) and December 31, 2016 (in thousands). There were no loans rated as 6 (doubtful) or 7 (loss) at the dates indicated.

	June 30, 2017				
	Loans rated 1-3.5	Loans rated 4	Loans rated 5	Loans not rated (A)	Total
Residential one-to-four family	$	$ 348	$ 2,354	$ 1,156,901	$ 1,159,603
Commercial real estate	554,693		4,125		558,818
Construction	81,780				81,780
Commercial	60,319	44			60,363
Home equity lines of credit			799	167,054	167,853
Indirect auto				42,954	42,954
Other consumer				419	419
Total	$ 696,792	$ 392	$ 7,278	$ 1,367,328	$ 2,071,790

	December 31, 2016				
	Loans rated 1-3.5	Loans rated 4	Loans rated 5	Loans not rated (A)	Total
Residential one-to-four family	$	$ 351	$ 2,509	$ 994,476	$ 997,336
Commercial real estate	471,491	16,032	4,315		491,838
Construction	89,003				89,003
Commercial	63,404				63,404
Home equity lines of credit			799	166,666	167,465
Indirect auto				60,240	60,240
Consumer				439	439
Total	$ 623,898	$ 16,383	$ 7,623	$ 1,221,821	$ 1,869,725

(A) Residential real estate and home equity lines of credit are not formally risk rated by the Company unless the loans become delinquent.

The Company periodically modifies loans to extend the term or make other concessions to help a borrower stay current on their loan and to avoid foreclosure. Any loans that are modified are reviewed by the Company to identify if a TDR has occurred, which is when, for economic or legal reasons related to a borrower s financial difficulties, the Bank grants a concession to the borrower that it would not otherwise consider. During the three and six months ended June 30, 2017 (unaudited), one existing troubled debt restructure was modified again to extend the maturity. During the three and six months ended June 30, 2016, there were no loans modified and determined to be TDRs. At June 30, 2017 (unaudited), the Company had $5.7 million of troubled debt restructurings related to nine loans.

The following table shows the Company s total TDRs and other pertinent information as of the dates indicated (in thousands):

	June 30, 2017 (unaudited)		December 31, 2016	
TDRs on Accrual Status	$	4,517	$	4,656
TDRs on Nonaccrual Status		1,162		1,442
Total TDRs	$	5,679	$	6,098
Amount of specific allocation included in the allowance for loan losses associated with TDRs	$	154	$	154
Additional commitments to lend to a borrower who has been a party to a TDR	$		$	

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The following tables show the troubled debt restructuring modifications which occurred during the periods indicated and the change in the recorded investment subsequent to the modifications occurring (dollars in thousands and unaudited):

	Three months ended June 30, 2017			Three months ended June 30, 2016		
	# of Contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	# of Contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
Real estate loans:						
Commercial real estate loans	1	$ 273	$ 273		$	$
Total	1	$ 273	$ 273		$	$

	Six months ended June 30, 2017			Six months ended June 30, 2016		
	# of Contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	# of Contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
Real estate loans:						
Commercial real estate loans	1	$ 273	$ 273		$	$
Total	1	$ 273	$ 273		$	$

The following table shows the Company s post-modification balance of TDRs listed by type of modification during the periods indicated (in thousands):

	Three months ended June 30, 2017 (unaudited)	Three months ended June 30, 2016 (unaudited)
Extended maturity	$ 273	$
Total	$ 273	$

	Six months ended June 30, 2017 (unaudited)	Six months ended June 30, 2016 (unaudited)
Extended maturity	$ 273	$
Total	$ 273	$

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For purposes of this table the Company generally considers a loan to have defaulted when it reaches 90 days past due. The following table shows the loans that have been modified during the past twelve months which have subsequently defaulted during the periods indicated (unaudited and in thousands except for number of contracts):

	For the three months ended June 30,			
	2017		2016	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Real estate loans:				
Residential one-to-four family		$	1	$ 497
Total		$	1	$ 497

	For the six months ended June 30,			
	2017		2016	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Real estate loans:				
Residential one-to-four family		$	1	$ 497
Total		$	1	$ 497

The impact of TDRs and subsequently defaulted TDRs did not have a material impact on the allowance for loan losses.

Foreclosure Proceedings

Consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure totaled $497,000 as of June 30, 2017 (unaudited) and $497,000 as of December 31, 2016. We did not have any foreclosed residential real estate property as of June 30, 2017 (unaudited) and as of December 31, 2016.

NOTE 5 TRANSFERS AND SERVICING

Certain residential mortgage loans are periodically sold by the Company to the secondary market. Generally, these loans are sold without recourse or other credit enhancements. The Company sells loans and both releases and retains the servicing rights. For loans sold with the servicing rights retained, we provide the servicing for the loans on a per-loan fee basis. The Company has also periodically sold auto loans to other financial institutions without recourse or other credit enhancements, and the Company generally provides servicing for these loans.

At June 30, 2017 (unaudited) and December 31, 2016, residential loans previously sold and serviced by the Company were $79.8 million and $59.8 million, respectively. At June 30, 2017 (unaudited) and December 31, 2016, indirect auto loans previously sold and serviced by the Company were $17.9 million and $28.2 million, respectively.

Mortgage servicing rights (MSR) are initially recorded as an asset and measured at fair value when loans are sold to third parties with servicing rights retained. MSR assets are amortized in proportion to, and over the period of,

estimated net servicing revenues. The carrying value of these assets is periodically reviewed for impairment using the lower of amortized cost or fair value methodology. The fair value of the servicing rights is determined by estimating the present value of future net cash flows, taking into consideration market loan prepayment speeds, discount rates, servicing costs and other economic factors. For purposes of measuring impairment, the underlying loans are stratified into relatively homogeneous pools based on predominant risk characteristics which include product type (i.e., fixed or adjustable) and interest rate bands. If the aggregate carrying value of the capitalized mortgage servicing rights for a stratum exceeds its fair value, MSR impairment is recognized in earnings through a valuation allowance for the difference. As the loans are repaid and net servicing revenue is earned, the MSR asset is amortized as an offset to loan servicing income. Servicing revenues are expected to exceed this amortization expense. However, if actual prepayment experience or defaults exceed what was originally anticipated, net servicing revenues may be less than expected and mortgage servicing rights may be impaired. No servicing

assets or liabilities related to auto loans were recorded, as the contractual servicing fees are adequate to compensate the Company for its servicing responsibilities.

Changes in mortgage servicing rights, which are included in other assets, were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Balance at beginning of period	$ 414	$ 466	$ 403	$ 479
Capitalization	180	29	185	46
Amortization	(27)	(24)	(51)	(45)
Valuation allowance adjustment	17	(14)	47	(23)
Balance at end of period	$ 584	$ 457	$ 584	$ 457

NOTE 6 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND OTHER BORROWED FUNDS

The securities sold under agreements to repurchase as of June 30, 2017 (unaudited) and December 31, 2016 are securities sold on a short-term basis by the Company that have been accounted for not as sales but as borrowings. The securities consisted of mortgage-backed securities issued by U.S. government sponsored entities. The securities were held in the Company s safekeeping account at the Federal Home Loan Bank of Boston under the control of the Company. The securities are pledged to the purchasers of the securities. The purchasers have agreed to sell to the Company identical securities at the maturity of the agreements. The balance of securities sold under agreements to repurchase as of June 30, 2017 (unaudited) and December 31, 2016 was $3.0 million and $2.0 million, respectively.

NOTE 7 EMPLOYEE AND DIRECTOR BENEFIT PLANS

Belmont Savings Bank Supplemental Executive Retirement Plan

The purpose of the Belmont Savings Bank Supplemental Executive Retirement Plan is to remain competitive with our peers in our compensation arrangements and to help us retain certain executive officers of the Company. At June 30, 2017 (unaudited) and December 31, 2016, there were four participants in the Plan. Participants are fully vested after the completion of between five and ten years of service. The plan is unfunded. The estimated liability at June 30, 2017 (unaudited) and December 31, 2016 relating to this plan was $1.7 million and $1.5 million, respectively.

Other Supplemental Retirement Plans

The Company has supplemental retirement plans for eligible executive officers that provide for a lump sum benefit upon termination of employment at or after age 55 and completing 10 or more years of service (certain reduced benefits are available prior to attaining age 55 or fewer than 10 years of service), subject to certain limitations as set forth in the agreements. The present value of these future payments is being accrued over the service period. The estimated liability at June 30, 2017 (unaudited) and December 31, 2016 relating to these plans was $2.4 million and $2.3 million, respectively.

The Company has a supplemental retirement plan for eligible directors that provides for monthly benefits based upon years of service to the Company, subject to certain limitations as set forth in the agreements. The present value of these future payments is being accrued over the estimated period of service. The estimated liability at June 30, 2017 (unaudited) and December 31, 2016 relating to this plan was $673,000 and $661,000, respectively.

Incentive Compensation Plan

The Incentive Compensation Plan is a discretionary annual cash-based incentive plan that is an integral part of the participant s total compensation package and supports the continued growth, profitability and risk management of Belmont Savings Bank. Each year participants are awarded for the achievement of certain performance objectives on a company-wide and individual basis. Compensation expense recognized was $461,000 and $523,000 for the three months ended June 30, 2017 and 2016 (unaudited), respectively, and $973,000 and $921,000 for the six months ended June 30, 2017 and 2016 (unaudited), respectively.

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Defined Contribution Plan

The Company sponsors a 401(k) plan covering substantially all employees meeting certain eligibility requirements. Under the provisions of the plan, employees are able to contribute up to an annual limit of the lesser of 75% of eligible compensation or the maximum allowed by the Internal Revenue Service. The Company s contributions for the three months ended June 30, 2017 and 2016 (unaudited) totaled $210,000 and $196,000, respectively, and $453,000 and $430,000 for the six months ended June 30, 2017 and 2016 (unaudited), respectively.

Deferred Compensation Plan

The Company has a compensation deferral plan by which selected employees and directors of the Company are entitled to elect, prior to the beginning of each year, to defer the receipt of an amount of their compensation for the forthcoming year. Each agreement allows for the individual to elect to defer a portion of his or her compensation to an individual deferred compensation account established by Belmont Savings Bank. In April 2013, Belmont Savings Bank created a Rabbi Trust, or grantor trust. The Rabbi Trust is maintained by the Company primarily for purposes of holding deferred compensation for certain directors and employees of the Company. The plan is administered by a third party and permits participants to select from a number of investment options for the investment of their account balances. Each participant is always 100% vested in his or her deferred compensation account balance. As of June 30, 2017 (unaudited) and December 31, 2016, the recorded liability relating to the Rabbi Trust was $2.7 million and $2.6 million, respectively.

Employee Stock Ownership Plan

The Company maintains an Employee Stock Ownership Plan (ESOP) to provide eligible employees the opportunity to own Company stock. This plan is a tax-qualified retirement plan for the benefit of all Company employees. Contributions are allocated to eligible participants on the basis of compensation, subject to federal tax law limits.

The Company contributed funds to a subsidiary to enable it to grant a loan to the ESOP for the purchase of 458,643 shares of the Company s common stock at a price of $10.00 per share. The loan obtained by the ESOP from the Company s subsidiary to purchase Company common stock is payable annually over 30 years at a rate per annum equal to the Prime Rate on the first business day of each calendar year (3.75% for 2017, unaudited). Loan payments are principally funded by cash contributions from the Bank. The loan is secured by the shares purchased, which are held in a suspense account for allocation among participants as the loan is repaid. Cash dividends paid on allocated shares are distributed to participants and cash dividends paid on unallocated shares are used to repay the outstanding debt of the ESOP. Shares used as collateral to secure the loan are released and available for allocation to eligible employees as the principal and interest on the loan is paid. The Company incurred expenses of $111,000 and $87,000 for the three months ended June 30, 2017 and 2016 (unaudited), respectively, and $218,000 and $172,000 for the six months ended June 30, 2017 and 2016 (unaudited), respectively.

Severance Agreements

The Company has entered into employment agreements and change in control agreements with certain executive officers which would provide the executive officers with severance payments based on salary, and the continuation of other benefits, upon a change in control as defined in the agreements.

NOTE 8 PLEDGED ASSETS

The following securities and loans were pledged to secure securities sold under agreements to repurchase, Federal Home Loan Bank (FHLB) advances and credit facilities available (in thousands).

	Securities held to maturity (at cost)	Loans receivable	Total pledged assets
June 30, 2017 (unaudited)			
Repurchase agreements	$ 4,218	$	$ 4,218
FHLB borrowings	32,698	1,243,309	1,276,007
Federal Reserve Bank line of credit	15,759		15,759
Total pledged assets	$ 52,675	$ 1,243,309	$ 1,295,984

	Securities held to maturity (at cost)	Loans receivable	Total pledged assets
December 31, 2016			
Repurchase agreements	$ 4,721	$	$ 4,721
FHLB borrowings	37,561	1,132,476	1,170,037
Federal Reserve Bank line of credit	15,739		15,739
Total pledged assets	$ 58,021	$ 1,132,476	$ 1,190,497

NOTE 9   EARNINGS PER SHARE

Basic earnings per share (EPS   ) excludes dilution and is calculated by dividing net income allocated to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted EPS is computed in a manner similar to that of basic EPS except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares (computed using the treasury stock method) that would have been outstanding if all potentially dilutive common stock equivalents (such as stock options and unvested restricted stock not meeting the definition of a participating security) were issued during the period.

Earnings per share consisted of the following components for the periods indicated (unaudited and dollars in thousands except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income	$ 4,012	$ 2,952	$ 7,678	$ 5,491
Undistributed earnings attributable to participating securities	(33)	(49)	(64)	(92)
Net income allocated to common stockholders	$ 3,979	$ 2,903	$ 7,614	$ 5,399
Weighted average shares outstanding, basic	8,754,917	8,560,039	8,715,635	8,555,212

Effect of dilutive shares	429,742	266,700	415,744	260,623
Weighted average shares outstanding, assuming dilution	9,184,659	8,826,739	9,131,379	8,815,835
Basic EPS	$ 0.45	$ 0.34	$ 0.87	$ 0.63
Effect of dilutive shares	(0.02)	(0.01)	(0.04)	(0.02)
Diluted EPS	$ 0.43	$ 0.33	$ 0.83	$ 0.61

The following table illustrates average options to purchase shares of common stock that were outstanding but not included in the computation of EPS because they were antidilutive under the treasury stock method (unaudited):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Stock options		27,500		18,434

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Unallocated common shares held by the ESOP are shown as a reduction in stockholders equity and are not included in the weighted-average number of common shares outstanding for either basic or diluted earnings per share calculations.

On June 22, 2013, the Company s Board of Directors authorized a program to repurchase, from time-to-time and as market and business conditions warrant, up to 500,000 shares of the Company s common stock. During the six months ended June 30, 2017 and 2016 (unaudited), the Company did not repurchase any shares under the repurchase program.

NOTE 10 STOCK BASED COMPENSATION

The following table presents the pre-tax expense associated with stock options and restricted stock awards and the related tax benefits recognized (in thousands and unaudited):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Stock options	$ 196	$ 198	$ 385	$ 387
Restricted stock awards	539	215	807	425
Total stock based compensation expense	$ 735	$ 413	$ 1,192	$ 812
Related tax benefits recognized in earnings	$ 254	$ 122	$ 397	$ 241

On February 8, 2017, the stockholders of the Company approved the Company s 2017 Equity Incentive Plan (the Plan). On March 15, 2017, 487,200 restricted stock awards were granted under the Plan at $27.10 with a ten year vesting period and an estimated 2.64% forfeiture rate. The awards are not deemed to be participating securities.

Total compensation cost related to non-vested awards not yet recognized and the weighted average period (in years) over which it is expected to be recognized is as follows (in thousands):

	As of June 30, 2017 (unaudited)		As of December 31, 2016	
	Amount	Weighted average period	Amount	Weighted average period
Stock options	$ 456	1.29	$ 819	1.48
Restricted stock	11,522	9.41	772	0.97
Total	$ 11,978		$ 1,591	

NOTE 11 FAIR VALUE MEASUREMENTS

Determination of Fair Value

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from one level to another. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company s various assets and liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value of cash flows or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The Company groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the observability and reliability of the assumptions used to determine fair value.

Level 1 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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Level 3 - Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities, fair value is based upon the lowest level of input that is significant to the fair value measurement.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon models that primarily use, as inputs, observable market based parameters. The Company s valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein. A more detailed description of the valuation methodologies used for assets and liabilities measured at fair value is set forth below. 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 for June 30, 2017 and December 31, 2016. There were no significant transfers between level 1 and level 2 of the fair value hierarchy during the six months ended June 30, 2017 (unaudited) and the year ended December 31, 2016.

Financial Assets and Financial Liabilities: Financial assets and financial liabilities measured at fair value on a recurring basis include the following:

Securities Available for Sale: The Company s investment in corporate debt securities is generally classified within level 2 of the fair value hierarchy. For these securities, the Company obtains fair value measurements from independent pricing services. The fair value measurements consider observable data that may include reported trades, 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.

Investments held in the Rabbi Trust: Investments held in the Rabbi Trust consist primarily of exchange-traded mutual funds and were recorded at fair value and included in other assets. The purpose of these investments is to fund certain director and executive non-qualified retirement benefits and deferred compensation. The exchange-traded mutual funds were valued based on quoted prices from the market and are categorized as Level 1.

The following table summarizes financial assets measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
At June 30, 2017 (unaudited)				
Securities available-for-sale				
Corporate debt securities	$	$ 22,118	$	$ 22,118
Trading securities				
Rabbi trust investments	2,710			2,710

	Level 1	Level 2	Level 3	Total Fair Value
Totals	$ 2,710	$ 22,118	$	$ 24,828

	Level 1	Level 2	Level 3	Total Fair Value
At December 31, 2016				
Securities available-for-sale				
Corporate debt securities	$	$ 22,048	$	$ 22,048
Trading securities				
Rabbi trust investments	2,606			2,606
Totals	$ 2,606	$ 22,048	$	$ 24,654

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets measured at fair value on a non-recurring basis during the reported periods include certain impaired loans reported at the fair value of the underlying collateral. Fair value was measured using appraised values of collateral and adjusted as necessary by management based on unobservable inputs for specific properties. However, the choice of observable data is

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subject to significant judgment, and there are often adjustments based on judgment in order to make observable data comparable and to consider the impact of time, the condition of properties, interest rates, and other market factors on current values. Additionally, commercial real estate appraisals frequently involve discounting of projected cash flows, which relies inherently on unobservable data. Therefore, real estate collateral related nonrecurring fair value measurement adjustments have generally been classified as Level 3. Estimates of fair value used for other collateral supporting commercial loans generally are based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3.

The following table (in thousands) presents certain impaired loans that were re-measured and reported at fair value through a specific valuation allowance allocation of the allowance for loan losses or charge off based upon the fair value of the underlying collateral at June 30, 2017 (unaudited) and December 31, 2016.

	June 30, 2017		
	Level 1	Level 2	Level 3
Impaired loans	$	$	$ 421
Totals	$	$	$ 421

	December 31, 2016		
	Level 1	Level 2	Level 3
Impaired loans	$	$	$
Totals	$	$	$

The following table presents the valuation methodology and unobservable inputs for level 3 assets measured at fair value on a nonrecurring basis at June 30, 2017 (unaudited and in thousands):

	Fair Value	Valuation Methodology	Unobservable input	Discount Range (Weighted-Average)	
June 30, 2017					
Collateral-dependent impaired loans:					
Specifically reserved	$ 421	Market approach appraisal of collateral	Management adjustment of appraisal	30%	(30%)
			Estimate selling costs	5%	(5%)

Non-Financial Assets and Non-Financial Liabilities: The Company has no non-financial assets or non-financial liabilities measured at fair value on a recurring basis. Non financial assets include mortgage servicing right assets that are remeasured and reported at the lower of cost or fair value.

The following table (in thousands) presents the non-financial assets that were re-measured and reported at the lower of cost or fair value at the periods indicated:

	June 30, 2017		
	Level 1	Level 2	Level 3
		(unaudited)	
Mortgage servicing rights	$	$	$ 584
Totals	$	$	$ 584

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	December 31, 2016		
	Level 1	Level 2	Level 3
Mortgage servicing rights	$	$	$ 403
Totals	$	$	$ 403

ASC Topic 825, Financial Instruments, requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The estimated fair value approximates carrying value for cash and cash equivalents, FHLB stock, accrued interest, bank owned life insurance, securities sold under agreements to repurchase and mortgagors escrow accounts. The methodologies for other significant financial assets and financial liabilities are discussed below:

Securities held to maturity-The fair values presented 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 and/or discounted cash flow analyses.

Loans-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 using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Deposits-The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificate accounts 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 certificate accounts.

FHLB advances-The fair values of the Company s FHLB advances are estimated using discounted cash flow analyses based on the current incremental borrowing rates in the market for similar types of borrowing arrangements.

Summary of Fair Values of Financial Instruments not Carried at Fair Value

The estimated fair values, and related carrying or notional amounts, of the Company s financial instruments are as follows (in thousands):

	June 30, 2017				
	Carrying Amount	Fair Value	Level 1 (unaudited)	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 52,041	$ 52,041	$ 52,041	$	$
Interest-bearing time deposits with other banks	235	235		235	
Held-to-maturity securities	140,524	139,952		139,952	
Federal Home Loan Bank stock	30,428	30,428		30,428	

Loans, net	2,067,584	2,043,708			2,043,708
Accrued interest receivable	5,115	5,115	5,115		
Bank-owned life insurance	36,393	36,393		36,393	
Financial liabilities:					
Deposits	1,610,815	1,610,771	1,196,752	414,019	
Federal Home Loan Bank advances	567,250	566,950		566,950	
Securities sold under agreements to repurchase	3,030	3,030		3,030	
Accrued interest payable	1,293	1,293	1,293		
Mortgagors escrow accounts	4,167	4,167		4,167	

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	December 31, 2016				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 58,876	$ 58,876	$ 58,876	$	$
Interest-bearing time deposits with other banks	234	233		233	
Held-to-maturity securities	130,197	129,465		129,465	
Federal Home Loan Bank stock	25,071	25,071		25,071	
Loans, net	1,866,035	1,837,068			1,837,068
Accrued interest receivable	4,635	4,635	4,635		
Bank-owned life insurance	35,842	35,842		35,842	
Financial liabilities:					
Deposits	1,469,422	1,469,906	1,133,821	336,085	
Federal Home Loan Bank advances	508,850	507,773		507,773	
Securities sold under agreements to repurchase	1,985	1,985		1,985	
Accrued interest payable	1,023	1,023	1,023		
Mortgagors escrow accounts	3,341	3,341		3,341	

The financial instruments in the tables above are included in the consolidated balance sheets under the indicated captions except for mortgagors escrow accounts which are included in other liabilities.

NOTE 12 OTHER COMPREHENSIVE (LOSS) INCOME

The following table presents a reconciliation of the changes in the components of other comprehensive (loss) income for the dates indicated, including the amount of income tax expense allocated to each component of other comprehensive (loss) income:

	Three months ended June 30, 2017 (unaudited and in thousands)			Three months ended June 30, 2016 (unaudited and in thousands)		
	Pre Tax Amount	Tax Benefit	After Tax Amount	Pre Tax Amount	Tax Expense	After Tax Amount
Securities available-for-sale:						
Change in fair value of securities available-for-sale	$ (5)	$ 2	$ (3)	$ 156	$ (62)	$ 94
Total other comprehensive (loss) income	$ (5)	$ 2	$ (3)	$ 156	$ (62)	$ 94

	Six months ended June 30, 2017 (unaudited and in thousands)			Six months ended June 30, 2016 (unaudited and in thousands)		
	Pre Tax	Tax	After Tax	Pre Tax	Tax	After Tax

	Amount	Expense	Amount	Amount	Expense	Amount
Securities available-for-sale:						
Change in fair value of securities available-for-sale	$ 108	$ (44)	$ 64	$ 284	$ (114)	$ 170
Total other comprehensive income	$ 108	$ (44)	$ 64	$ 284	$ (114)	$ 170

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The components of accumulated other comprehensive income, included in stockholders equity, are as follows: (in thousands):

	June 30, 2017 (unaudited)		December 31, 2016	
Net unrealized holding gain (loss) on available-for-sale securities, net of tax	$	63	$	(1)
Unrecognized benefit pertaining to defined benefit plan, net of tax		104		104
Accumulated other comprehensive income	$	167	$	103

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
The following analysis discusses the changes in financial condition and results of operation of the Company, and should be read in conjunction with both the unaudited consolidated interim financial statements and notes thereto, appearing in Part 1, Item 1 of this report.

Forward-Looking Statements

This report contains forward-looking statements, which can be identified by the use of words such as estimate, project, believe, intend, anticipate, plan, seek, expect, will, may and words of similar meaning. These forward-l 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 do not undertake any obligation to update any forward-looking statements after the date of this document, except as required by law.

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 successfully implement our business strategy, which includes significant asset and liability growth;

our ability to increase our market share in our market areas and capitalize on growth opportunities;

our ability to successfully implement our branch network expansion strategy;

general economic conditions, either nationally or in our market areas, and conditions in the real estate markets that could affect the demand for our loans and other products and the ability of borrowers to repay loans, could lead to declines in credit quality and increased loan losses, and negatively affect the value and salability of the real estate that is the collateral for many of our loans;

competition among depository and other financial institutions;

inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;

- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- increases in Federal Deposit Insurance Corporation (FDIC) deposit insurance premiums and assessments could adversely affect our financial condition;
- government shutdowns;
- severe weather, natural disasters, acts of war or terrorism and other external events which could significantly impact our business;
- our inability to adapt to changes in information technology;
- system failures or breaches of our network security;
- electronic fraudulent activity within the financial services industry;
- our ability to successfully integrate acquired entities, if any;
- changes in consumer spending, borrowing and savings habits;
- 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;
- changes in our financial condition or results of operations that reduce capital available; and
- changes in the financial condition or future prospects of issuers of securities that we own.

Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in the filings made by BSB Bancorp, Inc. with the Securities and Exchange Commission, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 under the heading Item 1A. Risk Factors.

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.

Critical Accounting Policies

There are no material changes to the critical accounting policies from those disclosed in BSB Bancorp, Inc. s 2016 Annual Report on Form 10-K. In applying these accounting policies, management is required to exercise judgment in determining many of the methodologies, assumptions and estimates to be utilized. As discussed in the Company s 2016 Annual Report on Form 10-K, the most significant areas in which management applies critical assumptions and estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses, investment classification and impairment and deferred income taxes. Management s estimates and assumptions affect the reported amounts of assets and liabilities as of the balance sheet date and revenues and expenses for the period. Actual results could differ from the amount derived from management s estimates and assumptions under different conditions.

Comparison of Financial Condition at June 30, 2017 and December 31, 2016

Total Assets. Total assets increased $212.18 million to $2.37 billion at June 30, 2017 from $2.16 billion at December 31, 2016. The increase was primarily the result of a $201.55 million or 10.8% increase in net loans, a $10.40 million or 6.8% increase in investment securities and a $5.36 million or 21.4% increase in Federal Home Loan Bank stock.

Cash and Cash Equivalents. Cash and cash equivalents decreased by $6.84 million or 11.6% to $52.04 million at June 30, 2017 from $58.88 million at December 31, 2016.

Investment Securities. Total investment securities increased $10.40 million to $162.64 million at June 30, 2017 from $152.25 million at December 31, 2016.

Loans. Management continues to focus on prudently growing the residential and commercial real estate loan portfolios. We experienced strong growth during the six months ended June 30, 2017. Net loans increased by $201.55 million or 10.8% to $2.07 billion at June 30, 2017 from $1.87 billion at December 31, 2016. The increase in net loans was primarily due to increases of $162.27 million or 16.3% in residential one-to-four family loans and $66.98 million or 13.6% in commercial real estate loans. Partially offsetting these increases were decreases of $7.22 million or 8.1% in construction loans, $3.04 million or 4.8% in commercial loans and $17.29 million or 28.7% in indirect auto loans. The decrease in indirect auto loans was driven by the suspension of new originations due to current market conditions. Credit quality remains high with total non-performing loans to total loans of 0.08% as of June 30, 2017 as compared to 0.10% as of December 31, 2016.

Bank-Owned Life Insurance. We invest in bank-owned life insurance to help defray the cost of our employee benefit plan obligations. Bank-owned life insurance also generally provides noninterest income that is nontaxable. At June 30, 2017, our investment in bank-owned life insurance was $36.39 million or an increase of $551,000 from $35.84 million at December 31, 2016. This increase was driven by $546,000 in income from bank-owned life insurance during the six months ended June 30, 2017.

Federal Home Loan Bank Stock. The Bank held an investment in Federal Home Loan Bank of Boston stock of $30.43 million as of June 30, 2017. This was an increase of $5.36 million or 21.4% from $25.07 million as of December 31, 2016. The FHLB is a cooperative that provides services to its member banking institutions. The primary reason for our FHLB of Boston membership is to gain access to a reliable source of wholesale funding, particularly term funding, as a tool to fund asset growth and manage interest rate risk. The purchase of stock in the FHLB is a requirement for a member to gain access to funding. The Company purchases FHLB stock proportional to the volume of funding received and views the purchases as a necessary long-term investment for the purposes of balance sheet liquidity and interest rate risk management.

Deposits. Deposits increased $141.39 million or 9.6% to $1.61 billion at June 30, 2017 from $1.47 billion at December 31, 2016. The increase in deposits was due to an increase of $78.46 million or 23.4% in certificates of deposit (CDs), an increase of $44.95 million or 5.7% in savings accounts and an increase of $22.71 million or 17.2% in interest-bearing checking accounts, partially offset by a decrease of $4.37 million or 2.1% in demand deposits. Core deposits, which we consider to include all deposits other than CDs, increased by $62.93 million or 5.6%. Deposit growth remained strong due to our competitive retail product offerings, the ongoing commitment to our targeted business segment strategy and our focus on commercial relationship expansion.

The following table sets forth the Company s deposit mix at the dates indicated (dollars in thousands):

	June 30, 2017		December 31, 2016	
	Amount (unaudited)	Percent	Amount	Percent
Deposit type:				
Demand deposits	$ 203,711	12.65%	$ 208,082	14.16%
Total non-interest-bearing accounts	203,711	12.65	208,082	14.16

NOW accounts	154,592	9.60	131,885	8.98
Savings accounts	830,502	51.55	785,557	53.46
Money market deposits	7,947	0.49	8,297	0.56
Certificate of deposit accounts	414,063	25.71	335,601	22.84
Total interest-bearing deposits	1,407,104	87.35	1,261,340	85.84
Total deposits	$ 1,610,815	100.00%	$ 1,469,422	100.00%

Borrowings. At June 30, 2017, borrowings consisted of advances from the Federal Home Loan Bank of Boston and securities sold to customers under agreements to repurchase, or repurchase agreements.

Total borrowings increased $59.45 million or 11.6% to $570.28 million at June 30, 2017, from $510.84 million at December 31, 2016. Advances from the Federal Home Loan Bank of Boston drove this increase as such advances increased $58.4 million to $567.25 million at June 30, 2017, from $508.85 million at December 31, 2016.

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The following table sets forth the Company s short-term borrowings and long-term debt for the dates indicated (in thousands):

	June 30, 2017 (unaudited)	December 31, 2016
Long-term borrowed funds:		
Federal Home Loan Bank of Boston long-term advances	$ 472,250	$ 377,250
	472,250	377,250
Short-term borrowed funds:		
Federal Home Loan Bank of Boston short-term advances	95,000	131,600
Repurchase agreements	3,030	1,985
	98,030	133,585
Total borrowed funds	$ 570,280	$ 510,835

Stockholders Equity. Total stockholders equity increased $8.90 million, or 5.5%, to $169.83 million at June 30, 2017 from $160.92 million as of December 31, 2016. This increase is primarily the result of earnings of $7.68 million and a $1.08 million increase in additional paid-in capital related to stock-based compensation.

Non-Performing Assets. The following table sets forth the amounts and categories of our non-performing assets at the dates indicated (dollars in thousands):

	At June 30, 2017 (unaudited)	At December 31, 2016
Non-accrual loans:		
Real estate loans:		
Residential one-to-four family	$ 1,656	$ 1,804
Consumer loans:		
Indirect auto loans		15
Total non-accrual loans	$ 1,656	$ 1,819
Total non-performing loans	1,656	1,819
Repossessed automobiles	46	3
Total non-performing assets (NPAs)	$ 1,702	$ 1,822

Troubled debt restructurings:				
Troubled debt restructures included in NPAs	$	1,162	$	1,442
Troubled debt restructures not included in NPAs		4,517		4,656
Total troubled debt restructures	$	5,679	$	6,098
Ratios:				
Non-performing loans to total loans		0.08%		0.10%
Non-performing assets to total assets		0.07%		0.08%

It is the general policy of the Bank to consider any loan on non-accrual as an impaired loan. Exceptions to this policy can be made when, in the opinion of senior management, a loan is adequately secured, properly documented and in the process of collection. Any exceptions to policy are reviewed on a monthly basis and must be approved by senior management. At June 30, 2017 and December 31, 2016, there were no loans on non-accrual that were determined to not be impaired. At June 30, 2017 and December 31, 2016 there were no loans delinquent 90 days or more and still accruing.

Troubled Debt Restructurings. We occasionally modify loans to extend the term or make other concessions to help a borrower stay current on their loan and to avoid foreclosure or collection activity. We generally do not forgive principal or interest on loans. At June 30, 2017, we had $5.68 million of troubled debt restructurings related to nine loans as compared to $6.10 million of troubled debt restructurings related to ten loans at December 31, 2016. The decrease in the balance was driven by principal payments.

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Comparison of Operating Results for the Three Months Ended June 30, 2017 and 2016

General. Net income for the three months ended June 30, 2017 was $4.01 million compared to net income of $2.95 million for the three months ended June 30, 2016. Earnings per diluted share for the three months ended June 30, 2017 was $0.43 compared to earnings per diluted share for the three months ended June 30, 2016 of $0.33. The improvement in operating results of $1.06 million or 35.9% for the three months ended June 30, 2017 compared to the three months ended June 30, 2016 resulted from an increase in net interest and dividend income after the provision for loan losses of $2.28 million or 20.7% and an increase in noninterest income of $290,000, partially offset by an increase in noninterest expense of $661,000 and an increase in income tax expense of $844,000.

Net Interest and Dividend Income. Net interest and dividend income increased $2.24 million or 19.1% to $13.95 million for the three months ended June 30, 2017 compared to $11.71 million for the three months ended June 30, 2016. The increase in net interest and dividend income was due to an increase in average net interest-earning assets of $14.95 million or 5.1% to $308.44 million for the three months ended June 30, 2017 from $293.49 million for the three months ended June 30, 2016, partially offset by a decrease in our net interest margin of 5 basis points to 2.44% during the three months ended June 30, 2017 from 2.49% during the three months ended June 30, 2016.

Interest and Dividend Income. Interest and dividend income increased $3.60 million or 23.7% to $18.76 million for the three months ended June 30, 2017 from $15.16 million for the three months ended June 30, 2016. The increase in interest and dividend income was primarily due to a $3.37 million increase in interest and fees on loans. The increase in interest and fees on loans resulted primarily from an increase in the average balance of loans of $363.78 million to $2.03 billion for the three months ended June 30, 2017 from $1.66 billion for the three months ended June 30, 2016.

Interest Expense. Interest expense increased $1.36 million or 39.3% to $4.82 million for the three months ended June 30, 2017 from $3.46 million for the three months ended June 30, 2016. The increase resulted from a $367.45 million or 23.4% increase in the average balance of interest-bearing liabilities to $1.94 billion for the three months ended June 30, 2017 from $1.57 billion for the three months ended June 30, 2016 as well as an 11 basis point increase in the cost of interest-bearing liabilities to 1.00% during the three months ended June 30, 2017 from 0.89% during the three months ended June 30, 2016.

Interest expense on interest-bearing deposits increased by $640,000 to $2.99 million for the three months ended June 30, 2017 from $2.35 million for the three months ended June 30, 2016. This increase was primarily due to an increase in the interest expense on savings accounts and CDs of $365,000 and $284,000, respectively. The increase in interest expense on savings accounts of $365,000 from $1.08 million to $1.44 million was driven by an increase in the average balance of $125.70 million as well as an 8 basis point increase in the cost of savings accounts to 0.67% from 0.59%. The increase in interest expense on CDs of $284,000 from $1.12 million to $1.41 million was driven by an increase in the average balance of $98.05 million, partially offset by a 9 basis point decrease in the cost of CD accounts to 1.42% from 1.51%.

Interest expense on total borrowings increased $719,000 to $1.83 million for the three months ended June 30, 2017 from $1.11 million for the three months ended June 30, 2016. This increase was primarily due to an increase in the average balance of FHLB advances of $151.91 million or 39.6% to $535.88 million for the three months ended June 30, 2017 from $383.97 million for the three months ended June 30, 2016 and an increase in the average cost of FHLB advances of 21 basis points to 1.37% for the three months ended June 30, 2017 from 1.16% for the three months ended June 30, 2016. Recent increases in short term interest rates have increased the cost of our short term FHLB advances. In addition, we have increased the balance of our long term advances to help manage interest rate risk.

Provision for Loan Losses. Based on our methodology for establishing the allowance for loan losses and provision for loan losses as discussed in Note 4 to the Consolidated Financial Statements included in this Form 10-Q, we recorded a provision for loan losses of $707,000 for the three months ended June 30, 2017, compared to $741,000 for the three months ended June 30, 2016. The allowance for loan losses was $15.09 million or 0.73% of total loans at June 30, 2017, compared to $13.59 million or 0.73% of total loans at December 31, 2016.

Noninterest Income. Noninterest income increased by $290,000 to $995,000 for the three months ended June 30, 2017, from $705,000 for the three months ended June 30, 2016.

Customer service fees decreased $25,000 or 11.2% primarily due to declines in NSF and other fees.

Income from bank owned life insurance increased $57,000 or 24.1% primarily due to a purchase of $5.00 million in additional bank owned life insurance policies at the end of the second quarter of 2016.

Net gains on sales of loans increased $232,000 or 218.9% due to an increase in the number of units sold.

Other income increased by $17,000 or 37.0% primarily due to increases in the values of investments held in a Rabbi Trust. Investments held in the Rabbi Trust are used to fund the executive and director non-qualified deferred compensation plan. Corresponding deferred compensation expense is recorded within director compensation and salaries and employee benefits.

Noninterest Expense. Noninterest expense increased $661,000 or 9.5% to $7.65 million for the three months ended June 30, 2017, from $6.98 million for the three months ended June 30, 2016.

Salaries and employee benefits increased $444,000 or 10.2% primarily driven by stock based compensation related to grants made during the first quarter of 2017 and a slight increase in the number of employees.

Director compensation increased $109,000 or 44.1% primarily driven by stock based compensation related to grants made during the first quarter of 2017.

Deposit insurance expense increased by $129,000 or 44.9% primarily driven by asset growth and the FDIC s new assessment methodology that was first effective for the quarter ended September 30, 2016.

Data processing fees decreased by $185,000 or 21.0% as we renegotiated certain contracts with service providers in late 2016.

Professional fees increased by $83,000 or 44.4% primarily due to the timing of certain annual audit engagements as well as increased attorney and consultant fees.

Marketing costs increased by $75,000, or 36.1% primarily due to an increase in digital promotion of our market leading consumer lending products as well as additional support for our business banking segment strategy.

Our efficiency ratio improved to 51.2% for the three months ended June 30, 2017 from 56.3% for the three months ended June 30, 2016 as we continue to grow the balance sheet and manage costs. A talented and committed colleague team along with continued operational enhancements have contributed to the improvement in our efficiency ratio.

Income Tax Expense. We recorded income tax expense of $2.58 million for the three months ended June 30, 2017 compared to income tax expense of $1.74 million for the three months ended June 30, 2016. The effective tax rate for the three months ended June 30, 2017 was 39.1% compared to 37.0% for the three months ended June 30, 2016. The increase in our effective tax rate was due to tax benefits received during the three months ended June 30, 2016 related to an increase in our statutory tax rate from 34% to 35%. The increase in our statutory tax rate increased our deferred tax assets with a corresponding decrease in income tax expense.

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The following tables set forth average balances of assets and liabilities, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

	For the Three Months Ended June 30, (unaudited)					
	2017			2016		
	(Dollars in thousands)					
	Average Outstanding Balance	Interest	Yield/Rate[1]	Average Outstanding Balance	Interest	Yield/Rate[1]
Interest-earning assets:						
Total loans	$ 2,028,341	$ 17,508	3.46%	$ 1,664,562	$ 14,138	3.42%
Securities	162,259	855	2.11%	156,286	801	2.06%
Other	54,949	111	0.81%	42,303	39	0.37%
Total interest-earning assets [5]	2,245,549	$ 18,474	3.30%	1,863,151	$ 14,978	3.23%
Non-interest-earning assets	73,826			59,182		
Total assets	$ 2,319,375			$ 1,922,333		
Interest-bearing liabilities:						
Savings accounts	$ 859,570	$ 1,444	0.67%	$ 733,870	$ 1,079	0.59%
Checking accounts	132,386	136	0.41%	141,292	146	0.42%
Money market accounts	8,297	1	0.05%	8,202		0.00%
Certificates of deposit	397,976	1,407	1.42%	299,924	1,123	1.51%
Total interest-bearing deposits	1,398,229	2,988	0.86%	1,183,288	2,348	0.80%
Federal Home Loan Bank advances	535,880	1,827	1.37%	383,967	1,108	1.16%
Securities sold under agreements to repurchase	3,001	1	0.13%	2,402	1	0.17%
Other borrowed funds			0.00%			0.00%
Total interest-bearing liabilities	1,937,110	$ 4,816	1.00%	1,569,657	$ 3,457	0.89%
Non-interest-bearing liabilities	213,856			200,718		
Total liabilities	2,150,966			1,770,375		
Stockholders Equity	168,409			151,958		
Total liabilities and stockholders equity	$ 2,319,375			$ 1,922,333		
Net interest income		$ 13,658			$ 11,521	
Net interest rate spread [2]			2.30%			2.34%

Net interest-earning assets [3]	$ 308,439	$ 293,494
Net interest margin [4]	2.44%	2.49%
Average interest-earning assets to interest-bearing liabilities	115.92%	118.70%

(1) Yields and rates for the three-month periods ended June 30, 2017 and 2016 are annualized.
(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average total interest-earning assets.
(5) FHLB stock dividends of $290,000 and $186,000 for the three months ended June 30, 2017 and 2016, respectively, are not included.

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The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

	Three Months Ended June 30, 2017 vs. 2016 (unaudited)		
	Change Due to Volume	Change Due to Rate	Total Change
		(In thousands)	
Income on interest-earning assets:			
Loans	$ 3,174	$ 196	$ 3,370
Securities	32	22	54
Other	15	57	72
Total interest-earning assets (1)	3,221	275	3,496
Expense on interest-bearing liabilities:			
Savings accounts	201	164	365
Checking accounts	(9)	(1)	(10)
Money market accounts		1	1
Certificates of deposit	353	(69)	284
Total interest-bearing deposits	545	95	640
Federal Home Loan Bank advances	496	223	719
Total interest-bearing liabilities	1,041	318	1,359
Change in net interest income	$ 2,180	$ (43)	$ 2,137

(1) Does not include dividends on FHLB stock of $290,000 and $186,000 for the three months ended June 30, 2017 and 2016, respectively.

Comparison of Operating Results for the Six Months Ended June 30, 2017 and 2016

General. Net income for the six months ended June 30, 2017 was $7.68 million compared to net income of $5.49 million for the six months ended June 30, 2016. The improvement in operating results of $2.19 million or 39.8% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 resulted from an increase in net interest and dividend income after the provision for loan losses of $4.02 million and an increase in noninterest income of $258,000, partially offset by an increase in income tax expense of $1.21 million and an increase in noninterest expense of $881,000.

Net Interest and Dividend Income. Net interest and dividend income increased $4.22 million or 18.4% to $27.21 million for the six months ended June 30, 2017 compared to $22.99 million for the six months ended June 30, 2016. The increase in net interest and dividend income was primarily due to an increase in average net interest-earning assets of $15.04 million or 5.1% to $307.80 million for the six months ended June 30, 2017, from $292.76 million for the six months ended June 30, 2016, partially offset by a decrease in our net interest margin of 6 basis points to 2.45% during the six months ended June 30, 2017 from 2.51% during the six months ended June 30, 2016.

Interest and Dividend Income. Interest and dividend income increased $6.67 million or 22.5% to $36.27 million for the six months ended June 30, 2017, from $29.60 million for the six months ended June 30, 2016. The increase in interest and dividend

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income was primarily due to a $6.35 million increase in interest and fees on loans. The increase in interest and fees on loans resulted primarily from an increase in the average balance of loans of $369.25 million to $1.99 billion for the six months ended June 30, 2017 from $1.62 billion for the six months ended June 30, 2016 as well as a 2 basis point increase in the average yield on loans to 3.44% for the six months ended June 30, 2017 from 3.42% for the six months ended June 30, 2016.

Interest Expense. Interest expense increased $2.45 million or 37.0% to $9.06 million for the six months ended June 30, 2017 from $6.61 million for the six months ended June 30, 2016. The increase resulted from a $365.92 million or 24.0% increase in the average balance of interest-bearing liabilities to $1.89 billion for the six months ended June 30, 2017, from $1.52 billion for the six months ended June 30, 2016 as well as a 10 basis point increase in the cost of interest-bearing liabilities to 0.97% during the six months ended June 30, 2017 from 0.87% during the six months ended June 30, 2016.

Interest expense on interest-bearing deposits increased by $1.13 million to $5.60 million for the six months ended June 30, 2017 from $4.47 million for the six months ended June 30, 2016. This increase was primarily due to an increase in the interest expense on savings accounts and CDs of $679,000 and $475,000, respectively. The increase in interest expense on savings accounts of $679,000 from $2.05 million to $2.73 million was driven by an increase in the average balance of $137.92 million and a 6 basis point increase in the cost of savings accounts to 0.65% from 0.59%. The increase in interest expense on CDs of $475,000 from $2.14 million to $2.62 million was driven by an increase in the average balance of $86.90 million, partially offset by a 9 basis point decrease in the cost of CD accounts to 1.43% from 1.52%.

Interest expense on total borrowings increased $1.32 million to $3.46 million for the six months ended June 30, 2017 from $2.14 million for the six months ended June 30, 2016. This increase was primarily due to an increase in the average balance of FHLB advances of $149.70 million or 38.1% to $542.18 million for the six months ended June 30, 2017 from $392.48 million for the six months ended June 30, 2016 and an increase in the average cost of FHLB advances of 20 basis points to 1.29% for the six months ended June 30, 2017 from 1.09% for the six months ended June 30, 2016. Recent increases in short term interest rates have increased the cost of our short term FHLB advances. In addition, we have increased the balance of our long term advances to help manage interest rate risk.

Provision for Loan Losses. Based on our methodology for establishing the allowance for loan losses and provision for loan losses as discussed in Note 4 to the Consolidated Financial Statements included in this Form 10-Q, we recorded a provision for loan losses of $1.54 million for the six months ended June 30, 2017 compared to $1.34 million for the six months ended June 30, 2016. The allowance for loan losses was $15.09 million or 0.73% of total loans at June 30, 2017, compared to $13.59 million or 0.73% of total loans at December 31, 2016.

Noninterest Income. Noninterest income increased by $258,000 to $1.63 million for the six months ended June 30, 2017, from $1.37 million for the six months ended June 30, 2016.

Customer service fees decreased $68,000 or 15.1% primarily due to declines in NSF and other fees.

Income from bank owned life insurance increased $76,000 or 16.2% primarily due to a purchase of $5.00 million in additional bank owned life insurance policies at the end of the second quarter of 2016.

Net gains on sales of loans increased $180,000 or 107.8% due to an increase in the number of units sold.

Other income increased by $58,000 or 77.3% primarily due to increases in the values of investments held in a Rabbi Trust. Investments held in the Rabbi Trust are used to fund the executive and director non-qualified deferred compensation plan. Corresponding deferred compensation expense is recorded within director compensation and salaries and employee benefits.

Noninterest Expense. Noninterest expense increased $881,000 or 6.2% to $15.12 million for the six months ended June 30, 2017, from $14.24 million for the six months ended June 30, 2016.

Director compensation increased $178,000 or 37.0% primarily driven by stock based compensation related to grants made during the first quarter of 2017.

Deposit insurance expense increased by $251,000 or 44.3% primarily driven by asset growth and the FDIC s new assessment methodology that was first effective for the quarter ended September 30, 2016.

Data processing fees decreased by $373,000 or 21.2% as we renegotiated certain contracts with service providers in late 2016.

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Professional fees increased by $136,000 or 32.2% primarily due to the timing of certain annual audit engagements as well as increased attorney and consultant fees.

Marketing costs increased by $132,000, or 30.8% primarily due to an increase in digital promotion of our market leading consumer lending products as well as additional support for our business banking segment strategy.

Our efficiency ratio improved to 52.4% during the six months ended June 30, 2017 from 58.5% during the six months ended June 30, 2016 as we continue to grow the balance sheet and manage costs. A talented and committed colleague team along with continued operational enhancements have contributed to the improvement in our efficiency ratio.

Income Tax Expense. We recorded income tax expense of $4.50 million for the six months ended June 30, 2017 compared to income tax expense of $3.29 million for the six months ended June 30, 2016. The effective tax rate for the six months ended June 30, 2017 was 37.0% compared to 37.4% for the six months ended June 30, 2016. The decrease in our effective tax rate was driven by tax benefits received from stock based compensation activity following the adoption of ASU 2016-09 as discussed in Note 1. The Company anticipates the potential for increased periodic volatility in future effective tax rates based on the continued application of ASU 2016-09.

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The following tables set forth average balances of assets and liabilities, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

	For the Six Months Ended June 30, (unaudited)					
	2017			2016		
	(Dollars in thousands)					
	Average Outstanding Balance	Interest	Yield/Rate[1]	Average Outstanding Balance	Interest	Yield/Rate[1]
Interest-earning assets:						
Total loans	$ 1,987,296	$ 33,895	3.44%	$ 1,618,045	$ 27,550	3.42%
Securities	157,589	1,634	2.09%	157,170	1,629	2.08%
Other	52,874	195	0.74%	41,594	84	0.41%
Total interest-earning assets [5]	2,197,759	$ 35,724	3.28%	1,816,809	$ 29,263	3.24%
Non-interest-earning assets	73,088			58,497		
Total assets	$ 2,270,847			$ 1,875,306		
Interest-bearing liabilities:						
Savings accounts	$ 842,573	$ 2,732	0.65%	$ 704,657	$ 2,053	0.59%
Checking accounts	124,236	252	0.41%	132,782	276	0.42%
Money market accounts	8,338		0.00%	8,224	1	0.02%
Certificates of deposit	369,928	2,617	1.43%	283,033	2,142	1.52%
Total interest-bearing deposits	1,345,075	5,601	0.84%	1,128,696	4,472	0.80%
Federal Home Loan Bank advances	542,179	3,458	1.29%	392,484	2,135	1.09%
Securities sold under agreements to repurchase	2,708	2	0.15%	2,365	2	0.17%
Other borrowed funds			0.00%	502	5	2.00%
Total interest-bearing liabilities	1,889,962	$ 9,061	0.97%	1,524,047	$ 6,614	0.87%
Non-interest-bearing liabilities	214,802			201,029		
Total liabilities	2,104,764			1,725,076		
Stockholders Equity	166,083			150,230		
	$ 2,270,847			$ 1,875,306		
Net interest income		$ 26,663			$ 22,649	
Net interest rate spread [2]			2.31%			2.37%

Net interest-earning assets [3]	$ 307,797	$ 292,762
Net interest margin [4]	2.45%	2.51%
Average interest-earning assets to interest-bearing liabilities	116.29%	119.21%

(1) Yields and rates for the six-month periods ended June 30, 2017 and 2016 are annualized.

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

(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

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

(5) FHLB stock dividends of $546,000 and $341,000 for the six months ended June 30, 2017 and 2016, respectively, are not included.

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The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

	Six Months Ended June 30, 2017 vs. 2016 (unaudited)		
	Change Due to Volume	Change Due to Rate	Total Change
		(In thousands)	
Income on interest-earning assets:			
Loans	$ 6,223	$ 122	$ 6,345
Securities	2	3	5
Other	27	84	111
Total interest-earning assets (1)	6,252	209	6,461
Expense on interest-bearing liabilities:			
Savings accounts	428	251	679
Checking accounts	(18)	(6)	(24)
Money market accounts		(1)	(1)
Certificates of deposit	617	(142)	475
Total interest-bearing deposits	1,027	102	1,129
Federal Home Loan Bank advances	906	417	1,323
Securities sold under agreements to repurchase			
Other borrowed funds	(3)	(2)	(5)
Total interest-bearing liabilities	1,930	517	2,447
Change in net interest income	$ 4,322	$ (308)	$ 4,014

(1) Does not include dividends on FHLB stock of $546,000 and $341,000 for the six months ended June 30, 2017 and 2016, respectively.

Management of Market Risk

General. The Bank s most significant form of market risk is interest rate risk because, as a financial institution, the majority of assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of the Bank s operations is to manage interest rate risk and limit the exposure of the Bank s financial condition and results of operations to changes in market interest rates. The Bank s Asset/Liability Management Committee is responsible for evaluating the interest rate risk inherent in the Bank s assets and liabilities, for determining the level of risk that is appropriate, given the Bank s business strategy, operating environment, capital, liquidity and performance objectives,

and for managing this risk consistent with the policy and guidelines approved by our Board of Directors.

Exposure to interest rate risk is managed by Belmont Savings Bank through periodic evaluations of the current interest rate risk inherent in its rate-sensitive assets and liabilities, primarily deposits, borrowings, loans and investment securities, coupled with determinations of the level of risk considered appropriate given Belmont Savings Bank s capital and liquidity requirements, business strategy and performance objectives. Through such management, Belmont Savings Bank seeks to manage the vulnerability of its net interest income to changes in interest rates.

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Strategies used by Belmont Savings Bank to manage the potential volatility of its earnings may include:

- The origination and retention of adjustable rate residential one-to-four family loans, adjustable rate home equity lines of credit, adjustable rate commercial loans, commercial real estate loans and indirect automobile loans;
- The sale of fixed rate loans;
- Investing in securities with relatively short maturities and/or expected average lives;
- Emphasizing growth in low-cost core deposits; and
- Lengthening liabilities such as term certificates of deposit, brokered certificates of deposit and Federal Home Loan Bank of Boston borrowings as appropriate.

Net Interest Income Analysis. The Bank analyzes its sensitivity to changes in interest rates through a net interest income model. Net interest income is the difference between the interest income the Bank earns on its interest-earning assets, such as loans and securities, and the interest the Bank pays on its interest-bearing liabilities, such as deposits and borrowings. The Bank estimates what its net interest income would be for a one-year period based on current interest rates. The Bank then calculates what the net interest income would be for the same period under different interest rate assumptions. The Bank also estimates the impact over a five year time horizon. The following table shows the estimated impact on net interest income (NII) for the one-year period beginning June 30, 2017 resulting from potential changes in interest rates. These estimates require the Bank to make certain assumptions including loan and mortgage-related investment prepayment speeds, reinvestment rates, and deposit maturities and decay rates. These assumptions are inherently uncertain and, as a result, the Bank cannot precisely predict the impact of changes in interest rates on its net interest income. Although the net interest income table below provides an indication of the Bank s interest rate risk exposure at a particular point in time, such estimates are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on its net interest income and will differ from actual results.

Change in Interest Rates (basis points) (1)	**NII Change Year One (% Change From Year One Base)**
Shock +300	-9.6%
Ramp +200	-3.9%
Ramp - 100	-0.7%

(1)

The calculated change for a ramp -100 BPS and a ramp +200 BPS, assumes a gradual parallel shift across the yield curve over a one-year period. The calculated change for shock +300 assumes that market rates experience an instantaneous and sustained increase of 300 BPS.

The table above indicates that at June 30, 2017, in the event of an instantaneous and sustained 300 basis point increase in interest rates the Bank would experience a 9.6% decrease in net interest income. At the same date, in the event of a 200 basis point increase in interest rates over a one year period, assuming a gradual parallel shift across the yield curve over such period, the Bank would experience a 3.9% decrease in net interest income. At the same date, in the event of a 100 basis point decrease in interest rates over a one year period, assuming a gradual parallel shift across the yield curve over such period, the Bank would experience a 0.7% decrease in net interest income.

Economic Value of Equity Analysis. The Bank also analyzes the sensitivity of its financial condition to changes in interest rates through an economic value of equity model. This analysis measures the difference between predicted changes in the present value of its assets and predicted changes in the present value of its liabilities assuming various changes in current interest rates. The economic value of equity analysis as of June 30, 2017 estimated that, in the event of an instantaneous 200 basis point increase in interest rates, the Bank would experience a 19.3% decrease in the economic value of its equity. At the same date, the analysis estimated that, in the event of an instantaneous 100 basis point decrease in interest rates, the Bank would experience an 11.1% decrease in the economic value of its equity. The estimates of changes in the economic value of the Bank s equity require management to make certain assumptions including loan and mortgage-related investment prepayment speeds, reinvestment rates, and deposit maturities and decay rates. These assumptions are inherently uncertain and, as a result, management cannot precisely predict the impact of changes in interest rates on the economic value of the Bank s equity. Although the economic value of equity analysis provides an indication of the Bank s interest rate risk exposure at a particular point in time, such estimates are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on the economic value of the Bank s equity and will differ from actual results.

Liquidity and Capital Resources. Liquidity is the ability to meet current and future financial obligations. Our primary sources of funds consist of deposit inflows, loan repayments, advances from the Federal Home Loan Bank of Boston, security repayments and loan sales. 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 Asset/Liability Management Committee is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We believe that we had enough sources of liquidity at June 30, 2017 to satisfy our short- and long-term liquidity needs as of that date.

We regularly monitor and adjust our investments in liquid assets based on our assessment of:

- expected loan demand;
- expected deposit flows and borrowing maturities;
- yields available on interest-earning deposits and securities; and
- the objectives of our asset/liability management program.

Excess liquid assets are invested generally in interest-earning deposits and short-term securities and may also be used to pay off short-term borrowings.

Our most liquid assets are cash and cash equivalents. The level of these assets is dependent on our operating, financing, lending and investing activities during any given period. At June 30, 2017, cash and cash equivalents totaled $52.04 million.

Our cash flows are derived from operating activities, investing activities and financing activities as reported in our Consolidated Statements of Cash Flows included in our Consolidated Financial Statements.

At June 30, 2017, we had $76.47 million in loan commitments outstanding. In addition to commitments to originate and purchase loans, we had $282.68 million in unused lines of credit to borrowers and $29.47 million in unadvanced funds on construction loans.

Certificates of deposit due within one year of June 30, 2017 totaled $171.12 million, or 10.6%, of total deposits. If these deposits do not remain with us, we may be required to seek other sources of funds, including loan sales, brokered deposits, repurchase agreements and Federal Home Loan Bank advances. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before June 30, 2018. We believe, however, based on historical experience and current market interest rates that we will retain upon maturity a large portion of our certificates of deposit with maturities of one year or less as of June 30, 2017.

Our primary investing activity is originating and purchasing loans. During the six months ended June 30, 2017 and the year ended December 31, 2016, we originated and purchased $401.27 million and $770.44 million of new loans, respectively.

Financing activities consist primarily of activity in deposit accounts, Federal Home Loan Bank advances and, to a lesser extent, brokered deposits. We experienced net increases in deposits of $141.39 million and $199.90 million for the six months ended June 30, 2017 and for the year ended December 31, 2016, respectively. At June 30, 2017 and December 31, 2016, the levels of brokered deposits were $231.43 million and $156.57 million, respectively. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors, and by other factors.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of Boston, which provide an additional source of funds. At June 30, 2017, we had $567.25 million of Federal Home Loan Bank advances. Based on available collateral at that date, we had the ability to borrow up to an additional $308.67 million from the Federal Home Loan Bank of Boston.

We are obligated to make future payments according to various contracts. As of June 30, 2017, our contractual obligations have not changed materially from those disclosed in our 2016 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 10, 2017.

BSB Bancorp, Inc. and Belmont Savings Bank are subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At June 30, 2017, BSB Bancorp, Inc. and Belmont Savings Bank exceeded all regulatory capital requirements and Belmont Savings Bank is considered well capitalized under the prompt corrective action regulatory guidelines.

The net proceeds from our stock offering completed in October 2011 had significantly increased our liquidity and capital resources however, over time, the level of liquidity has been reduced as net proceeds from the stock offering and additions to capital from income generated are used for general corporate purposes, including the funding of loans. We have seen our financial condition and results of operations enhanced by the continued investment of the net proceeds from the stock offering, resulting in increased net interest-earning assets and net interest and dividend income.

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

The Company s total stockholders equity increased to $169.83 million at June 30, 2017 from $160.92 million at December 31, 2016. This increase is primarily the result of earnings of $7.68 million and a $1.08 increase in additional paid-in capital related to stock-based compensation.

Basel III Capital Rules. In July 2013, the Federal Deposit Insurance Corporation and the other federal bank regulatory agencies issued a final rule that revised their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the rule established a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increased the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigned a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain available-for-sale securities holdings to be included for purposes of calculating regulatory capital unless a one-time opt-out is exercised. The rule limits a banking organization s capital distributions and certain discretionary bonus payments if the banking organization does not hold a capital conservation buffer consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule became effective for the Company and the Bank on January 1, 2015. The capital conservation buffer requirement started being phased in on January 1, 2016 and will continue to be phased in through January 1, 2019, when the full capital conservation buffer requirement will be effective.

The following table presents actual and required capital ratios as of June 30, 2017 and December 31, 2016 for the Company and the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of June 30, 2017 and December 31, 2016 based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

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	Actual		Minimum Capital Required For Capital Adequacy		Minimum Capital Required For Capital Adequacy Plus Capital Conservation Buffer Basel III Phase-In Schedule		Minimum Capital Required For Capital Adequacy Plus Capital Conservation Buffer Basel III Fully Phased In		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2017:										
Total Capital (to Risk Weighted Assets)										
Consolidated	$ 184,786	11.51%	$ 128,404	8.00%	$ 148,467	9.25%	$ 168,530	10.50%	N/A	N/A
Belmont Savings Bank	180,108	11.22%	128,399	8.00%	148,461	9.25%	168,524	10.50%	$ 160,499	10.00%
Tier 1 Capital (to Risk Weighted Assets)										
Consolidated	$ 169,657	10.57%	$ 96,303	6.00%	$ 116,366	7.25%	$ 136,429	8.50%	N/A	N/A
Belmont Savings Bank	164,979	10.28%	96,299	6.00%	116,361	7.25%	136,424	8.50%	128,399	8.00%
Common Equity Tier 1 Capital (to Risk Weighted Assets)										
Consolidated	$ 169,657	10.57%	$ 72,227	4.50%	$ 92,290	5.75%	$ 112,353	7.00%	N/A	N/A
Belmont Savings Bank	164,979	10.28%	72,224	4.50%	92,287	5.75%	112,349	7.00%	104,324	6.50%
Tier 1 Capital (to Average Assets)										
Consolidated	$ 169,657	7.32%	$ 92,766	4.00%	$ 92,766	4.00%	$ 92,766	4.00%	N/A	N/A
Belmont Savings Bank	164,979	7.11%	92,768	4.00%	92,768	4.00%	92,768	4.00%	115,960	5.00%

			Minimum Capital Required For		Minimum Capital Required For Capital Adequacy Plus Capital Conservation Buffer		Minimum Capital Required For Capital Adequacy Plus Capital Conservation Buffer		Minimum To Be Well Capitalized Under Prompt Corrective	

	Actual		Capital Adequacy		Basel III Phase-In Schedule		Basel III Fully Phased In		Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016:										
Total Capital (to Risk Weighted Assets)										
Consolidated	$ 174,465	11.72%	$ 119,116	8.00%	$ 128,422	8.625%	$ 156,340	10.50%	N/A	N/A
Belmont Savings Bank	169,499	11.38%	119,114	8.00%	128,420	8.625%	156,337	10.50%	$ 148,893	10.00%
Tier 1 Capital (to Risk Weighted Assets)										
Consolidated	$ 160,817	10.80%	$ 89,337	6.00%	$ 98,643	6.625%	$ 126,561	8.50%	N/A	N/A
Belmont Savings Bank	155,851	10.47%	89,336	6.00%	98,641	6.625%	126,559	8.50%	119,114	8.00%
Common Equity Tier 1 Capital (to Risk Weighted Assets)										
Consolidated	$ 160,817	10.80%	$ 67,003	4.50%	$ 76,309	5.125%	$ 104,227	7.00%	N/A	N/A
Belmont Savings Bank	155,851	10.47%	67,002	4.50%	76,308	5.125%	104,225	7.00%	96,780	6.50%
Tier 1 Capital (to Average Assets)										
Consolidated	$ 160,817	7.63%	$ 84,253	4.00%	$ 84,253	4.00%	$ 84,253	4.00%	N/A	N/A
Belmont Savings Bank	155,851	7.40%	84,251	4.00%	84,251	4.00%	84,251	4.00%	105,314	5.00%

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Off-Balance Sheet Arrangements

As a financial services provider, we routinely are a party to various financial instruments with off-balance sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our potential future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. In addition, from time to time we enter into commitments to sell mortgage loans that we originate. For the six months ended June 30, 2017, we engaged in no off-balance sheet transactions reasonably likely to have a material effect on our financial condition, results of operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included in Item 2 of this report under Management of Market Risk.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, (1) is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms and (2) is accumulated and communicated to our management, including our Principal Executive and Principal Financial officers as appropriate to allow timely discussions regarding required disclosures.

The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Due to such inherent limitations, there can be no assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud, or in making all material information known in a timely manner to the appropriate levels of management.

There were no changes in the Company s internal control over financial reporting during the three months ended June 30, 2017 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

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we

believe would have a material adverse effect on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors.

For information regarding the Company s risk factors, see Risk Factors in the Company s Annual Report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission on March 10, 2017. As of June 30, 2017, the risk factors of the Company have not changed materially from those disclosed in the 2016 Form 10-K.

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

(a) Unregistered Sales of Equity Securities. None

(b) Use of Proceeds. None

(c) Repurchase of Equity Securities.

The following table provides certain information with regard to shares repurchased by the Company in the second quarter of 2017.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(1)
April 1 - April 30		$		500,000
May 1 - May 31				500,000
June 1 - June 30				500,000
Total		$		

(1) On June 22, 2013, the Company s Board of Directors authorized a stock repurchase program to acquire up to 500,000 shares, or 5.5% of the Company s then outstanding common stock. Repurchases may be made from time to time depending on market conditions and other factors, and will be conducted through open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission. There is no guarantee as to the exact number of shares to be repurchased by the Company.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.

31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.0	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.*
101.0	The following data from the BSB Bancorp, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders Equity, (v) Consolidated Statements of Cash Flows, and (vi) the related notes.

* This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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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.

	BSB BANCORP, INC.
Date: August 4, 2017	By: /s/ Robert M. Mahoney Robert M. Mahoney President, Chief Executive Officer and Director (Principal Executive Officer)
Date: August 4, 2017	By: /s/ John A. Citrano John A. Citrano Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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