First Connecticut Bancorp, Inc.
Form 10-Q
November 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report-**
Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2015

OR

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ______ to ______

Commission File No. 333-171913

First Connecticut Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**45-1496206**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
One Farm Glen Boulevard, Farmington, CT	**06032**
(Address of Principal Executive Offices)	**(Zip Code)**

(860) 676-4600

(Registrant's telephone number)

N/A

(Former name or former address, if changed since last report)

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 requirements for the past 90 days. YES x NO ¨ ..

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

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

Large accelerated filer ¨ Accelerated filer x

Non-accelerated filer ¨ Smaller reporting company ¨

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

As of October 26, 2015, there were 15,878,263 shares of First Connecticut Bancorp, Inc. common stock, par value $0.01, outstanding.

First Connecticut Bancorp, Inc.

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First Connecticut Bancorp, Inc.
Consolidated Statements of Financial Condition (Unaudited)

(Dollars in thousands, except share and per share data)	September 30, 2015	December 31, 2014
Assets		
Cash and due from banks	$ 33,564	$ 35,232
Interest bearing deposits with other institutions	13,883	7,631
Total cash and cash equivalents	47,447	42,863
Securities held-to-maturity, at amortized cost	25,486	16,224
Securities available-for-sale, at fair value	171,390	188,041
Loans held for sale	8,416	2,417
Loans (1)	2,338,267	2,138,877
Allowance for loan losses	(20,010)	(18,960)
Loans, net	2,318,257	2,119,917
Premises and equipment, net	17,870	18,873
Federal Home Loan Bank of Boston stock, at cost	23,038	19,785
Accrued income receivable	6,305	5,777
Bank-owned life insurance	50,633	39,686
Deferred income taxes, net	15,935	16,841
Prepaid expenses and other assets	23,677	14,936
Total assets	$ 2,708,454	$ 2,485,360
Liabilities and Stockholders' Equity		
Deposits		
Interest-bearing	$ 1,613,598	$ 1,402,517
Noninterest-bearing	359,757	330,524
	1,973,355	1,733,041
Federal Home Loan Bank of Boston advances	373,600	401,700
Repurchase agreement borrowings	10,500	21,000
Repurchase liabilities	58,084	48,987
Accrued expenses and other liabilities	49,720	46,069
Total liabilities	2,465,259	2,250,797
Stockholders' Equity		
Common stock, $0.01 par value, 30,000,000 shares authorized; 17,976,893 shares issued and 15,893,263 shares outstanding at September 30, 2015 and 18,006,129 shares issued and 16,026,319 shares outstanding at December 31, 2014	181	181
Additional paid-in-capital	181,195	178,772
Unallocated common stock held by ESOP	(11,893)	(12,681)
Treasury stock, at cost (2,083,630 shares at September 30, 2015 and 1,979,810 shares at December 31, 2014)	(30,411)	(28,828)
Retained earnings	111,274	103,630
Accumulated other comprehensive loss	(7,151)	(6,511)
Total stockholders' equity	243,195	234,563
Total liabilities and stockholders' equity	$ 2,708,454	$ 2,485,360

(1) Loans include net deferred loan costs of $4.0 million and $3.8 million at September 30, 2015 and December 31, 2014, respectively.

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

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First Connecticut Bancorp, Inc.
Consolidated Statements of Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(Dollars in thousands, except share and per share data)				
Interest income				
Interest and fees on loans				
Mortgage	$ 15,861	$ 14,490	$ 46,250	$ 41,793
Other	4,594	3,608	12,853	10,389
Interest and dividends on investments				
United States Government and agency obligations	401	258	1,109	665
Other bonds	13	57	66	196
Corporate stocks	217	109	493	307
Other interest income	8	6	19	12
Total interest income	21,094	18,528	60,790	53,362
Interest expense				
Deposits	2,412	1,845	6,761	5,250
Federal Home Loan Bank of Boston advances	890	479	2,445	1,166
Repurchase agreement borrowings	96	182	351	538
Repurchase liabilities	24	37	87	109
Total interest expense	3,422	2,543	9,644	7,063
Net interest income	17,672	15,985	51,146	46,299
Provision for loan losses	386	1,041	1,664	1,956
Net interest income after provision for loan losses	17,286	14,944	49,482	44,343
Noninterest income				
Fees for customer services	1,536	1,459	4,409	3,967
Gain on sales of investments	-	-	1,523	-
Net gain on loans sold	993	633	1,925	1,072
Brokerage and insurance fee income	54	47	163	140
Bank owned life insurance income	349	284	946	847
Other	309	355	1,013	580
Total noninterest income	3,241	2,778	9,979	6,606
Noninterest expense				
Salaries and employee benefits	9,302	8,593	27,127	25,519
Occupancy expense	1,219	1,271	3,858	3,829
Furniture and equipment expense	1,034	1,093	3,147	3,217
FDIC assessment	413	361	1,227	1,010
Marketing	443	332	1,386	1,219
Other operating expenses	2,307	2,569	8,507	7,639
Total noninterest expense	14,718	14,219	45,252	42,433
Income before income taxes	5,809	3,503	14,209	8,516

Income tax expense	1,594	997	4,011	2,328
Net income	$ 4,215	$ 2,506	$ 10,198	$ 6,188
Net earnings per share (See Note 3):				
Basic	$ 0.28	$ 0.17	$ 0.68	$ 0.41
Diluted	0.28	0.17	0.67	0.41
Dividends per share	0.06	0.05	0.16	0.12

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

First Connecticut Bancorp, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(Dollars in thousands)				
Net income	$ 4,215	$ 2,506	$ 10,198	$ 6,188
Other comprehensive (loss) income, before tax				
Unrealized (losses) gains on securities:				
Unrealized holding (losses) gains arising during the period	103	(209)	(2,872)	88
Less: reclassification adjustment for gains included in net income	-	-	1,523	-
Net change in unrealized (losses) gains	103	(209)	(1,349)	88
Change related to pension and other postretirement benefit plans	170	69	361	211
Other comprehensive (loss) income, before tax	273	(140)	(988)	299
Income tax (benefit) expense	96	(47)	(348)	102
Other comprehensive (loss) income, net of tax	177	(93)	(640)	197
Comprehensive income	$ 4,392	$ 2,413	$ 9,558	$ 6,385

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

First Connecticut Bancorp, Inc.
Consolidated Statement of Changes in Stockholders' Equity (Unaudited)

	Common Stock		Additional	Unallocated Common			Accumulated Other	Total
	Shares		Paid in	Shares Held	Treasury	Retained	Comprehensive	Stockholders'
	Outstanding	Amount	Capital	by ESOP	Stock	Earnings	Loss	Equity
(Dollars in thousands, except share data)								
Balance at December 31, 2014	16,026,319	181	178,772	(12,681)	(28,828)	103,630	(6,511)	234,563
ESOP shares released and committed to be released	-	-	319	788	-	-	-	1,107
Cash dividend paid ($0.16 per common share)	-	-	-	-	-	(2,554)	-	(2,554)
Treasury stock acquired	(132,020)	-	-	-	(1,963)	-	-	(1,963)
Stock options exercised	28,200	-	(15)	-	380	-	-	365
Cancelation of shares for tax witholding	(29,236)	-	(498)	-	-	-	-	(498)
Tax benefits from stock-based compensation	-	-	149	-	-	-	-	149
Share based compensation expense	-	-	2,468	-	-	-	-	2,468
Net income	-	-	-	-	-	10,198	-	10,198
Other comprehensive loss	-	-	-	-	-	-	(640)	(640)
Balance at September 30, 2015	15,893,263	$ 181	$ 181,195	$ (11,893)	$ (30,411)	$ 111,274	$ (7,151)	$ 243,195

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

First Connecticut Bancorp, Inc.
Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)	Nine Months Ended September 30, 2015	2014
Cash flows from operating activities		
Net income	$ 10,198	$ 6,188
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for loan losses	1,664	1,956
Provision for off-balance sheet commitments	38	22
Depreciation and amortization	1,990	2,355
Amortization of ESOP expense	1,107	1,107
Share based compensation expense	2,468	2,193
Gain on sale of investments	(1,523)	-
Loans originated for sale	(170,638)	(46,954)
Proceeds from the sale of loans held for sale	166,564	64,210
Loss on disposal of premises and equipment	51	-
Gain on fair value adjustment for mortgage banking derivatives	(52)	(47)
Impairment losses on alternative investments	144	41
(Gain) loss on sale of foreclosed real estate	(567)	2
Net gain on loans sold	(1,925)	(1,072)
Accretion and amortization of investment security discounts and premiums, net	(47)	(60)
Amortization and accretion of loan fees and discounts, net	(205)	(256)
Increase in accrued income receivable	(528)	(414)
Deferred income tax	1,255	272
Increase in cash surrender value of bank-owned life insurance	(947)	(847)
Increase in prepaid expenses and other assets	(8,721)	(56)
Increase in accrued expenses and other liabilities	3,799	1,148
Net cash provided by operating activities	4,125	29,788
Cash flow from investing activities		
Maturities and calls of securities held-to-maturity	24,738	5,544
Maturities, calls and principal payments of securities available-for-sale	215,934	252,174
Purchases of securities held-to-maturity	(34,000)	(5,000)
Purchases of securities available-for-sale	(199,062)	(295,847)
Loan originations, net of principal repayments	(201,790)	(251,650)
Purchases of Federal Home Loan Bank of Boston stock, net	(3,253)	(4,588)
Purchase of bank-owned life insurance	(10,000)	-
Proceeds from sale of foreclosed real estate	2,620	830
Purchases of premises and equipment	(1,038)	(1,120)
Net cash used in investing activities	(205,851)	(299,657)
Cash flows from financing activities		
Net (payments to) proceeds from Federal Home Loan Bank of Boston advances	(28,100)	45,700
Decrease in repurchase agreement borrowings	(10,500)	-
	170,485	221,135

Net increase in demand deposits, NOW accounts, savings accounts and money market accounts		
Net increase (decrease) in time deposits	69,829	(6,642)
Net increase in repurchase liabilities	9,097	23,039
Stock options exercised	365	27
Excess tax benefit from stock-based compensation	149	110
Cancellation of shares for tax withholding	(498)	(440)
Repurchase of common stock	(1,963)	(6,014)
Cash dividend paid	(2,554)	(1,931)
Net cash provided by financing activities	206,310	274,984
Net increase in cash and cash equivalents	4,584	5,115
Cash and cash equivalents at beginning of period	42,863	38,799
Cash and cash equivalents at end of period	$ 47,447	$ 43,914
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 9,557	$ 7,018
Cash paid for income taxes	4,007	2
Loans transferred to other real estate owned	1,991	626

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

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

Organization and Business

First Connecticut Bancorp, Inc. is a Maryland-chartered bank holding company that wholly owns its only subsidiary, Farmington Bank (collectively with its subsidiary, the “Company”). Farmington Bank's main office is located in Farmington, Connecticut. Farmington Bank is a full-service, community bank with 23 branch locations throughout central Connecticut and western Massachusetts, offering commercial and residential lending as well as wealth management services. Farmington Bank's primary source of income is interest accrued on loans to customers, which include small and middle market businesses and individuals residing primarily in Connecticut and western Massachusetts. However, the Bank will selectively lend to borrowers in other northeastern states.

Wholly-owned subsidiaries of Farmington Bank are Farmington Savings Loan Servicing, Inc., a passive investment company that was established to service and hold loans collateralized by real property; Village Investments, Inc.; the Village Corp., Limited, and Village Square Holdings, Inc. are presently inactive; 28 Main Street Corp., is a subsidiary that was formed to hold residential other real estate owned and Village Management Corp., is a subsidiary that was formed to hold commercial other real estate owned.

On June 21, 2013, the Company received regulatory approval to repurchase up to 1,676,452 shares, or 10% of its current outstanding common stock. During the nine months ended September 30, 2015, the Company had repurchased 132,020 of these shares at a cost of $2.0 million. Repurchased shares are held as treasury stock and are available for general corporate purposes. The Company has 772,745 shares remaining available to be repurchased at September 30, 2015.

Basis of Financial Statement Presentation

The consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The Company has condensed or omitted certain information and footnote disclosures normally included in the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included.

All significant intercompany transactions and balances have been eliminated in consolidation. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2014 included in the Company's 10-K filed on March 16, 2015. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

In preparing the consolidated financial statements, management is required to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of condition and revenues and expenses for the interim period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, investment security other-than-temporary impairment judgments and investment security valuation.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Investment Securities

Marketable equity and debt securities are classified as either trading, available-for-sale, or held-to-maturity (applies only to debt securities). Management determines the appropriate classifications of securities at the time of purchase. At September 30, 2015 and December 31, 2014, the Company had no debt or equity securities classified as trading. Held-to-maturity securities are debt securities for which the Company has the ability and intent to hold until maturity. All other securities not included in held-to-maturity are classified as available-for-sale. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Premiums and discounts on debt securities are amortized or accreted into interest income over the term of the securities using the level yield method. Available-for-sale securities are recorded at fair value. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported in accumulated other comprehensive income, a separate component of equity, until realized. Further information relating to the fair value of securities can be found within Note 4 of the Notes to Consolidated Financial Statements. In accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 320- “Debt and Equity Securities”, a decline in market value of a debt security below amortized cost that is deemed other-than-temporary is charged to earnings for the credit related other-than-temporary impairment ("OTTI"), resulting in the establishment of a new cost basis for the security, while the non-credit related OTTI is recognized in other comprehensive income if there is no intent or requirement to sell the security. The securities portfolio is reviewed on a quarterly basis for the presence of other-than-temporary impairment. If an equity security is deemed other-than-temporarily impaired, the full impairment is considered to be credit-related and a charge to earnings would be recorded. Gains and losses on sales of securities are recognized at the time of sale on a specific identification basis.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of amortized cost or fair value, as determined by aggregate outstanding commitments from investors or current investor yield requirements. Net unrealized losses, if any, are recognized through a valuation allowance by charges to other noninterest income in the accompanying condensed Consolidated Statements of Income. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold on the trade date to net gain on loans sold in the accompanying condensed Consolidated Statements of Income.

Loans

The Company’s loan portfolio segments include residential real estate, commercial real estate, construction, installment, commercial, collateral, home equity lines of credit, demand, revolving credit and resort. Construction includes classes for commercial and residential construction.

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, and any deferred fees or costs on originated 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. When loans are prepaid, sold or participated out, the unamortized portion is recognized as income or expense at that time.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Interest on loans is accrued and recognized in interest income based on contractual rates applied to principal amounts outstanding. Accrual of interest is discontinued, and previously accrued income is reversed, when loan payments are more than 90 days past due or when, in the judgment of management, collectability of the loan or loan interest becomes uncertain. Loans may be returned to accrual status when all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within a reasonable period and there is a sustained period of repayment performance (generally a minimum of six months) by the borrower, in accordance with contractual terms involving payment of cash or cash equivalents. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. If a residential real estate, commercial real estate, construction, installment, commercial, collateral, home equity line of credit, demand, revolving credit and resort loan is on non-accrual status cash payments are applied towards the reduction of principal. If loans are considered impaired but accruing, cash payments are applied first to interest income and then as a reduction of principal as specified in the contractual agreement, unless the collection of the remaining principal amount due is considered doubtful.

The policy for determining past due or delinquency status for all loan portfolio segments is based on the number of days past due or the contractual terms of the loan. A loan is considered delinquent when the customer does not make their payments due according to their contractual terms. Generally, a loan can be demanded at any time if the loan is delinquent or if the borrower fails to meet any other agreed upon terms and conditions.

On a quarterly basis, our loan policy requires that we evaluate for impairment all commercial real estate, construction, commercial and resort loan segments that are classified as non-accrual, loans secured by real property in foreclosure or are otherwise likely to be impaired, non-accruing residential and installment loan segments greater than $100,000 and all troubled debt restructurings.

Nonperforming loans consist of non-accruing loans, non-accruing loans identified as trouble debt restructurings and loans past due more than 90 days and still accruing interest.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level believed adequate by management to absorb potential losses inherent in the loan portfolio as of the statement of condition date. The allowance for loan losses consists of a formula allowance following FASB ASC 450 – “Contingencies” and FASB ASC 310 – “Receivables”. 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 uncollectibility 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. All reserves are available to cover any losses regardless of how they are allocated.

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, commercial real estate, construction, installment, commercial, collateral, home equity line of credit, demand, revolving credit and resort. Construction loans include classes for commercial investment real estate construction, commercial owner occupied construction, residential development, residential subdivision construction and residential owner occupied construction loans. 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 and nonaccrual loans; 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 material changes in the Company’s policies or methodology pertaining to the general component of the allowance for loan losses during the nine months ended September 30, 2015.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

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 – Residential real estate loans are generally originated in amounts up to 95.0% of the lesser of the appraised value or purchase price of the property, with private mortgage insurance required on loans with a loan-to-value ratio in excess of 80.0%. The Company does not grant subprime loans. All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. All residential mortgage loans are underwritten pursuant to secondary market underwriting guidelines which include minimum FICO standards. 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 in this segment are primarily income-producing properties throughout the northeastern states. The underlying cash flows generated by the properties may be adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, may have an effect on the credit quality in this segment. Management generally obtains rent rolls and other financial information, as appropriate on an annual basis and continually monitors the cash flows of these loans.

Construction loans – Loans in this segment include commercial construction loans, real estate subdivision development loans to developers, licensed contractors and builders for the construction and development of commercial real estate projects and residential properties. Construction lending contains a unique risk characteristic as loans are originated under market and economic conditions that may change between the time of origination and the completion and subsequent purchaser financing of the property. In addition, construction subdivision loans and commercial and residential construction loans to contractors and developers entail additional risks as compared to single-family residential mortgage lending to owner-occupants. These loans typically involve large loan balances concentrated in single borrowers or groups of related borrowers. Real estate subdivision development loans to developers, licensed contractors and builders are generally speculative real estate development loans for which payment is derived from sale of the property. Credit risk may be affected by cost overruns, time to sell at an adequate price, and market conditions. Construction financing is generally considered to involve a higher degree of credit risk than longer-term financing on improved, owner-occupied real estate. Residential construction credit quality may be impacted by the overall health of the economy, including unemployment rates and housing prices.

Commercial – 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 spending, will have an effect on the credit quality in this segment.

Home equity line of credit – Loans in this segment include home equity loans and lines of credit underwritten with a loan-to-value ratio generally limited to no more than 80%, including any first mortgage. Our home equity lines of credit have ten-year terms and adjustable rates of interest which are indexed to the prime rate. The overall health of the economy, including unemployment rates and housing prices, may have an effect on the credit quality in this segment.

Installment, Collateral, Demand, Revolving Credit and Resort – Loans in these segments include loans principally to customers residing in our primary market area with acceptable credit ratings. Our installment and collateral consumer loans generally consist of loans on new and used automobiles, loans collateralized by deposit accounts and unsecured personal loans. The overall health of the economy, including unemployment rates and housing prices, may have an effect on the credit quality in this segment. Excluding collateral loans which are fully collateralized by a deposit account, repayment for loans in these segments is dependent on the credit quality of the individual borrower. The resort portfolio consists of a direct receivable loan outside the Northeast which is amortizing to its contractual obligations. The Company has exited the resort financing market with a residual portfolio remaining.

Allocated component:

The allocated component relates to loans that are classified as impaired. Impairment is measured on a loan by loan basis for commercial real estate, construction, commercial and resort loans by the present value of expected cash flows discounted at the effective interest rate; the fair value of the collateral, if applicable; or the observable market price for the loan. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. The Company does not separately identify individual consumer and residential real estate loans for impairment disclosures, unless such loans are subject to a troubled debt restructuring agreement or they are nonaccrual loans with outstanding balances greater than $100,000.

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. Impairment is measured on a loan-by-loan basis for commercial and construction loans by the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price or the fair value of the collateral if the loan is collateral dependent. Management updates the analysis quarterly. The assumptions used in appraisals are reviewed for appropriateness. Updated appraisals or valuations are obtained as needed or adjusted to reflect the estimated decline in the fair value based upon current market conditions for comparable properties.

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.

Unallocated component:

An unallocated component is maintained, when needed, 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. The Company's Loan Policy allows management to utilize a high and low range of 0.0% to 5.0% of our total allowance for loan losses when establishing an unallocated allowance, when considered necessary. The unallocated allowance is used to provide for an unidentified loss that may exist in emerging problem loans that cannot be fully quantified or may be affected by conditions not fully understood as of the balance sheet date. There was no unallocated allowance at September 30, 2015 and December 31, 2014.

Troubled Debt Restructuring

A loan is considered a troubled debt restructuring ("TDR") when the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower in modifying or renewing the loan the Company would not otherwise consider. In connection with troubled debt restructurings, terms may be modified to fit the ability of the borrower to repay in line with their current financial status, which may include a reduction in the interest rate to market rate or below, a change in the term or movement of past due amounts to the back-end of the loan or refinancing. A loan is placed on non-accrual status upon being restructured, even if it was not previously, unless the modified loan was current for the six months prior to its modification and we believe the loan is fully collectable in accordance with its new terms. The Company's policy to restore a restructured loan to performing status is dependent on the receipt of regular payments, generally for a period of six months and one calendar year-end. All troubled debt restructurings are classified as impaired loans and are reviewed for impairment by management on a quarterly basis per Company policy.

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Notes to Consolidated Financial Statements (Unaudited)

Foreclosed Real Estate

Real estate acquired through foreclosure comprises properties acquired in partial or total satisfaction of problem loans. The properties are acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure. At the time these properties are foreclosed, the properties are initially recorded at the lower of the related loan balance less any specific allowance for loss or fair value at the date of foreclosure less estimated selling costs. Losses arising at the time of acquisition of such properties are charged against the allowance for loan losses. Subsequent loss provisions are charged to the foreclosed real estate valuation allowance and expenses incurred to maintain the properties are charged to noninterest expense. Properties are evaluated regularly to ensure the recorded amounts are supported by current fair values, and a charge to operations is recorded as necessary to reduce the carrying amount to fair value less estimated costs to dispose. Revenue and expense from the operation of other real estate owned and the provision to establish and adjust valuation allowances are included in noninterest expenses. Costs relating to the development and improvement of the property are capitalized, subject to the limit of fair value of the collateral. In the Consolidated Statements of Financial Condition, total prepaid expenses and other assets include foreclosed real estate of $338,000 and $400,000 as of September 30, 2015 and December 31, 2014, respectively, with no specific valuation allowance. The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction totaled $4.9 million at September 30, 2015.

Pension and Other Postretirement Benefit Plans

The Company’s non-contributory defined-benefit pension plan and certain defined benefit postretirement plans were frozen as of February 28, 2013 and no additional benefits will accrue.

The Company has a non-contributory defined benefit pension plan that provides benefits for substantially all employees hired before January 1, 2007 who meet certain requirements as to age and length of service. The benefits are based on years of service and average compensation, as defined in the Plan Document. The Company’s funding policy is to contribute annually the maximum amount that could be deducted for federal income tax purposes, while meeting the minimum funding standards established by the Employee Retirement Income Security Act of 1974.

In addition to providing pension benefits, we provide certain health care and life insurance benefits for retired employees. Participants or eligible employees hired before January 1, 1993 become eligible for the benefits if they

retire after reaching age 62 with fifteen or more years of service. A fixed percent of annual costs are paid depending on length of service at retirement. The Company accrues for the estimated costs of these other post-retirement benefits through charges to expense during the years that employees render service. The Company makes contributions to cover the current benefits paid under this plan. The Company believes the policy for determining pension and other post-retirement benefit expenses is critical because judgments are required with respect to the appropriate discount rate, rate of return on assets and other items. The Company reviews and updates the assumptions annually. If the Company's estimate of pension and post-retirement expense is too low it may experience higher expenses in the future, reducing its net income. If the Company's estimate is too high, it may experience lower expenses in the future, increasing its net income.

First Connecticut Bancorp, Inc.
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Income Taxes

Deferred income taxes are provided for differences arising in the timing of income and expenses for financial reporting and for income tax purposes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides a deferred tax asset valuation allowance for the estimated future tax effects attributable to temporary differences and carryforwards when realization is determined not to be more likely than not.

FASB ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. Pursuant to FASB ASC 740-10, the Company examines its financial statements, its income tax provision and its federal and state income tax returns and analyzes its tax positions, including permanent and temporary differences, as well as the major components of income and expense to determine whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. The Company recognizes interest and penalties arising from income tax settlements as part of its provision for income taxes.

Recent Accounting Pronouncements

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” ASU 2014-15 provides guidance in accounting principles generally accepted in the United States of America about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company does not expect ASU 2014-15 to have a significant impact on its financial statements.

In November 2014, the FASB issued ASU 2014-16, “Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity” (a consensus of the FASB Emerging Issues Task Force). ASU 2014-16 clarifies how current U.S. GAAP should be

interpreted in subjectively evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Public business entities are required to implement ASU 2014-16 in fiscal years and interim periods within those fiscal years beginning after December 15, 2015. The Company does not expect ASU 2014-16 to have a significant impact on its financial statements.

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In January 2015, the FASB issued ASU 2015-01, "Income Statement – Extraordinary and Unusual Items", (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." ASU 2015-01 eliminates from GAAP the concept of extraordinary items. ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply ASU 2015-01 prospectively. A reporting entity also may apply ASU 2015-01 retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company does not expect ASU 2015-01 to have a significant impact on its financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Amendments to the Consolidation Analysis." This ASU affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments: (1) Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; (2) Eliminate the presumption that a general partner should consolidate a limited partnership; (3) Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (4) Provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. ASU No. 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect ASU 2015-02 to have a significant impact on its financial statements.

In April 2015, the FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This ASU provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer's accounting for service contracts. ASU No. 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect ASU 2015-05 to have a significant impact on its financial statements.

In May, 2015, the FASB issued ASU No. 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent))". This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value ("NAV") per share practical expedient. In addition, this ASU removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU No. 2015-07 is effective for interim and annual reporting periods beginning after December 15, 2015 and which should be applied retrospectively to all periods presented. Earlier application is permitted. The Company does not

expect ASU 2015-07 to have a significant impact on its financial statements.

In August 2015, the FASB issued ASU No. 2015-14 "Revenue from Contracts with Customers (Topic 606)." In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), with an original effective date for annual reporting periods beginning after December 15, 2016. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2015-14 deferred the effective date of ASU 2014-09 to annual periods and interim periods within those annual periods beginning after December 15, 2017. The amendments can be applied retrospectively to each prior reporting period or retrospectively with the cumulative effect of initially applying this Update recognized at the date of initial application. Early application is not permitted. The Company is assessing the impact of ASU 2015-14 on its accounting and disclosures.

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2. Restrictions on Cash and Due from Banks

The Company is required to maintain a percentage of transaction account balances on deposit in non-interest-earning reserves with the Federal Reserve Bank, offset by the Company's average vault cash. The Company also is required to maintain cash balances to collateralize the Company's position with certain third parties. The Company had cash and liquid assets of approximately $18.7 million and $10.1 million to meet these requirements at September 30, 2015 and December 31, 2014.

3. Earnings Per Share

The following table sets forth the calculation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(Dollars in thousands, except per share data):				
Net income	$ 4,215	$ 2,506	$ 10,198	$ 6,188
Less: Dividends to participating shares	(8)	(13)	(33)	(41)
Income allocated to participating shares	(63)	(41)	(127)	(109)
Net income allocated to common stockholders	$ 4,144	$ 2,452	$ 10,038	$ 6,038
Weighted-average shares issued	17,998,820	18,027,081	18,003,666	18,032,553
Less: Average unallocated ESOP shares	(993,416)	(1,088,776)	(1,017,019)	(1,112,408)
Average treasury stock	(2,084,182)	(1,962,577)	(2,031,904)	(1,854,879)
Average unvested restricted stock	(288,271)	(362,613)	(247,835)	(387,616)
Weighted-average basic shares outstanding	14,632,951	14,613,115	14,706,908	14,677,650
Plus: Average dilutive shares	254,510	97,765	176,454	101,311
Weighted-average diluted shares outstanding	14,887,461	14,710,880	14,883,362	14,778,961
Net earnings per share (1):				

Basic	$ 0.28	$ 0.17	$ 0.68	$ 0.41
Diluted	$ 0.28	$ 0.17	$ 0.67	$ 0.41

(1) Certain per share amounts may not appear to reconcile due to rounding.

For the nine months ended September 30, 2015 and 2014, respectively, 79,500 and 72,250 options were anti-dilutive and therefore excluded from the earnings per share calculation.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

4. Investment Securities

Investment securities are summarized as follows:

	September 30, 2015						
		Recognized in OCI			Not Recognized in OCI		
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale							
Debt securities:							
U.S. Treasury obligations	$78,764	$ 265	$ -	$79,029	$ -	$ -	$79,029
U.S. Government agency obligations	80,011	211	(6)	80,216	-	-	80,216
Government sponsored residential mortgage-backed securities	5,310	266	-	5,576	-	-	5,576
Corporate debt securities	1,000	60	-	1,060	-	-	1,060
Preferred equity securities	2,000	-	(411)	1,589	-	-	1,589
Marketable equity securities	108	48	(1)	155	-	-	155
Mutual funds	3,927	-	(162)	3,765	-	-	3,765
Total securities available-for-sale	$171,120	$ 850	$ (580)	$171,390	$ -	$ -	$171,390
Held-to-maturity							
U.S. Government agency obligations	$17,000	$ -	$ -	$17,000	$ 60	$ -	17,060
Government sponsored residential mortgage-backed securities	8,486	-	-	8,486	221	-	8,707
Total securities held-to-maturity	$25,486	$ -	$ -	$25,486	$ 281	$ -	$25,767

	December 31, 2014						
		Recognized in OCI			Not Recognized in OCI		
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale							
Debt securities:							
U.S. Treasury obligations	$123,739	$ 81	$ (4)	$123,816	$ -	$ -	$123,816
U.S. Government agency obligations	49,013	110	(14)	49,109	-	-	49,109
	6,624	283	-	6,907	-	-	6,907

Government sponsored residential mortgage-backed securities							
Corporate debt securities	1,000	85	-	1,085	-	-	1,085
Trust preferred debt securities	-	1,557	-	1,557	-	-	1,557
Preferred equity securities	2,100	2	(426)	1,676	-	-	1,676
Marketable equity securities	108	63	(1)	170	-	-	170
Mutual funds	3,838	-	(117)	3,721	-	-	3,721
Total securities available-for-sale	$186,422	$2,181	$ (562)	$188,041	$ -	$ -	$188,041
Held-to-maturity							
U.S. Government agency obligations	$7,000	$ -	$ -	$7,000	$ -	$ (8)	$6,992
Government sponsored residential mortgage-backed securities	9,224	-	-	9,224	200	-	9,424
Total securities held-to-maturity	$16,224	$ -	$ -	$16,224	$ 200	$ (8)	$16,416

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First Connecticut Bancorp, Inc.
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The following table summarizes gross unrealized losses and fair value, aggregated by investment category and length of time the investments have been in a continuous unrealized loss position at September 30, 2015 and December 31, 2014:

	September 30, 2015						
		Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Number of Securities	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale:							
U.S. Government agency obligations	3	$ 23,997	$ (6)	$ -	$ -	$ 23,997	$ (6)
Preferred equity securities	1	-	-	1,589	(411)	1,589	(411)
Marketable equity securities	1	-	-	5	(1)	5	(1)
Mutual funds	1	-	-	2,796	(162)	2,796	(162)
Total investment securities in an unrealized loss position	6	$ 23,997	$ (6)	$ 4,390	$ (574)	$ 28,387	$ (580)

	December 31, 2014						
		Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Number of Securities	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale:							
U.S. Treasury obligations	4	$ 43,919	$ (4)	$ -	$ -	$ 43,919	$ (4)
U.S. Government agency obligations	2	16,989	(14)	-	-	16,989	(14)
Preferred equity securities	1	-	-	1,574	(426)	1,574	(426)
Marketable equity securities	1	-	-	5	(1)	5	(1)
Mutual funds	1	-	-	2,842	(117)	2,842	(117)
	9	$ 60,908	$ (18)	$ 4,421	$ (544)	$ 65,329	$ (562)
Held-to-maturity							
U.S. Government agency obligations	1	6,992	(8)	-	-	6,992	(8)
	1	6,992	(8)	-	-	6,992	(8)
Total investment securities in an unrealized loss position	10	$ 67,900	$ (26)	$ 4,421	$ (544)	$ 72,321	$ (570)

Management believes that no individual unrealized loss as of September 30, 2015 represents an other-than-temporary impairment (“OTTI”), based on its detailed review of the securities portfolio. The Company has no intent to sell nor is it more likely than not that the Company will be required to sell any of the securities in a loss position during the period of time necessary to recover the unrealized losses, which may be until maturity.

The following summarizes the conclusions from our OTTI evaluation for those security types that incurred significant gross unrealized losses as of September 30, 2015:

Preferred equity securities - The unrealized loss on preferred equity securities in a loss position for 12 months or more relates to one preferred equity security. This investment is in a global financial institution. When estimating the recovery period for securities in an unrealized loss position, management utilizes analyst forecasts, earnings assumptions and other company-specific financial performance metrics. In addition, this assessment incorporates general market data, industry and sector cycles and related trends to determine a reasonable recovery period. Management evaluated the near-term prospects of the issuer in relation to the severity and duration of the impairment. Management concluded that the preferred equity security is not other-than-temporarily impaired at September 30, 2015.

Mutual funds - The unrealized loss on mutual funds in a loss position for 12 months or more relates to one mutual fund. The fund invests primarily in high quality debt securities and other debt instruments supporting the affordable housing industry in areas of the United States designated by fund shareholders. When estimating the recovery period for securities in an unrealized loss position, management utilizes analyst forecasts, earnings assumptions and other fund-specific financial performance metrics. In addition, this assessment incorporates general market data, industry and sector cycles and related trends to determine a reasonable recovery period. Management evaluated the near-term prospects of the fund in relation to the severity and duration of the impairment. Management concluded that the mutual fund is not other-than-temporarily impaired at September 30, 2015.

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The Company recorded no other-than-temporary impairment charges to the investment securities portfolios for the three and nine months ended September 30, 2015 and 2014.

There were gross realized gains on sales of securities available-for-sale totaling $-0- and $1.5 million for the three and nine months ended September 30, 2015, respectively. There were no gross realized gains on sales of securities available-for-sale for the three and nine months ended September 30, 2014.

As of September 30, 2015 and December 31, 2014, U.S. Treasury, U.S. Government agency obligations and Government sponsored residential mortgage-backed securities with a fair value of $147.6 million and $127.4 million, respectively, were pledged as collateral for loan derivatives, public funds, repurchase liabilities and repurchase agreement borrowings.

The amortized cost and estimated fair value of debt securities at September 30, 2015 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or repayment penalties:

	September 30, 2015			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
(Dollars in thousands)				
Due in one year or less	$84,999	$85,018	$-	$-
Due after one year through five years	74,776	75,287	17,000	17,060
Due after five years through ten years	-	-	-	-
Due after ten years	-	-	-	-
Government sponsored residential mortgage-backed securities	5,310	5,576	8,486	8,707
	$165,085	$165,881	$25,486	$25,767

Federal Home Loan Bank of Boston ("FHLBB") Stock

The Company, as a member of the FHLBB, owned $23.0 and $19.8 million of FHLBB capital stock at September 30, 2015 and December 31, 2014, respectively, which is equal to its FHLBB capital stock requirement. The Company evaluated its FHLBB capital stock for potential other-than-temporary impairment at September 30, 2015 and December 31, 2014. Capital adequacy, credit ratings, the value of the stock, overall financial condition of both the FHLB system and FHLBB as well as current economic factors was analyzed in the impairment analysis. The Company concluded that its position in FHLBB capital stock is not other-than-temporarily impaired as of September 30, 2015 and December 31, 2014.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Alternative Investments

Alternative investments, which totaled $2.5 million and $2.7 million at September 30, 2015 and December 31, 2014, respectively, are included in other assets in the accompanying condensed Consolidated Statements of Financial Condition. The Company's alternative investments include investments in certain non-public funds, which include limited partnerships, an equity fund and membership stocks. These investments are held at cost and were evaluated for potential other-than-temporary impairment at September 30, 2015. The Company recognized a $144,000 and $41,000 other-than-temporary impairment charge on its limited partnerships for the nine months ended September 30, 2015 and 2014, respectively, included in other noninterest income in the accompanying condensed Consolidated Statements of Income. The Company recognized profit distributions in its limited partnerships of $26,000 and $27,000 for the nine months ended September 30, 2015 and 2014, respectively. See a further discussion of fair value in Note 15 - Fair Value Measurements. The Company has $692,000 in unfunded commitments remaining for its alternative investments as of September 30, 2015.

5. Loans and Allowance for Loan Losses

Loans consisted of the following:

	September 30, 2015	December 31, 2014
(Dollars in thousands)		
Real estate:		
Residential	$ 851,784	$ 827,005
Commercial	862,367	765,066
Construction	29,244	57,371
Installment	3,007	3,356
Commercial	410,704	309,708
Collateral	1,632	1,733
Home equity line of credit	174,579	169,768
Revolving credit	96	99
Resort	807	929
Total loans	2,334,220	2,135,035
Net deferred loan costs	4,047	3,842
Loans	2,338,267	2,138,877
Allowance for loan losses	(20,010)	(18,960)

Loans, net	$ 2,318,257	$ 2,119,917

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First Connecticut Bancorp, Inc.
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Changes in the allowance for loan losses by segments for the three and nine months ended September 30, 2015 and 2014 are as follows:

	For the Three Months Ended September 30, 2015				
(Dollars in thousands)	Balance at beginning of period	Charge-offs	Recoveries	Provision for (Reduction) loan losses	Balance at end of period
Real estate:					
Residential	$ 4,452	$ (2)	$ 95	$ (432)	$ 4,113
Commercial	9,001	-	-	464	9,465
Construction	361	-	-	(135)	226
Installment	36	-	-	(2)	34
Commercial	3,745	(4)	6	348	4,095
Collateral	-	-	-	-	-
Home equity line of credit	1,986	-	-	91	2,077
Revolving credit	-	(58)	6	52	-
Resort	-	-	-	-	-
	$ 19,581	$ (64)	$ 107	$ 386	$ 20,010

	For the Three Months Ended September 30, 2014				
(Dollars in thousands)	Balance at beginning of period	Charge-offs	Recoveries	Provision for (Reduction) loan losses	Balance at end of period
Real estate:					
Residential	$ 3,631	$ (424)	$ 9	$ 439	$ 3,655
Commercial	8,782	-	-	574	9,356
Construction	900	-	-	89	989
Installment	41	(1)	-	(1)	39
Commercial	3,089	(13)	54	(104)	3,026
Collateral	-	-	-	-	-
Home equity line of credit	1,468	-	-	23	1,491
Revolving credit	-	(26)	4	22	-
Resort	1	-	-	(1)	-
	$ 17,912	$ (464)	$ 67	$ 1,041	$ 18,556

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First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

	For the Nine Months Ended September 30, 2015				
(Dollars in thousands)	Balance at beginning of period	Charge-offs	Recoveries	Provision for (Reduction) loan losses	Balance at end of period
Real estate					
Residential	$ 4,382	$ (195)	$ 111	$ (185)	$ 4,113
Commercial	8,949	(213)	-	729	9,465
Construction	478	-	-	(252)	226
Installment	41	(3)	-	(4)	34
Commercial	3,250	(24)	6	863	4,095
Collateral	-	-	-	-	-
Home equity line of credit	1,859	(138)	-	356	2,077
Revolving credit	-	(179)	21	158	-
Resort	1	-	-	(1)	-
	$ 18,960	$ (752)	$ 138	$ 1,664	$ 20,010

	For the Nine Months Ended September 30, 2014				
(Dollars in thousands)	Balance at beginning of period	Charge-offs	Recoveries	Provision for (Reduction) loan losses	Balance at end of period
Real estate					
Residential	$ 3,647	$ (686)	$ 10	$ 684	$ 3,655
Commercial	8,253	(93)	1	1,195	9,356
Construction	1,152	-	-	(163)	989
Installment	48	(4)	-	(5)	39
Commercial	3,746	(968)	67	181	3,026
Collateral	-	-	-	-	-
Home equity line of credit	1,465	-	-	26	1,491
Revolving credit	-	(52)	11	41	-
Resort	3	-	-	(3)	-
	$ 18,314	$ (1,803)	$ 89	$ 1,956	$ 18,556

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Notes to Consolidated Financial Statements (Unaudited)

The following table lists the allocation of the allowance by impairment methodology and by loan segment at September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
(Dollars in thousands)	Total	Reserve Allocation	Total	Reserve Allocation
Loans individually evaluated for impairment:				
Real estate:				
Residential	$11,957	$ 142	$11,791	$ 285
Commercial	16,292	38	19,051	233
Construction	4,719	-	4,719	-
Installment	269	7	251	8
Commercial	7,642	556	5,680	225
Collateral	-	-	-	-
Home equity line of credit	978	-	1,031	-
Revolving Credit	-	-	-	-
Resort	807	-	929	1
	42,664	743	43,452	752
Loans collectively evaluated for impairment:				
Real estate:				
Residential	$844,446	$ 3,971	$819,630	$ 4,097
Commercial	845,574	9,427	745,501	8,716
Construction	24,525	226	52,652	478
Installment	2,721	27	3,093	33
Commercial	403,008	3,539	303,980	3,025
Collateral	1,632	-	1,733	-
Home equity line of credit	173,601	2,077	168,737	1,859
Revolving Credit	96	-	99	-
Resort	-	-	-	-
	2,295,603	19,267	2,095,425	18,208
Total	$2,338,267	$ 20,010	$2,138,877	$ 18,960

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

The following is a summary of loan delinquencies at recorded investment values at September 30, 2015 and December 31, 2014:

	September 30, 2015								
	30-59 Days		60-89 Days		> 90 Days				Past Due 90 Days or More
(Dollars in thousands)	Past Due		Past Due		Past Due		Total		and Still
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Accruing
Real estate:									
Residential	14	$ 2,291	6	$ 1,192	16	$ 5,965	36	$ 9,448	$ -
Commercial	-	-	-	-	1	1,021	1	1,021	-
Construction	-	-	-	-	1	187	1	187	-
Installment	2	40	1	3	2	33	5	76	-
Commercial	5	3,628	1	4	-	-	6	3,632	-
Collateral	10	96	-	-	-	-	10	96	-
Home equity line of credit	4	285	1	100	5	697	10	1,082	-
Demand	1	56	-	-	-	-	1	56	-
Revolving Credit	-	-	-	-	-	-	-	-	-
Resort	-	-	-	-	-	-	-	-	-
Total	36	$ 6,396	9	$ 1,299	25	$ 7,903	70	$ 15,598	$ -

	December 31, 2014								
	30-59 Days		60-89 Days		> 90 Days				Past Due 90 Days or More
(Dollars in thousands)	Past Due		Past Due		Past Due		Total		and Still
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Accruing
Real estate:									
Residential	16	$ 3,599	6	$ 1,263	16	$ 6,819	38	$ 11,681	$ -
Commercial	2	348	-	-	3	1,979	5	2,327	-
Construction	-	-	-	-	1	187	1	187	-
Installment	3	69	2	82	2	33	7	184	-
Commercial	1	40	1	4	7	550	9	594	-
Collateral	9	99	-	-	-	-	9	99	-
Home equity line of credit	3	202	1	349	5	389	9	940	-
Demand	1	67	-	-	-	-	1	67	-
Revolving Credit	-	-	-	-	-	-	-	-	-
Resort	-	-	-	-	-	-	-	-	-
Total	35	$ 4,424	10	$ 1,698	34	$ 9,957	79	$ 16,079	$ -

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First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Nonperforming assets consist of non-accruing loans including non-accruing loans identified as troubled debt restructurings, loans past due more than 90 days and still accruing interest and other real estate owned. The following table lists nonperforming assets at:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Nonaccrual loans:		
Real estate:		
Residential	$ 9,088	$ 9,706
Commercial	1,136	2,112
Construction	187	187
Installment	141	155
Commercial	5,055	2,268
Collateral	-	-
Home equity line of credit	1,061	1,040
Revolving Credit	-	-
Resort	-	-
Total nonaccruing loans	16,668	15,468
Loans 90 days past due and still accruing	-	-
Other real estate owned	338	400
Total nonperforming assets	$ 17,006	$ 15,868

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

The following is a summary of information pertaining to impaired loans at September 30, 2015 and December 31, 2014:

	September 30, 2015			December 31, 2014		
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans without a valuation allowance:						
Real estate:						
Residential	$ 11,080	$ 12,280	$ -	$ 5,862	$ 6,286	$ -
Commercial	13,360	13,418	-	13,804	13,828	-
Construction	4,719	4,965	-	4,719	4,965	-
Installment	243	257	-	220	232	-
Commercial	4,228	4,359	-	3,527	3,584	-
Collateral	-	-	-	-	-	-
Home equity line of credit	978	1,002	-	1,031	1,264	-
Revolving Credit	-	-	-	-	-	-
Resort	807	807	-	-	-	-
Total	35,415	37,088	-	29,163	30,159	-
Impaired loans with a valuation allowance:						
Real estate:						
Residential	877	887	142	5,929	6,848	285
Commercial	2,932	2,932	38	5,247	5,523	233
Construction	-	-	-	-	-	-
Installment	26	26	7	31	31	8
Commercial	3,414	3,471	556	2,153	2,266	225
Collateral	-	-	-	-	-	-
Home equity line of credit	-	-	-	-	-	-
Revolving Credit	-	-	-	-	-	-
Resort	-	-	-	929	929	1
Total	7,249	7,316	743	14,289	15,597	752
Total impaired loans	$ 42,664	$ 44,404	$ 743	$ 43,452	$ 45,756	$ 752

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

The following table summarizes average recorded investment and interest income recognized on impaired loans:

(Dollars in thousands)	September 30, 2015 Average Recorded Investment	Three Months Ended September 30, 2015 Interest Income Recognized	Nine Months Ended September 30, 2015 Interest Income Recognized	September 30, 2014 Average Recorded Investment	Three Months Ended September 30, 2014 Interest Income Recognized	Nine Months Ended September 30, 2014 Interest Income Recognized
Impaired loans without a valuation allowance:						
Real estate:						
Residential	$ 9,204	$ 25	$ 78	$ 6,987	$ 30	$ 73
Commercial	13,817	144	433	16,324	162	591
Construction	4,719	35	103	187	-	-
Installment	243	3	11	189	3	10
Commercial	4,083	27	82	3,226	34	118
Collateral	-	-	-	-	-	-
Home equity line of credit	1,010	2	3	560	1	1
Revolving Credit	-	-	-	-	-	-
Resort	841	5	20	-	-	-
Total	33,917	241	730	27,473	230	793
Impaired loans with a valuation allowance:						
Real estate:						
Residential	2,308	9	27	5,441	8	35
Commercial	4,086	36	122	4,123	59	106
Construction	-	-	-	-	-	-
Installment	29	-	-	28	-	1
Commercial	1,694	3	13	2,547	10	64
Collateral	-	-	-	-	-	-
Home equity line of credit	-	-	-	-	-	-
Revolving Credit	-	-	-	-	-	-
Resort	-	-	-	1,108	9	29
Total	8,117	48	162	13,247	86	235
Total impaired loans	$ 42,034	$ 289	$ 892	$ 40,720	$ 316	$ 1,028

There was no interest income recognized on a cash basis method of accounting for the three and nine months ended September 30, 2015 and 2014.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

The following tables present information on loans whose terms had been modified in a troubled debt restructuring at September 30, 2015 and December 31, 2014:

	September 30, 2015					
	TDRs on Accrual Status		TDRs on Nonaccrual Status		Total TDRs	
(Dollars in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Real estate:						
Residential	15	$ 2,598	10	$ 5,378	25	$ 7,976
Commercial	4	6,723	-	-	4	6,723
Construction	1	4,532	1	187	2	4,719
Installment	4	233	2	35	6	268
Commercial	6	1,967	8	1,551	14	3,518
Collateral	-	-	-	-	-	-
Home equity line of credit	3	153	-	-	3	153
Revolving Credit	-	-	-	-	-	-
Resort	1	807	-	-	1	807
Total	34	$ 17,013	21	$ 7,151	55	$ 24,164

	December 31, 2014					
	TDRs on Accrual Status		TDRs on Nonaccrual Status		Total TDRs	
(Dollars in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Real estate:						
Residential	11	$ 1,849	10	$ 5,608	21	$ 7,457
Commercial	7	8,359	-	-	7	8,359
Construction	1	4,532	1	187	2	4,719
Installment	4	212	1	39	5	251
Commercial	8	2,783	5	1,621	13	4,404
Collateral	-	-	-	-	-	-
Home equity line of credit	-	-	2	126	2	126
Revolving Credit	-	-	-	-	-	-
Resort	1	929	-	-	1	929
Total	32	$ 18,664	19	$ 7,581	51	$ 26,245

The recorded investment balance of TDRs approximated $24.2 million and $26.2 million at September 30, 2015 and December 31, 2014, respectively. At September 30, 2015 and December 31, 2014, the majority of the Company's TDRs are on accrual status. TDRs on accrual status were $17.0 million and $18.7 million while TDRs on nonaccrual status were $7.2 million and $7.6 million at September 30, 2015 and December 31, 2014, respectively. At September 30, 2015, 97% of the accruing TDRs have been performing in accordance with the restructured terms. At September 30, 2015 and December 31, 2014, the allowance for loan losses included specific reserves of $367,000 and $592,000 related to TDRs, respectively. For the nine months ended September 30, 2015 and 2014, the Bank had charge-offs totaling $204,000 and $1.2 million, respectively, related to portions of TDRs deemed to be uncollectible. The Bank may provide additional funds to borrowers in TDR status. The amount of additional funds available to borrowers in TDR status was $778,000 and $206,000 at September 30, 2015 and December 31, 2014, respectively.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

The following tables include the recorded investment and number of modifications for modified loans. The Company reports the recorded investment in the loans prior to a modification and also the recorded investment in the loans after the loans were restructured for the three and nine months ended September 30, 2015 and 2014:

(Dollars in thousands)	For the Three Months Ended September 30, 2015			For the Nine Months Ended September 30, 2015		
	Number of Modifications	Recorded Investment Prior to Modification	Recorded Investment After Modification (1)	Number of Modifications	Recorded Investment Prior to Modification	Recorded Investment After Modification (1)
Troubled Debt Restructurings:						
Real estate						
Residential	2	$ 507	$ 507	8	$ 1,549	$ 1,536
Commercial	-	-	-	1	493	487
Installment	-	-	-	1	44	41
Commercial	-	-	-	3	133	129
Home equity line of credit	-	-	-	3	153	153
Total	2	$ 507	$ 507	16	$ 2,372	$ 2,346

(Dollars in thousands)	For the Three Months Ended September 30, 2014			For the Nine Months Ended September 30, 2014		
	Number of Modifications	Recorded Investment Prior to Modification	Recorded Investment After Modification (1)	Number of Modifications	Recorded Investment Prior to Modification	Recorded Investment After Modification (1)
Troubled Debt Restructurings:						
Real estate						
Residential	1	$ 141	$ 141	10	$ 1,604	$ 1,545
Installment	-	-	-	1	17	16
Commercial	1	1,096	1,096	4	3,763	3,376
Total	2	$ 1,237	$ 1,237	15	$ 5,384	$ 4,937

(1) The period end balances are inclusive of all partial paydowns and charge-offs since the modification date. TDRs fully paid off, charged-off or foreclosed upon by period end are not included.

The following table provides TDR loans that were modified by means of extended maturity, below market adjusted interest rates, a combination of rate and maturity, or by other means including covenant modifications, forbearance

and/or the concessions and borrowers discharged in bankruptcy for the three and nine months ended September 30, 2015 and 2014:

	For the Three Months Ended September 30, 2015					
(Dollars in thousands)	Number of Modifications	Extended Maturity	Adjusted Interest Rates	Combination of Rate and Maturity	Other	Total
Real estate						
Residential	2	$ -	$ -	$ -	$ 507	$ 507
Total	2	$ -	$ -	$ -	$ 507	$ 507

	For the Nine Months Ended September 30, 2015					
(Dollars in thousands)	Number of Modifications	Extended Maturity	Adjusted Interest Rates	Combination of Rate and Maturity	Other	Total
Real estate						
Residential	8	$ -	$ -	$ -	$ 1,536	$ 1,536
Commercial	1	-	-	-	487	487
Installment	1	-	-	-	41	41
Commercial	3	-	-	34	95	129
Home equity line of credit	3	-	-	-	153	153
Total	16	$ -	$ -	$ 34	$ 2,312	$ 2,346

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First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

	For the Three Months Ended September 30, 2014					
(Dollars in thousands)	Number of Modifications	Extended Maturity	Adjusted Interest Rates	Combination of Rate and Maturity	Other	Total
Real estate						
Residential	1	$ -	$ -	$ -	$ 141	$ 141
Commercial	1	-	-	-	1,096	1,096
Total	2	$ -	$ -	$ -	$ 1,237	$ 1,237

	For the Nine Months Ended September 30, 2014					
(Dollars in thousands)	Number of Modifications	Extended Maturity	Adjusted Interest Rates	Combination of Rate and Maturity	Other	Total
Real estate						
Residential	10	$ -	$ -	$ -	$ 1,545	$ 1,545
Installment	1	-	-	-	16	16
Commercial	4	2,239	-	-	1,137	3,376
Total	15	$ 2,239	$ -	$ -	$ 2,698	$ 4,937

A TDR is considered to be in re-default once it is more than 30 days past due following a modification. The following loans defaulted and had been modified as a TDR during the twelve month period preceding the default date during the three and nine months ended September 30, 2015 and 2014.

	For the Three Months Ended September 30, 2015		For the Nine Months Ended September 30, 2015	
(Dollars in thousands)	Number of Loans	Recorded Investment (1)	Number of Loans	Recorded Investment (1)
Real estate				
Residential	1	$ 319	1	$ 319
Installment	1	33	1	33
Total	2	$ 352	2	$ 352

	For the Three Months Ended September 30, 2014		For the Nine Months Ended September 30, 2014	
(Dollars in thousands)	Number of Loans	Recorded Investment (1)	Number of Loans	Recorded Investment (1)
Real estate				

Residential	-	$	-	2	$	711
Commercial	-		-	2		454
Total	-	$	-	4	$	1,165

(1) The period end balances are inclusive of all partial paydowns and charge-offs since the modification date. TDRs fully paid off, charged-off or foreclosed upon by period end are not included.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Credit Quality Information

At the time of loan origination, a risk rating based on a nine point grading system is assigned to each commercial-related loan based on the loan officer's and management's assessment of the risk associated with each particular loan. This risk assessment is based on an in depth analysis of a variety of factors. More complex loans and larger commitments require the Company's internal credit risk management department further evaluate the risk rating of the individual loan or relationship, with credit risk management having final determination of the appropriate risk rating. These more complex loans and relationships receive ongoing periodic review to assess the appropriate risk rating on a post-closing basis with changes made to the risk rating as the borrower's and economic conditions warrant. The Company's risk rating system is designed to be a dynamic system and we grade loans on a "real time" basis. The Company places considerable emphasis on risk rating accuracy, risk rating justification, and risk rating triggers. The Company's risk rating process has been enhanced with its implementation of industry-based risk rating "cards." The cards are used by the loan officers and promote risk rating accuracy and consistency on an institution-wide basis. Most loans are reviewed annually as part of a comprehensive portfolio review conducted by management and/or by an independent loan review firm. More frequent reviews of loans rated low pass, special mention, substandard and doubtful are conducted by the credit risk management department. The Company utilizes an independent loan review consulting firm to review its rating accuracy and the overall credit quality of its loan portfolio. The review is designed to provide an evaluation of the portfolio with respect to risk rating profile as well as with regard to the soundness of individual loan files. The individual loan reviews include an analysis of the creditworthiness of obligors, via appropriate key ratios and cash flow analysis and an assessment of collateral protection. The consulting firm conducts two loan reviews per year aiming at a 65.0% or higher commercial and industrial loans and commercial real estate portfolio penetration. Summary findings of all loan reviews performed by the outside consulting firm are reported to the board of directors and senior management of the Company upon completion.

The Company utilizes a point risk rating scale as follows:

Risk Rating Definitions

Residential and consumer loans are not rated unless they are 45 days or more delinquent, in which case, depending on past-due days, they will be rated 6, 7 or 8.

Commercial loans in these categories are considered "pass" rated loans with low to average risk.

Loans rated 1 – 5, 55:	
Loans rated 6:	Residential, Consumer and Commercial 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 7:	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 8:	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 9:	Loans in this category are considered uncollectible (“loss”) and of such little value that their continuance as loans is not warranted.

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The following table presents the Company's loans by risk rating at September 30, 2015 and December 31, 2014:

	September 30, 2015				
(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Real estate:					
Residential	$ 840,357	$ 1,246	$ 10,181	$ -	$ 851,784
Commercial	842,574	11,019	8,774	-	862,367
Construction	24,525	-	4,719	-	29,244
Installment	2,810	57	140	-	3,007
Commercial	392,752	8,758	9,014	180	410,704
Collateral	1,632	-	-	-	1,632
Home equity line of credit	173,224	148	1,207	-	174,579
Revolving Credit	96	-	-	-	96
Resort	807	-	-	-	807
Total Loans	$ 2,278,777	$ 21,228	$ 34,035	$ 180	$ 2,334,220

	December 31, 2014				
(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Real estate:					
Residential	$ 815,209	$ 488	$ 11,308	$ -	$ 827,005
Commercial	741,278	12,550	11,238	-	765,066
Construction	51,947	705	4,719	-	57,371
Installment	3,113	41	202	-	3,356
Commercial	285,185	14,754	9,557	212	309,708
Collateral	1,733	-	-	-	1,733
Home equity line of credit	168,238	302	1,228	-	169,768
Revolving Credit	99	-	-	-	99
Resort	929	-	-	-	929
Total Loans	$ 2,067,731	$ 28,840	$ 38,252	$ 212	$ 2,135,035

The Company places considerable emphasis on the early identification of problem assets, problem-resolution and minimizing loss exposure. Delinquency notices are mailed monthly to all delinquent borrowers, advising them of the amount of their delinquency. Residential and consumer lending borrowers are typically given 30 days to pay the delinquent payments or to contact us to make arrangements to bring the loan current over a longer period of time. Generally, if a residential or consumer lending borrower fails to bring the loan current within 90 days from the original due date or to make arrangements to cure the delinquency over a longer period of time, the matter is referred to legal counsel and foreclosure or other collection proceedings are initiated. The Company may consider forbearance or a loan restructuring in certain circumstances where a temporary loss of income is the primary cause of the

delinquency, and if a reasonable plan is presented by the borrower to cure the delinquency in a reasonable period of time after his or her income resumes. Problem or delinquent borrowers in our commercial real estate, commercial business and resort portfolios are handled on a case-by-case basis, typically by our Special Assets Department. Appropriate problem-resolution and workout strategies are formulated based on the specific facts and circumstances.

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Notes to Consolidated Financial Statements (Unaudited)

6. Mortgage Servicing Rights

The Company services residential real estate mortgage loans that it has sold without recourse to third parties. The carrying value of mortgage servicing rights was $4.2 million and $3.3 million at September 30, 2015 and December 31, 2014, respectively, and the balance is included in prepaid expenses and other assets in the accompanying condensed Consolidated Statements of Financial Condition. The fair value of mortgage servicing rights approximated $4.7 million and $3.6 million at September 30, 2015 and December 31, 2014, respectively. Total loans sold with servicing rights retained were $149.2 million and $52.7 million for the nine months ended September 30, 2015 and 2014, respectively. The net gain on loans sold totaled $1.9 million and $1.1 million for the nine months ended September 30, 2015 and 2014, respectively, and is included in the accompanying condensed Consolidated Statements of Income.

The principal balance of loans serviced for others, which are not included in the accompanying condensed Consolidated Statements of Financial Condition, totaled $436.9 million and $335.2 million at September 30, 2015 and December 31, 2014, respectively. Loan servicing fees for others totaling $653,000 and $571,000 for the nine months ended September 30, 2015 and 2014, respectively, are included as a component of other noninterest income in the accompanying condensed Consolidated Statements of Income.

7. Credit Arrangements

The Company has access to a pre-approved line of credit with the Federal Home Loan Bank of Boston (“FHLBB”) for $8.8 million, which was undrawn at September 30, 2015 and December 31, 2014. The Company has access to a pre-approved unsecured line of credit with a financial institution totaling $20.0 million, which was undrawn at September 30, 2015 and December 31, 2014. The Company has access to a $3.5 million unsecured line of credit agreement with a bank which expires on August 31, 2016. The line was undrawn at September 30, 2015 and December 31, 2014. The Company maintains a cash balance of $262,500 with the bank to avoid fees associated with the above line.

In accordance with an agreement with the FHLBB, the Company is required to maintain qualified collateral, as defined in the FHLBB Statement of Credit Policy, free and clear of liens, pledges and encumbrances, as collateral for the advances, if any, and the preapproved line of credit. The Company is in compliance with these collateral requirements.

FHLBB advances totaled $373.6 million and $401.7 million at September 30, 2015 and December 31, 2014, respectively. Advances from the FHLBB are collateralized by first mortgage loans with an estimated eligible collateral value of $1.1 billion and $812.8 million at September 30, 2015 and December 31, 2014, respectively. The Company has available borrowings of $316.5 million and $122.5 million at September 30, 2015 and December 31, 2014, respectively, subject to collateral requirements of the FHLBB. The Company is required to acquire and hold shares of capital stock in the FHLBB in an amount at least equal to the sum of 0.35% of the aggregate principal amount of its unpaid residential mortgage loans and similar obligations at the beginning of each year, or up to 4.5% of its advances (borrowings) from the FHLBB. The carrying value of FHLBB stock approximates fair value based on the redemption provisions of the stock.

The Company participates in the Federal Reserve Bank's discount window loan collateral program that enables the Company to borrow up to $67.7 million and $71.0 million on an overnight basis at September 30, 2015 and December 31, 2014, respectively, and was undrawn as of September 30, 2015 and December 31, 2014. The funding arrangement was collateralized by $145.3 million and $141.6 million in pledged commercial real estate loans as of September 30, 2015 and December 31, 2014, respectively.

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The Bank has a Master Repurchase Agreement borrowing facility with a broker. Borrowings under the Master Repurchase Agreement are secured by the Company's investments in certain securities with a fair value of $11.6 million and $23.0 million at September 30, 2015 and December 31, 2014, respectively. Outstanding borrowings totaled $10.5 million and $21.0 million at September 30, 2015 and December 31, 2014, respectively.

The Bank offers overnight repurchase liability agreements to commercial or municipal customers whose excess deposit account balances are swept daily into collateralized repurchase liability accounts. The overnight repurchase liability agreements do not contain master netting arrangements. The Bank had repurchase liabilities outstanding of $58.1 million and $49.0 million at September 30, 2015 and December 31, 2014, respectively. They are secured by the Company's investment in specific issues of U.S. Treasury obligations, Government sponsored residential mortgage-backed securities and U.S. Government agency obligations with a market value of $66.5 million and $74.4 million as of September 30, 2015 and December 31, 2014, respectively.

8. Deposits

Deposit balances are as follows:

	September 30, 2015	December 31, 2014
(Dollars in thousands)		
Noninterest-bearing demand deposits	$ 359,757	$ 330,524
Interest-bearing		
NOW accounts	527,128	355,412
Money market	440,249	470,991
Savings accounts	211,170	210,892
Time deposits	435,051	365,222
Total interest-bearing deposits	1,613,598	1,402,517
Total deposits	$ 1,973,355	$ 1,733,041

The Company has established a relationship to participate in a reciprocal deposit program with other financial institutions as a service to our customers. This program provides enhanced FDIC insurance to participating customers. The Company also has established a relationship for brokered deposits. There were brokered deposits totaling $55.5 million and $-0- at September 30, 2015 and December 31, 2014, respectively.

Time certificates of deposit in denominations of $250,000 or more approximated $79.8 million and $83.4 million at September 30, 2015 and December 31, 2014, respectively.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

9. Pension and Other Postretirement Benefit Plans

The following tables set forth the components of net periodic pension and benefit costs.

	Pension Benefits		Other Postretirement Benefits	
	Three Months Ended September 30		Three Months Ended September 30	
	2015	2014	2015	2014
(Dollars in thousands)				
Service cost	$ -	$ -	$ 14	$ 15
Interest cost	259	255	30	37
Expected return on plan assets	(362)	(334)	-	-
Amortization:				
Loss	178	76	3	5
Prior service cost	-	-	(13)	(13)
Net periodic benefit cost	$ 75	$ (3)	$ 34	$ 44

	Pension Benefits		Other Postretirement Benefits	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(Dollars in thousands)				
Service cost	$ -	$ -	$ 43	$ 45
Interest cost	777	766	91	110
Expected return on plan assets	(1,086)	(1,004)	-	-
Amortization:				
Loss	532	229	9	14
Prior service cost	-	-	(38)	(38)
Net periodic benefit cost	$ 223	$ (9)	$ 105	$ 131

The Company’s non-contributory defined-benefit pension plan and certain defined benefit postretirement plans were frozen as of February 28, 2013 and no additional benefits will accrue.

The Company has contributed a total of $1.0 million to the qualified defined benefit plan for the year ended December 31, 2015. Since the supplemental plan and the postretirement benefit plans are unfunded, the Company accrues for the estimated costs of these plans through charges to expense during the year that employees render service. The Company makes contributions to cover the current benefits paid under these plans.

Employee Stock Ownership Plan

The Company established the ESOP to provide eligible employees the opportunity to own Company stock. The Company provided a loan to the Farmington Bank Employee Stock Ownership Plan Trust in the amount needed to purchase up to 1,430,416 shares of the Company’s common stock. The loan bears an interest rate equal to the Wall Street Journal Prime Rate plus one percentage point, adjusted annually, and provides for annual payments of interest and principal over the 15 year term of the loan. At September 30, 2015, the loan had an outstanding balance of $13.0 million and an interest rate of 4.25%. The Bank has committed to make contributions to the ESOP sufficient to support the debt service of the loan. The loan is secured by the unallocated shares purchased. The ESOP compensation expense was $1.1 million for the nine months ended September 30, 2015 and 2014.

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Shares held by the ESOP include the following as of September 30, 2015:

Allocated	381,444
Committed to be released	71,325
Unallocated	977,647
	1,430,416

The fair value of unallocated ESOP shares was $15.8 million at September 30, 2015.

10. Stock Incentive Plan

In August 2012, the Company implemented the First Connecticut Bancorp, Inc. 2012 Stock Incentive Plan (the “Plan”). The Plan provides for a total of 2,503,228 shares of common stock for issuance upon the grant or exercise of awards. The Plan allows for the granting of 1,788,020 non-qualified stock options and 715,208 shares of restricted stock.

In accordance with generally accepted accounting principles for Share-Based Payments, the Company expenses the fair value of all share-based compensation grants over the requisite service periods. Stock options granted vested 20% immediately and will vest 20% at each annual anniversary of the grant date through 2016 and expire ten years after grant date. The Company recognizes compensation expense for the fair values of these awards, which vest on a straight-line basis over the requisite service period of the awards. Restricted shares granted vested 20% immediately and will vest 20% at each annual anniversary of the grant date through 2016. The product of the number of shares granted and the grant date market price of the Company’s common stock determines the fair value of restricted shares under the Company’s restricted stock plan. The Company recognizes compensation expense for the fair value of restricted shares on a straight-line basis over the requisite service period for the entire award.

The Company classifies share-based compensation for employees within “Salaries and employee benefits” and share-based payments for outside directors within “Other operating expenses” in the consolidated statement of income. For the nine months ended September 30, 2015 and 2014, the Company recorded $2.5 million and $2.2 million of share-based compensation expense, respectively, comprised of $1.0 million and $901,000 of stock option expense, respectively and $1.5 million and $1.3 million of restricted stock expense, respectively. Expected future compensation expense relating to the 359,920 non-vested options outstanding at September 30, 2015, is $1.1 million over the remaining weighted-average period of 1.32 years. Expected future compensation expense relating to the 126,290

non-vested restricted shares at September 30, 2015, is $1.4 million over the remaining weighted-average period of 0.93 years.

The fair value of the options awarded is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table. Expected volatility is based on the Company’s historical volatility and the historical volatility of a peer group as the Company does not have reliably determined stock price for the period needed that is at least equal to its expected term and the Company’s recent historical volatility may not reflect future expectations. The peer group consisted of financial institutions located in New England and the Mid-Atlantic regions of the United States based on whose common stock is traded on a national securities exchange, asset size, tangible capital ratio and earnings factors. The expected term of options granted is derived from using the simplified method due to the Company not having sufficient historical share option experience upon which to estimate an expected term. The risk-free rate is based on the grant date for a traded zero-coupon U.S. Treasury bond with a term equal to the option’s expected term.

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Weighted-average assumptions for the nine months ended September 30, 2015 and 2014:

	2015	2014
Weighted per share average fair value of options granted	$3.33	$3.77
Weighted-average assumptions:		
Risk-free interest rate	1.61 %	1.93 %
Expected volatility	24.96 %	28.20 %
Expected dividend yield	1.99 %	1.89 %
Weighted-average dividend yield	1.50% - 2.35 %	1.09% - 2.51 %
Expected life of options granted	6.0 years	6.0 years

The following is a summary of the Company's stock option activity and related information for its option grants for the nine months ended September 30, 2015.

	Number of Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2014	1,671,157	$ 13.04		
Granted	38,000	16.26		
Exercised	(28,200)	12.95		
Forfeited	(19,900)	13.49		
Expired	(1,200)	12.95		
Outstanding at September 30, 2015	1,659,857	$ 13.11	6.72	$ 4,991
Exercisable at September 30, 2015	1,299,937	$ 13.02	6.56	$ 4,030

The total intrinsic value of options exercised during the nine months ended September 30, 2015 was $68,000.

The following is a summary of the status of the Company's restricted stock for the nine months ended September 30, 2015.

	Number of Restricted Stock	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2014	266,884	$ 12.95
Granted	-	-
Vested	(140,594)	12.95
Forfeited	-	-
Unvested at September 30, 2015	126,290	$ 12.95

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11. Derivative Financial Instruments

Non-Hedge Accounting Derivatives/Non-designated Hedges:

The Company does not use derivatives for trading or speculative purposes. Interest rate swap derivatives not designated as hedges are offered to certain qualifying commercial customers and to manage the Company's exposure to interest rate movements but do not meet the strict hedge accounting under FASB ASC 815, "Derivatives and Hedging". The interest rate swap agreements enable these customers to synthetically fix the interest rate on variable interest rate loans. The customers pay a variable rate and enter into a fixed rate swap agreement with the Company. The credit risk associated with the interest rate swap derivatives executed with these customers is essentially the same as that involved in extending loans and is subject to the Company's normal credit policies. The Company obtains collateral, if needed, based upon its assessment of the customers' credit quality. Generally, interest rate swap agreements are offered to "pass" rated customers requesting long-term commercial loans or commercial mortgages in amounts generally of at least $1.0 million. The interest rate swap agreement with our customers is cross-collateralized by the loan collateral. The interest rate swap agreements do not have any embedded interest rate caps or floors.

For every variable interest rate swap agreement entered into with a commercial customer, the Company simultaneously enters into a fixed rate interest rate swap agreement with a correspondent bank, agreeing to pay a fixed income stream and receive a variable interest rate swap. The Company is party to master netting agreements with its correspondent banks; however, the Company does not offset assets and liabilities for financial statement presentation purposes. The master netting agreements provide for a single net settlement of all swap agreements, as well as collateral, in the event of default on, or termination of, any one contract. Collateral generally in the form of cash is received or posted by the counterparty with the net liability position, in accordance with contract thresholds. As of September 30, 2015, the Company maintained a cash balance of $13.2 million with a correspondent bank to collateralize its position. As of September 30, 2015, the Company has an agreement with a correspondent bank to secure any outstanding receivable in excess of $10.0 million.

Credit-risk-related Contingent Features

The Company's agreements with its derivative counterparties contain the following provisions:

- if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations;

- if the Company fails to maintain its status as a well/adequately capitalized institution, then the counterparty could terminate the derivative positions, and the Company would be required to settle its obligations under the agreements;

- if the Company fails to maintain a specified minimum leverage ratio, then the Company could be declared in default on its derivative obligations; and

- if a specified event or condition occurs that materially changes the Company's creditworthiness in an adverse manner, it may be required to fully collateralize its obligations under the derivative instrument.

The Company is in compliance with the above provisions as of September 30, 2015.

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The Company has established a derivatives policy which sets forth the parameters for such transactions (including underwriting guidelines, rate setting process, maximum maturity, approval and documentation requirements), as well as identifies internal controls for the management of risks related to these hedging activities (such as approval of counterparties, limits on counterparty credit risk, maximum loan amounts, and limits to single dealer counterparties).

The interest rate swap derivatives executed with our customers and our counterparties, are marked to market and are included with prepaid expenses and other assets and accrued expenses and other liabilities on the condensed consolidated Statements of Financial Condition at fair value. The Company had the following outstanding interest rate swaps that were not designated for hedge accounting:

		September 30, 2015			December 31, 2014		
(Dollars in thousands)	Consolidated Balance Sheet Location	# of Instruments	Notional Amount	Estimated Fair Values	# of Instruments	Notional Amount	Estimated Fair Values
Commercial loan customer interest rate swap position	Other Assets	$63	$267,099	$13,315	43	$174,884	$7,167
Commercial loan customer interest rate swap position	Other Liabilities	-	-	-	8	27,988	(431)
Counterparty interest rate swap position	Other Liabilities	63	267,099	(13,449)	51	202,872	(6,821)

The Company recorded the changes in the fair value of non-hedge accounting derivatives as a component of other noninterest income except for interest received and paid which is reported in interest income in the accompanying condensed consolidated statements of income as follows:

	For The Three Months Ended September 30,					
	2015			2014		
	Interest Income Recorded in Interest Income	MTM Gain (Loss) Recorded in Noninterest	Net Impact	Interest Income Recorded in Interest Income	MTM Gain (Loss) Recorded In Noninterest	Net Impact

	Income				Income	
(Dollars in thousands)						
Commercial loan customer interest rate swap position	$(1,462)	$ 6,923	$ 5,461	$(855)	$ (943)	$ (1,798)
Counterparty interest rate swap position	1,462	(6,923)	(5,461)	855	943	1,798
Total	$-	$ -	$ -	$-	$ -	$ -

	For The Nine Months Ended September 30,					
	2015			2014		
	Interest Income Recorded in Interest Income	MTM Gain (Loss) Recorded in Noninterest Income	Net Impact	Interest Income Recorded in Interest Income	MTM Gain (Loss) Recorded in Noninterest Income	Net Impact
(Dollars in thousands)						
Commercial loan customer interest rate swap position	$(3,799)	$ 6,148	$ 2,349	$(2,570)	$ 441	$ (2,129)
Counterparty interest rate swap position	3,799	(6,148)	(2,349)	2,570	(441)	2,129
Total	$-	$ -	$ -	$-	$ -	$ -

First Connecticut Bancorp, Inc.
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Mortgage Banking Derivatives

Certain derivative instruments, primarily forward sales of mortgage loans and mortgage-backed securities ("MBS") are utilized by the Company in its efforts to manage risk of loss associated with its mortgage loan commitments and mortgage loans held for sale. Prior to closing and funding certain single-family residential mortgage loans, an interest-rate lock commitment is generally extended to the borrower. During the period from commitment date to closing date, the Company is subject to the risk that market rates of interest may change. If market rates rise, investors generally will pay less to purchase such loans resulting in a reduction in the gain on sale of the loans or, possibly, a loss. In an effort to mitigate such risk, forward delivery sales commitments, under which the Company agrees to deliver whole mortgage loans to various investors or issue MBS, are established. At September 30, 2015, the notional amount of outstanding rate locks totaled approximately $18.2 million. The notional amount of outstanding commitments to sell residential mortgage loans totaled approximately $27.6 million, which included mandatory forward commitments totaling approximately $22.6 million at September 30, 2015. The forward commitments establish the price to be received upon the sale of the related mortgage loan, thereby mitigating certain interest rate risk. There is, however, still certain execution risk specifically related to the Company's ability to close and deliver to its investors the mortgage loans it has committed to sell.

12. Offsetting of Financial Assets and Liabilities

The following table presents the remaining contractual maturities of the Company's repurchase agreement borrowings and repurchase liabilities as of September 30, 2015, disaggregated by the class of collateral pledged.

	September 30, 2015			
	Remaining Contractual Maturity of the Agreements			
(Dollars in thousands)	Overnight and Continuous	Up to One Year	One Year to Three Years	Total
Repurchase agreement borrowings				
U.S. Government agency obligations	$ -	$ -	$ 6,000	$ 6,000
Government sponsored residential mortgage-backed securities	-	-	4,500	4,500
Total repurchase agreement borrowings	-	-	10,500	10,500
Repurchase liabilities				
U.S. Government treasury obligations	2,941	-	-	2,941
U.S. Government agency obligations	47,007	-	-	47,007
	8,136	-	-	8,136

Government sponsored residential mortgage-backed securities				
Total repurchase liabilities	58,084	-	-	58,084
Total	$ 58,084	$ -	$ 10,500	$ 68,584

The right of setoff for a repurchase agreement resembles a secured borrowing, whereby the collateral pledged by the Company would be used to settle the fair value of the repurchase agreements should the Company be in default (e.g., fail to make an interest payment to the counterparty). The collateral is held by a third party financial institution in the Company's trustee account. The counterparty has the right to sell or repledge the investment securities if the Company defaults. The Company is required by the counterparty to maintain adequate collateral levels. In the event the collateral fair value falls below stipulated levels, the Company will pledge additional securities. The Company closely monitors collateral levels to ensure adequate levels are maintained, while mitigating the potential risk of over-collateralization in the event of counterparty default.

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The following table presents the potential effect of rights of setoff associated with the Company's recognized financial assets and liabilities at September 30, 2015 and December 31, 2014:

	September 30, 2015						
				Gross Amounts Not Offset in the Statement of Financial Condition			
(Dollars in thousands)	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Financial Instruments	Securities Collateral Received	Cash Collateral Received	Net Amount
Interest rate swap derivatives	$13,315	$ -	$ 13,315	$ -	$ -	$ 13,150	$ 165
Total	$13,315	$ -	$ 13,315	$ -	$ -	$ 13,150	$ 165

	September 30, 2015						
				Gross Amounts Not Offset in the Statement of Financial Condition			
(Dollars in thousands)	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities Presented in the Statement of Financial Condition	Financial Instruments	Securities Collateral Pledged	Cash Collateral Pledged	Net Amount
Interest rate swap derivatives	$13,449	$ -	$ 13,449	$ -	$ -	$ 13,150	$ 299
Repurchase agreement borrowings	10,500	-	10,500	-	10,500	-	-
Total	$23,949	$ -	$ 23,949	$ -	$ 10,500	$ 13,150	$ 299

	December 31, 2014						
				Gross Amounts Not Offset in the Statement of Financial Condition			
	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial	Financial Instruments	Securities Collateral Received	Cash Collateral Received	Net Amount

				Condition			
(Dollars in thousands)							
Interest rate swap derivatives	$7,167	$ -	$ 7,167	$ -	$ -	$ 6,750	$ 417
Total	$7,167	$ -	$ 7,167	$ -	$ -	$ 6,750	$ 417

	December 31, 2014						
				Gross Amounts Not Offset in the Statement of Financial Condition			
	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities Presented in the Statement of Financial Condition	Financial Instruments	Securities Collateral Pledged	Cash Collateral Pledged	Net Amount
(Dollars in thousands)							
Interest rate swap derivatives	$7,252	$ -	$ 7,252	$ -	$ -	$ 6,750	$ 502
Repurchase agreement borrowings	21,000	-	21,000	-	21,000	-	-
Total	$28,252	$ -	$ 28,252	$ -	$ 21,000	$ 6,750	$ 502

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13. Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and unused lines of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of condition. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Financial instruments whose contract amounts represent credit risk are as follows:

	September 30, 2015	December 31, 2014
(Dollars in thousands)		
Approved loan commitments	$ 34,420	$ 33,737
Unadvanced portion of construction loans	40,146	41,604
Unused lines for home equity loans	181,397	173,493
Unused revolving lines of credit	360	367
Unused commercial letters of credit	4,077	4,028
Unused commercial lines of credit	194,190	190,247
	$ 454,590	$ 443,476

Financial instruments with off-balance sheet risk had a valuation allowance of $478,000 and $440,000 as of September 30, 2015 and December 31, 2014, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held is primarily residential property and commercial assets.

At September 30, 2015 and December 31, 2014, the Company had no off-balance sheet special purpose entities and participated in no securitizations of assets.

14. Significant Group Concentrations of Credit Risk

The Company primarily grants commercial, residential and consumer loans to customers located within its primary market area in the state of Connecticut. The majority of the Company’s loan portfolio is comprised of commercial and residential mortgages. The Company has no negative amortization or option adjustable rate mortgage loans.

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15. Fair Value Measurements

Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. In accordance with FASB ASC 820-10, the fair value estimates are measured within the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. When available, quoted market prices are used. In other cases, fair values are based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, and estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in certain cases, could not be realized in an immediate sale of the instrument.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not financial instruments. Accordingly, the aggregate fair value amounts presented do not purport to represent the underlying market value of the Company. There were no transfers between levels during the nine months ended September 30, 2015 and 2014.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following is a description of the valuation methodologies used for instruments measured at fair value:

Securities Available-for-Sale: Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models. Level 1 securities are those traded on active markets for identical securities including U.S. treasury obligations, U.S. Government agency obligations and marketable equity securities. Level 2 securities include U.S. government agency obligations, government-sponsored residential mortgage-backed securities, corporate debt securities, trust preferred debt securities, preferred equity securities and mutual funds. When a market is illiquid or there is a lack of transparency around the inputs to valuation, the respective securities are classified as level 3 and reliance is placed upon internally developed models and management judgment and evaluation for valuation. The Company had no Level 3 securities at September 30, 2015 and December 31, 2014.

The Company utilizes a third party, nationally-recognized pricing service ("pricing service"); subject to review by management, to estimate fair value measurements for the majority of its investment securities portfolio. The pricing service evaluates each asset class based on relevant market information considering observable data that may include dealer quotes, reported trades, market spreads, cash flows, the U.S. Treasury yield curve, the LIBOR swap yield curve, trade execution data, market prepayment speeds, credit information and the bond's terms and conditions, among other things. The fair value prices on all investment securities are reviewed for reasonableness by management. Also, management assessed the valuation techniques used by the pricing service based on a review of their pricing methodology to ensure proper pricing and hierarchy classifications. Management employs procedures to monitor the pricing service's assumptions and establishes processes to challenge the pricing service's valuations that appear unusual or unexpected.

Interest Rate Swap Derivatives: The fair values of interest rate swap agreements are calculated using a discounted cash flow approach and utilize observable inputs such as the LIBOR swap curve, effective date, maturity date, notional amount, stated interest rate and are classified within Level 2 of the valuation hierarchy. Such derivatives are basic interest rate swaps that do not have any embedded interest rate caps and floors.

Forward loan sale commitments and derivative loan commitments: Forward loan sale commitments and derivative loan commitments are based on fair values of the underlying mortgage loans and the probability of such

commitments being exercised. Significant management judgment and estimation is required in determining these fair value measurements therefore are classified within Level 3 of the valuation hierarchy. The Company recognized a gain of $52,000 and $47,000 for the nine months ended September 30, 2015 and 2014, respectively, included in other noninterest income in the accompanying condensed Consolidated Statements of Income.

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The following table details the financial instruments carried at fair value on a recurring basis as of September 30, 2015 and December 31, 2014 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	September 30, 2015			
(Dollars in thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
U.S. Treasury obligations	$79,029	$ 79,029	$ -	$ -
U.S. Government agency obligations	80,216	80,216	-	-
Government sponsored residential mortgage-backed securities	5,576	-	5,576	-
Corporate debt securities	1,060	-	1,060	-
Preferred equity securities	1,589	-	1,589	-
Marketable equity securities	155	155	-	-
Mutual funds	3,765	-	3,765	-
Securities available-for-sale	171,390	159,400	11,990	-
Interest rate swap derivative	13,315	-	13,315	-
Derivative loan commitments	266	-	-	266
Total	$184,971	$ 159,400	$ 25,305	$ 266
Liabilities				
Interest rate swap derivative	$13,449	$ -	$ 13,449	$ -
Forward loan sales commitments	200	-	-	200
Total	$13,649	$ -	$ 13,449	$ 200

	December 31, 2014			
(Dollars in thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
U.S. Treasury obligations	$123,816	$ 123,816	$ -	$ -
U.S. Government agency obligations	49,109	49,109	-	-
Government sponsored residential mortgage-backed securities	6,907	-	6,907	-
Corporate debt securities	1,085	-	1,085	-

Trust preferred debt securities	1,557	-	1,557	-
Preferred equity securities	1,676	-	1,676	-
Marketable equity securities	170	170	-	-
Mutual funds	3,721	-	3,721	-
Securities available-for-sale	188,041	173,095	14,946	-
Interest rate swap derivative	7,167	-	7,167	-
Derivative loan commitments	40	-	-	40
Total	$195,248	$ 173,095	$ 22,113	$ 40
Liabilities				
Interest rate swap derivative	$7,252	$ -	$ 7,252	$ -
Forward loan sales commitments	26	-	-	26
Total	$7,278	$ -	$ 7,252	$ 26

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The following table presents additional information about assets measured at fair value for which the Company has utilized Level 3 inputs.

	Derivative and Forward Loan Sales Commitments, Net			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
(Dollars in thousands)				
Balance, at beginning of period	$ 140	$ 50	$ 14	$ 47
Total realized gain (loss):				
Included in earnings	(74)	44	52	47
Balance, at the end of period	$ 66	$ 94	$ 66	$ 94

The following tables present the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a recurring basis at September 30, 2015 and December 31, 2014:

September 30, 2015

(Dollars in thousands)	Fair Value	Valuation Methodology	Significant Unobservable Inputs	Input
Derivative and forward loan sales commitments, net	$ 66	Adjusted quoted prices in active markets	Embedded servicing value	1.23 %

December 31, 2014

(Dollars in thousands)	Fair Value	Valuation Methodology	Significant Unobservable Inputs	Input
Derivative and forward loan sales commitments, net	$ 14	Adjusted quoted prices in active markets	Embedded servicing value	1.07 %

The embedded servicing value represents the value assigned for mortgage servicing rights and based on management’s judgment. When the embedded servicing value increases or decreases there is a direct correlation with fair value.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a non-recurring basis in accordance with generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period as well as assets that are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

The following table details the financial instruments carried at fair value on a nonrecurring basis at September 30, 2015 and December 31, 2014 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value:

	September 30, 2015			December 31, 2014		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)						
Impaired loans	$ -	$ -	$ 3,604	$ -	$ -	$ 1,647
Other real estate owned	-	-	187	-	-	-

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The following is a description of the valuation methodologies used for instruments measured on a non-recurring basis:

Mortgage Servicing Rights: A mortgage servicing right asset represents the amount by which the present value of the estimated future net cash flows to be received from servicing loans are expected to more than adequately compensate the Company for performing the servicing. The fair value of servicing rights is estimated using a present value cash flow model. The most important assumptions used in the valuation model are the anticipated rate of the loan prepayments and discount rates. Adjustments are only recorded when the discounted cash flows derived from the valuation model are less than the carrying value of the asset. As such, measurement at fair value is on a nonrecurring basis. Although some assumptions in determining fair value are based on standards used by market participants, some are based on unobservable inputs and therefore are classified in Level 3 of the valuation hierarchy.

Loans Held for Sale: Loans held for sale are accounted for at the lower of cost or market and are considered to be recognized at fair value when recorded at below cost. The fair value of loans held for sale is based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted as required for changes in loan characteristics.

Impaired Loans: Impaired loans for which repayment of the loan is expected to be provided solely by the value of the underlying collateral are considered collateral dependent and are valued based on the estimated fair value of such collateral using Level 3 inputs based on customized discounting criteria.

Other Real Estate Owned: The Company classifies property acquired through foreclosure or acceptance of deed-in-lieu of foreclosure as other real estate owned in its financial statements. Upon foreclosure, the property securing the loan is written down to fair value less selling costs. The write down is based upon the difference between the appraised value and the book value. Appraisals are based on observable market data such as comparable sales within the real estate market, however assumptions made in determining comparability are unobservable and therefore these assets are classified as Level 3 within the valuation hierarchy. As appraisals on foreclosed real estate are not necessarily completed on the period end dates presented in the table above, the fair value information presented may not reflect the actual fair value as of September 30, 2015 and December 31, 2014.

The following tables present the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a non-recurring basis at September 30, 2015 and December 31, 2014:

September 30, 2015

(Dollars in thousands)	Fair Value	Valuation Methodology	Significant Unobservable Inputs	Range of Inputs	Weighted Average Inputs	
Impaired loans	$ 3,604	Appraisals	Discount for dated appraisal	0% - 20%	10.0	%
			Discount for costs to sell	8% - 15%	11.5	%
Other real estate owned	$ 187	Appraisals	Discount for costs to sell	5% - 10%	7.5	%

December 31, 2014

(Dollars in thousands)	Fair Value	Valuation Methodology	Significant Unobservable Inputs	Range of Inputs	Weighted Average Inputs	
Impaired loans	$ 1,647	Appraisals	Discount for dated appraisal	0% - 20%	10.0	%
			Discount for costs to sell	8% - 15%	11.5	%

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statement of condition for cash and cash equivalents approximate those assets' fair values.

Investment in Federal Home Loan Bank of Boston ("FHLBB") stock: FHLBB stock does not have a readily determinable fair value and is assumed to have a fair value equal to its carrying value. Ownership of FHLBB stock is restricted to the FHLBB, and can only be purchased and redeemed at par value.

Alternative Investments: The Company accounts for its percentage ownership of alternative investment funds at cost, subject to impairment testing. These are non-public investments which include limited partnerships, an equity fund and membership stocks. These alternative investments totaled $2.5 million and $2.7 million at September 30, 2015 and December 31, 2014, respectively. The Company recognized a $144,000 and $41,000 other-than-temporary impairment charge on its limited partnerships for the nine months ended September 30, 2015 and 2014, respectively, included in other noninterest income in the accompanying condensed Consolidated Statements of Income. The Company has $692,000 in unfunded commitments remaining for its alternative investments as of September 30, 2015.

Loans: In general, discount rates used to calculate values for loan products were based on the Company's pricing at the respective period end and included appropriate adjustments for expected credit losses. A higher discount rate was assumed with respect to estimated cash flows associated with nonaccrual loans. Projected loan cash flows were adjusted for estimated credit losses. However, such estimates made by the Company may not be indicative of assumptions and adjustments that a purchaser of the Company's loans would seek.

Deposits: The fair values disclosed for demand deposits and savings accounts (e.g., interest and noninterest checking and passbook savings) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts for variable-rate, fixed-term certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow

calculation that applies interest rates currently being offered on certificates to a schedule of aggregate expected monthly maturities of time deposits.

Borrowed funds: The fair values for borrowed funds, including FHLBB advances and repurchase borrowings, are estimated using discounted cash flow analysis based on the Company's current incremental borrowing rate for similar types of agreements.

Repurchase liabilities: Repurchase liabilities represent a short-term customer sweep account product. Because of the short-term nature of these liabilities, the carrying amount approximates its fair value.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of September 30, 2015 and December 31, 2014. For short-term financial assets such as cash and cash equivalents, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization.

		September 30, 2015		December 31, 2014	
	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(Dollars in thousands)					
Financial assets					
Securities held-to-maturity	Level 2	$25,486	$25,767	$16,224	$16,416
Securities available-for-sale	See previous table	171,390	171,390	188,041	188,041
Loans	Level 3	2,338,267	2,325,374	2,135,035	2,130,994
Loans held-for-sale	Level 2	8,416	8,671	2,417	2,469
Mortgage servicing rights	Level 3	4,231	4,700	3,336	3,572
Federal Home Loan Bank of Boston stock	Level 2	23,038	23,038	19,785	19,785
Alternative investments	Level 3	2,481	2,447	2,694	2,695
Interest rate swap derivatives	Level 2	13,315	13,315	7,167	7,167
Derivative loan commitments	Level 3	266	266	40	40
Financial liabilities					
Deposits other than time deposits	Level 1	1,538,304	1,538,304	1,367,819	1,367,819
Time deposits	Level 2	435,051	438,999	365,222	368,974
Federal Home Loan Bank of Boston advances	Level 2	373,600	374,649	401,700	400,226
Repurchase agreement borrowings	Level 2	10,500	11,137	21,000	21,669
Repurchase liabilities	Level 2	58,084	58,082	48,987	48,986
Interest rate swap derivatives	Level 2	13,449	13,449	7,252	7,252
Forward loan sales commitments	Level 3	200	200	26	26

16. Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on their financial statements.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classifications are also subject to quantitative judgments by the regulators about components, risk weightings and other factors.

In July 2013, the Federal Reserve published final rules for the adoption of the Basel III regulatory capital framework (the "Basel III Capital Rules"). The Basel III Capital Rules, among other things, (i) introduced a new capital measure called "Common Equity Tier 1", (ii) specify that Tier 1 capital consists of Common Equity Tier 1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define Common Equity Tier 1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to Common Equity Tier 1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments as compared to existing regulations and a higher minimum Tier I capital requirement. Additionally, institutions must maintain a capital conservation buffer of common equity Tier 1 capital in an amount greater than 2.5% of total risk-weighted assets to avoid being subject to limitations on capital distributions and discretionary bonus payments to executive officers. The Basel III Capital Rules became effective for the Company beginning on January 1, 2015 with certain transition provisions fully phased in through January 1, 2019.

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total capital, Tier I capital and common equity Tier I capital (as defined in the regulations) to risk-weighted assets (as defined in the regulations) and of Tier I capital (as defined in the regulations) to average assets (as defined in the regulations).

Management believes, as of September 30, 2015 and December 31, 2014 that the Company and the Bank meet all capital adequacy requirements to which they are subject. The Federal Deposit Insurance Corporation categorizes the Company and the Bank as well capitalized under the regulatory framework for prompt corrective action as of September 30, 2015. To be categorized as well capitalized, the Company and the Bank must maintain minimum total risk-based, Tier I risk-based, common equity Tier I capital and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The following table provides information on the capital amounts and ratios for the Company and the Bank:

	Actual		Minimum Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Farmington Bank:						
At September 30, 2015						
Total Capital (to Risk Weighted Assets)	$232,835	10.96%	$ 169,953	8.00 %	$212,441	10.00 %
Tier I Capital (to Risk Weighted Assets)	212,347	10.00	127,408	6.00	169,878	8.00
Common Equity Tier I Capital (to Risk Weighted Assets)	212,347	10.00	95,556	4.50	138,026	6.50
Tier I Leverage Capital (to Average Assets)	212,347	7.85	108,202	4.00	135,253	5.00
At December 31, 2014						
Total Capital (to Risk Weighted Assets)	$220,616	11.65%	$ 151,496	8.00 %	$189,370	10.00 %
Tier I Capital (to Risk Weighted Assets)	201,216	10.63	75,716	4.00	113,574	6.00
Tier I Leverage Capital (to Average Assets)	201,216	8.25	97,559	4.00	121,949	5.00
First Connecticut Bancorp, Inc.:						
At September 30, 2015						

Total Capital (to Risk Weighted Assets)	$270,491	12.72 %	$ 170,120	8.00 %	$212,650	10.00 %
Tier I Capital (to Risk Weighted Assets)	250,003	11.76	127,553	6.00	170,070	8.00
Common Equity Tier I Capital (to Risk Weighted Assets)	250,003	11.76	95,664	4.50	138,182	6.50
Tier I Leverage Capital (to Average Assets)	250,003	9.24	108,226	4.00	135,283	5.00
At December 31, 2014						
Total Capital (to Risk Weighted Assets)	$260,157	13.73 %	$ 151,585	8.00 %	$189,481	10.00 %
Tier I Capital (to Risk Weighted Assets)	240,757	12.70	75,829	4.00	113,743	6.00
Tier I Leverage Capital (to Average Assets)	240,757	9.86	97,670	4.00	122,088	5.00

First Connecticut Bancorp, Inc.
Notes to Consolidated Financial Statements (Unaudited)

17. Other Comprehensive Income

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

	For the Three Months Ended September 30, 2015		
(Dollars in thousands)	Pre Tax Amount	Tax Benefit (Expense)	After Tax Amount
Unrealized gains on available-for-sale securities	$ 103	$ (36)	$ 67
Less: net security gains reclassified into other noninterest income	-	-	-
Net change in fair value of securities available-for-sale	103	(36)	67
Reclassification adjustment for prior service costs and net gain included in net periodic pension costs (1)	170	(60)	110
Total other comprehensive gain	$ 273	$ (96)	$ 177

	For the Three Months Ended September 30, 2014		
(Dollars in thousands)	Pre Tax Amount	Tax Benefit (Expense)	After Tax Amount
Unrealized losses on available-for-sale securities	$ (209)	$ 70	$ (139)
Less: net security gains reclassified into other noninterest income	-	-	-
Net change in fair value of securities available-for-sale	(209)	70	(139)
Reclassification adjustment for prior service costs and net gain included in net periodic pension costs (1)	69	(23)	46
Total other comprehensive loss	$ (140)	$ 47	$ (93)

	For the Nine Months Ended September 30, 2015		
(Dollars in thousands)	Pre Tax Amount	Tax Benefit (Expense)	After Tax Amount
Unrealized losses on available-for-sale securities	$ (2,872)	$ 1,011	$ (1,861)
Less: net security gains reclassified into other noninterest income	1,523	(536)	987
Net change in fair value of securities available-for-sale	(1,349)	475	(874)
Reclassification adjustment for prior service costs and net gain included in net periodic pension costs (1)	361	(127)	234
Total other comprehensive loss	$ (988)	$ 348	$ (640)

	For the Nine Months Ended September 30, 2014		
	Pre Tax Amount	Tax Benefit (Expense)	After Tax Amount
(Dollars in thousands)			
Unrealized gains on available-for-sale securities	$ 88	$ (30)	$ 58
Less: net security gains reclassified into other noninterest income	-	-	-
Net change in fair value of securities available-for-sale	88	(30)	58
Reclassification adjustment for prior service costs and net gain included in net periodic pension costs (1)	211	(72)	139
Total other comprehensive income	$ 299	$ (102)	$ 197

(1) Amounts are included in salaries and employee benefits in the unaudited Consolidated Statements of Income.

18. Legal Actions

The Company and its subsidiary are involved in various legal proceedings which have arisen in the normal course of business. The Company believes the resolution of these legal actions is not expected to have a material adverse effect on the Company’s consolidated financial statements.

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

Forward-Looking Statements

This Form 10-Q contains "forward-looking statements." You can identify these forward-looking statements through our use of words such as "may," "will," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "continue," "plan," "project," "could," "intend," "target" and other similar words and expressions of the future. These forward-looking statements include, but are not limited to:

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

These forward-looking statements are based on current beliefs and expectations of our management 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.

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:

- Local, regional and national business or economic conditions may differ from those expected.
- The effects of and changes in trade, monetary and fiscal policies and laws, including the U.S. Federal Reserve Board's interest rate policies, may adversely affect our business.
- The ability to increase market share and control expenses may be more difficult than anticipated.

- Changes in laws and regulatory requirements (including those concerning taxes, banking, securities and insurance) may adversely affect us or our business.

- Changes in accounting policies and practices, as may be adopted by regulatory agencies, the Public Company Accounting Oversight Board or the Financial Accounting Standards Board, may affect expected financial reporting.

- Future changes in interest rates may reduce our profits which could have a negative impact on the value of our stock.

- We are subject to lending risk and could incur losses in our loan portfolio despite our underwriting practices. Changes in real estate values could also increase our lending risk.

- Changes in demand for loan products, financial products and deposit flow could impact our financial performance.

- Strong competition within our market area may limit our growth and profitability.

- If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings could decrease.

- Our stock value may be negatively affected by federal regulations and articles of incorporation provisions restricting takeovers.

- Implementation of stock benefit plans will increase our costs, which will reduce our income.

- The Dodd-Frank Act was signed into law on July 21, 2010 and has resulted in dramatic regulatory changes that affects the industry in general, and may impact our competitive position in ways that cannot be predicted at this time.

- The Emergency Economic Stabilization Act ("EESA") of 2008 has and may continue to have a significant impact on the banking industry.

- The increased cost of maintaining or the Company's ability to maintain adequate liquidity and capital, based on the requirements adopted by the Basel Committee on Banking Supervision and U.S. regulators.

- Changes to the amount and timing of proposed common stock repurchases.

- Computer systems on which we depend could fail or experience a security breach, implementation of new technologies may not be successful; and our ability to anticipate and respond to technological changes can affect our ability to meet customer needs.

- We may not manage the risks involved in the foregoing as well as anticipated.

Any forward-looking statements made by or on behalf of us in this Form 10-Q speak only as of the date of this Form 10-Q. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made. The reader should, however, consider any further disclosures of a forward-looking nature we may make in future filings. The Company wishes to advise readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

General

First Connecticut Bancorp, Inc. is a Maryland-chartered stock holding company that wholly owns Farmington Bank. Farmington Bank is a full-service, community bank with 23 branch locations throughout central Connecticut and western Massachusetts, offering commercial and residential lending as well as wealth management services. Established in 1851, Farmington Bank is a diversified consumer and commercial bank with an ongoing commitment to contribute to the betterment of the communities in our region.

Our business strategy is to operate as a well-capitalized and profitable community bank for businesses, individuals and local governments, with an ongoing commitment to provide quality customer service.

- *Maintaining a strong capital position in excess of the well-capitalized standards set by our banking regulators to support our current operations and future growth*. The FDIC's requirement for a "well-capitalized" bank is a total risk-based capital ratio of 10.0% or greater. As of September 30, 2015 our total risk-based capital ratio was 12.72%.

- *Increasing our focus on commercial lending and continuing to expand commercial banking operations.* We will continue to focus on commercial lending and the origination of commercial loans using prudent lending standards. We plan to continue to grow our commercial lending portfolio, while enhancing our complementary business products and services.

- *Continuing to focus on residential and consumer lending in conjunction with our secondary market residential lending program.* We offer traditional residential and consumer lending products and plan to continue to build a strong residential and consumer lending program that supports our secondary market residential lending program. Under our expanding secondary market residential lending program, we may sell a portion of our fixed rate residential originations while retaining the loan servicing function and mitigating our interest rate risk.

- *Maintaining asset quality and prudent lending standards.* We will continue to originate all loans utilizing prudent lending standards in an effort to maintain strong asset quality. While our delinquencies and charge-offs have decreased, we continue to diligently manage our collection function to minimize loan losses and non-performing assets. We will continue to employ sound risk management practices as we continue to expand our lending portfolio.

- *Expanding our existing products and services and developing new products and services to meet the changing needs of consumers and businesses in our market area.* We will continue to evaluate our consumer and business customers' needs to ensure that we continue to offer relevant, up-to-date products and services.

  - *Continue expansion through de novo branching.* We recently expanded into western Massachusetts with our first de novo branch in West Springfield, MA opening on October 6, 2015 and the second de novo branch in East Longmeadow, MA to open in November 2015. We received regulatory approval to open two additional de novo branches in Manchester, CT and Vernon, CT in the first half of 2016.

- *Continuing to control non-interest expenses.* As part of our strategic plan, we have implemented several programs designed to control costs. We monitor our expense ratios and plan to reduce our efficiency ratio by controlling expenses and increasing net interest income and noninterest income. We plan to continue to evaluate and improve the effectiveness of our business processes and our efficiency, utilizing information technology when possible.

- *Taking advantage of acquisition opportunities that are consistent with our strategic growth plans.* We intend to continue to evaluate opportunities to acquire other financial institutions and financial service related businesses in our current market area or contiguous market areas that will enable us to enhance our existing products and services and develop new products and services. We have no specific plans, agreements or understandings with respect to any expansion or acquisition opportunities.

Critical Accounting Policies

The accounting policies followed by us conform with the accounting principles generally accepted in the United States of America. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. We believe that our most critical accounting policies, which involve the most complex subjective decisions or assessments, relate to allowance for loan losses, other-than-temporary impairment of investment securities, income taxes and pension and other post-retirement benefits. The following is a description of our critical accounting policies and an explanation of the methods and assumptions underlying their application.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level believed adequate by management to absorb potential losses inherent in the loan portfolio as of the statement of condition date. The allowance for loan losses consists of a formula allowance following FASB ASC 450 – “Contingencies” and FASB ASC 310 – “Receivables”. 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 uncollectibility 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. All reserves are available to cover any losses regardless of how they are allocated.

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, commercial real estate, construction, installment, commercial, collateral, home equity line of credit, demand, revolving credit and resort. Construction loans include classes for commercial investment real estate construction, commercial owner occupied construction, residential development, residential subdivision construction and residential owner occupied construction loans. 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 and nonaccrual loans; 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 material changes in the Company’s policies or methodology pertaining to the general component of the allowance for loan losses during the nine months ended September 30, 2015.

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 – Residential real estate loans are generally originated in amounts up to 95.0% of the lesser of the appraised value or purchase price of the property, with private mortgage insurance required on loans with a loan-to-value ratio in excess of 80.0%. The Company does not grant subprime loans. All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. Typically, all fixed-rate residential mortgage loans are underwritten pursuant to secondary market underwriting guidelines which include minimum FICO standards. 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 in this segment are primarily income-producing properties throughout New England. The underlying cash flows generated by the properties may be adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, may have an effect on the credit quality in this segment. Management generally obtains rent rolls and other financial information, as appropriate on an annual basis and continually monitors the cash flows of these loans.

Construction loans – Loans in this segment include commercial construction loans, real estate subdivision development loans to developers, licensed contractors and builders for the construction and development of commercial real estate projects and residential properties. Construction lending contains a unique risk characteristic as loans are originated under market and economic conditions that may change between the time of origination and the completion and subsequent purchaser financing of the property. In addition, construction subdivision loans and commercial and

residential construction loans to contractors and developers entail additional risks as compared to single-family residential mortgage lending to owner-occupants. These loans typically involve large loan balances concentrated in single borrowers or groups of related borrowers. Real estate subdivision development loans to developers, licensed contractors and builders are generally speculative real estate development loans for which payment is derived from sale of the property. Credit risk may be affected by cost overruns, time to sell at an adequate price, and market conditions. Construction financing is generally considered to involve a higher degree of credit risk than longer-term financing on improved, owner-occupied real estate. Residential construction credit quality may be impacted by the overall health of the economy, including unemployment rates and housing prices.

Commercial – 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 spending, will have an effect on the credit quality in this segment.

Home equity line of credit – Loans in this segment include home equity loans and lines of credit underwritten with a loan-to-value ratio generally limited to no more than 80%, including any first mortgage. Our home equity lines of credit have ten-year terms and adjustable rates of interest which are indexed to the prime rate. The overall health of the economy, including unemployment rates and housing prices, may have an effect on the credit quality in this segment.

Installment, Collateral, Demand, Revolving Credit and Resort – Loans in these segments include loans principally to customers residing in our primary market area with acceptable credit ratings. Our installment and collateral consumer loans generally consist of loans on new and used automobiles, loans collateralized by deposit accounts and unsecured personal loans. The overall health of the economy, including unemployment rates and housing prices, may have an effect on the credit quality in this segment. Excluding collateral loans which are fully collateralized by a deposit account, repayment for loans in these segments is dependent on the credit quality of the individual borrower. The resort portfolio consists of a direct receivable loan outside the Northeast which is amortizing to its contractual obligations. The Company has exited the resort financing market with a residual portfolio remaining.

Allocated component:

The allocated component relates to loans that are classified as impaired. Impairment is measured on a loan by loan basis for commercial real estate, construction, commercial and resort loans by the present value of expected cash flows discounted at the effective interest rate; the fair value of the collateral, if applicable; or the observable market price for the loan. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. The Company does not separately identify individual consumer and residential real estate loans for impairment disclosures, unless such loans are subject to a troubled debt restructuring agreement or they are nonaccrual loans with outstanding balances greater than $100,000.

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. Impairment is measured on a loan-by-loan basis for commercial and construction loans by the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price or the fair value of the collateral if the loan is collateral dependent. Management updates the analysis quarterly. The assumptions used in appraisals are reviewed for appropriateness. Updated appraisals or valuations are obtained as needed or adjusted to reflect the estimated decline in the fair value based upon current market conditions for comparable properties.

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.

Unallocated component:

An unallocated component is maintained, when needed, 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. The Company’s Loan Policy allows management to utilize a high and low range of 0.0% to 5.0% of our total allowance for loan losses when establishing an unallocated allowance, when considered necessary. The unallocated allowance is used to provide for an unidentified loss that may exist in emerging problem loans that cannot be fully quantified or

may be affected by conditions not fully understood as of the balance sheet date. There was no unallocated allowance at September 30, 2015 and December 31, 2014.

Other-than-Temporary Impairment of Securities: In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("FASB ASC") 320-Debt and Equity Securities, a decline in market value of a debt security below amortized cost that is deemed other-than-temporary is charged to earnings for the credit related other-than-temporary impairment ("OTTI") resulting in the establishment of a new cost basis for the security, while the non-credit related OTTI is recognized in other comprehensive income if there is no intent or requirement to sell the security. Management reviews the securities portfolio on a quarterly basis for the presence of OTTI. An assessment is made as to whether the decline in value results from company-specific events, industry developments, general economic conditions, credit losses on debt or other reasons. After the reasons for the decline are identified, further judgments are required as to whether those conditions are likely to reverse and, if so, whether that reversal is likely to result in a recovery of the fair value of the investment in the near term. If it is judged not to be near-term, a charge is taken which results in a new cost basis. Credit related OTTI for debt securities is recognized in earnings while non-credit related OTTI is recognized in other comprehensive income if there is no intent to sell or will not be required to sell the security. If an equity security is deemed other-than-temporarily impaired, the full impairment is considered to be credit-related and a charge to earnings would be recorded. Management believes the policy for evaluating securities for other-than-temporary impairment is critical because it involves significant judgments by management and could have a material impact on our net income.

Gains and losses on sales of securities are recognized at the time of sale on a specific identification basis. Marketable equity and debt securities are classified as either trading, available-for-sale, or held-to-maturity (applies only to debt securities). Management determines the appropriate classifications of securities at the time of purchase. At September 30, 2015 and December 31, 2014, we had no debt or equity securities classified as trading. Held-to-maturity securities are debt securities for which we have the ability and intent to hold until maturity. All other securities not included in held-to-maturity are classified as available-for-sale. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Available-for-sale securities are recorded at fair value. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported in accumulated other comprehensive income, a separate component of equity, until realized.

Premiums and discounts on debt securities are amortized or accreted into interest income over the term of the securities using the level yield method.

Income Taxes: Deferred income taxes are provided for differences arising in the timing of income and expenses for financial reporting and for income tax purposes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides a deferred tax asset valuation allowance for the estimated future tax effects attributable to temporary differences and carryforwards when realization is determined not to be more likely than not.

FASB ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. Pursuant to FASB ASC 740-10, the Company examines its financial statements, its income tax provision and its federal and state income tax returns and analyzes its tax positions, including permanent and temporary differences, as well as the major components of income and expense to determine whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. The Company recognizes interest and penalties arising from income tax settlements as part of its provision for income taxes.

As part of the Plan of Conversion and Reorganization completed on June 29, 2011, the Company contributed shares of Company common stock to the Farmington Bank Community Foundation, Inc. This contribution resulted in a charitable contribution deduction for federal income tax purposes. Use of that charitable contribution deduction is limited under Federal tax law to 10% of federal taxable income without regard to charitable contributions, net operating losses, and dividend received deductions. Annually, a corporation is permitted to carry over to the five succeeding tax years, contributions that exceeded the 10% limitation, but also subject to the maximum annual limitation. As a result, approximately $4.6 million of charitable contribution carryforward remains at September 30, 2015 resulting in a deferred tax asset of approximately $1.6 million. The Company believes it is more likely that not that this carryforward will be utilized before expiration in 2016. Therefore, no valuation allowance has been recorded

against this deferred tax asset. Some of this charitable contribution carryforward could expire unutilized if the Company does not generate sufficient taxable income over the next two years. The Company monitors the need for a valuation allowance on a quarterly basis.

In December 1999, we created and have since maintained a “passive investment company” (“PIC”), as permitted by Connecticut law. At September 30, 2015 there were no material uncertain tax positions related to federal and state income tax matters. We are currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2011 through 2014. If the state taxing authority were to determine that the PIC was not in compliance with statutory requirements, a material amount of taxes could be due.

As of September 30, 2015, management believes it is more likely than not that the deferred tax assets will be realized through future reversals of existing taxable temporary differences and future taxable income. As of September 30, 2015, our net deferred tax asset was $15.9 million and there was no valuation allowance.

Pension and Other Postretirement Benefits: The Company's non-contributory defined-benefit pension plan and certain other postretirement benefit plans were frozen as of February 28, 2013 and no additional benefits accrued.

The Company has a non-contributory defined benefit pension plan that provides benefits for substantially all employees hired before January 1, 2007 who meet certain requirements as to age and length of service. The benefits are based on years of service and average compensation, as defined in the Plan Document. The Company's funding policy is to contribute annually the maximum amount that could be deducted for federal income tax purposes, while meeting the minimum funding standards established by the Employee Retirement Income Security Act of 1974.

In addition to providing pension benefits, we provide certain health care and life insurance benefits for retired employees. Participants or eligible employees hired before January 1, 1993 become eligible for the benefits if they retire after reaching age 62 with fifteen or more years of service. A fixed percent of annual costs are paid depending on length of service at retirement. The Company accrues for the estimated costs of these other post-retirement benefits through charges to expense during the years that employees render service. The Company makes contributions to cover the current benefits paid under this plan. The Company believes the policy for determining pension and other post-retirement benefit expenses is critical because judgments are required with respect to the appropriate discount rate, rate of return on assets and other items. The Company reviews and updates the assumptions annually. If the Company's estimate of pension and post-retirement expense is too low it may experience higher expenses in the future, reducing its net income. If the Company's estimate is too high, it may experience lower expenses in the future, increasing its net income.

Comparison of Financial Condition at September 30, 2015 and December 31, 2014

Our total assets increased $223.1 million or 9.0%, to $2.7 billion at September 30, 2015, from $2.5 billion at December 31, 2014, primarily due to an increase of $198.3 million in loans.

Our investment portfolio totaled $196.9 million or 7.3% of total assets and $204.3 million or 8.2% of total assets at September 30, 2015 and December 31, 2014, respectively. Available-for-sale investment securities totaled $171.4 million at September 30, 2015 compared to $188.0 million at December 31, 2014. Securities held-to-maturity increased $9.2 million to $25.5 million at September 30, 2015 from $16.2 million at December 31, 2014 as a result of purchasing U.S. Government agency obligations. The Company purchases short term U.S. Treasury and agency securities in order to meet municipal and repurchase agreement pledge requirements and to minimize interest rate risk during the sustained low interest rate environment.

Loans increased $198.3 million or 9.4% at September 30, 2015 to $2.3 billion compared to December 31, 2014 primarily driven by increases in commercial loans, commercial real estate loans and residential real estate loans which, combined, increased $227.9 million, offset by a $28.1 million decrease in construction real estate. The allowance for loan losses increased $1.1 million or 5.5% to $20.0 million at September 30, 2015 from $19.0 million at December 31, 2014. At September 30, 2015, the allowance for loan losses represented 0.86% of total loans and 120.05% of non-performing loans, compared to 0.89% of total loans and 122.58% of non-performing loans as of December 31, 2014.

Total liabilities increased $214.5 million, or 9.5%, to $2.5 billion at September 30, 2015 compared to $2.3 billion at December 31, 2014, primarily due to increases in deposits offset by decreases in borrowings. Deposits increased $240.3 million or 13.9% to $2.0 billion at September 30, 2015 which includes increases in interest-bearing deposits of $211.1 million primarily due to municipal and brokered deposits and increases in non-interest bearing deposits of $29.2 million due to our continued efforts to obtain more individual, commercial and municipal account relationships. We entered the brokered deposit market during the second quarter of 2015 with balances totaling $55.5 million at September 30, 2015. Federal Home Loan Bank of Boston advances decreased $28.1 million to $373.6 million at September 30, 2015 from $401.7 million at December 31, 2014 as we used the increase in municipal and brokered deposits to fund our organic loan growth.

Stockholders' equity increased $8.6 million to $243.2 million compared to December 31, 2014 primarily due to $10.2 million in net income. The Company paid cash dividends totaling $2.6 million or $0.16 per share during the nine months ended September 30, 2015. During the nine months ended September 30, 2015, the Company repurchased 132,020 shares of common stock at an average price per share of $14.87 at a total cost of $2.0 million. Repurchased shares are held as treasury stock and will be available for general corporate purposes.

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Net Interest Income Analysis: Average Balance Sheets, Interest and Yields/Costs

The following tables present the average balance sheets, average yields and costs and certain other information for the periods indicated therein on a fully tax-equivalent basis. 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 percent yield. Loans held for sale average balance are included in loans average balance. The yields set forth below include the effect of net deferred costs and premiums that are amortized to interest income or expense.

	For The Three Months Ended September 30,					
	2015			2014		
	Average Balance	Interest and Dividends (1)	Yield/Cost	Average Balance	Interest and Dividends (1)	Yield/ Cost
(Dollars in thousands)						
Interest-earning assets:						
Loans	$2,359,293	$ 20,937	3.52 %	$1,997,010	$ 18,303	3.64 %
Securities	191,530	465	0.96 %	189,208	369	0.77 %
Federal Home Loan Bank of Boston stock	22,883	166	2.88 %	17,724	55	1.23 %
Federal funds and other earning assets	11,089	8	0.29 %	4,918	6	0.48 %
Total interest-earning assets	2,584,795	21,576	3.31 %	2,208,860	18,733	3.36 %
Noninterest-earning assets	122,438			106,705		
Total assets	$2,707,233			$2,315,565		
Interest-bearing liabilities:						
NOW accounts	$486,798	$ 357	0.29 %	$436,303	$ 313	0.28 %
Money market	437,000	867	0.79 %	406,293	748	0.73 %
Savings accounts	210,978	58	0.11 %	199,505	57	0.11 %
Certificates of deposit	430,152	1,130	1.04 %	330,497	727	0.87 %
Total interest-bearing deposits	1,564,928	2,412	0.61 %	1,372,598	1,845	0.53 %
Federal Home Loan Bank of Boston Advances	411,236	890	0.86 %	270,250	479	0.70 %
Repurchase agreement borrowings	10,500	96	3.63 %	21,000	182	3.44 %
Repurchase liabilities	57,644	24	0.17 %	59,624	37	0.25 %
Total interest-bearing liabilities	2,044,308	3,422	0.66 %	1,723,472	2,543	0.59 %
Noninterest-bearing deposits	368,200			321,008		
Other noninterest-bearing liabilities	51,089			36,481		
Total liabilities	2,463,597			2,080,961		
Stockholders' equity	243,636			234,604		
Total liabilities and stockholders' equity	$2,707,233			$2,315,565		
Tax-equivalent net interest income		$ 18,154			$ 16,190	

Less: tax-equivalent adjustment		(482)			(205)	
Net interest income		$ 17,672			$ 15,985	
Net interest rate spread [2]			2.65 %			2.78 %
Net interest-earning assets [3]	$540,487			$485,388		
Net interest margin [4]			2.79 %			2.91 %
Average interest-earning assets to average interest-bearing liabilities		126.44 %			128.16 %	

(1) On a fully-tax equivalent basis.

(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 represent total interest-earning assets less total interest-bearing liabilities.

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

Rate Volume Analysis

The following table sets forth the effects of changing rates and volumes on tax-equivalent 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). The total column represents the sum of the volume and rate columns. For purposes of this table, changes attributable to both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Three Months Ended September 30, 2015 vs. 2014 Increase (decrease) due to		
(Dollars in thousands)	Volume	Rate	Total
Interest-earning assets:			
Loans	$ 3,231	$ (597)	$ 2,634
Investment securities	5	91	96
Federal Home Loan Bank of Boston stock	20	91	111
Federal funds and other interest-earning assets	5	(3)	2
Total interest-earning assets	3,261	(418)	2,843
Interest-bearing liabilities:			
NOW accounts	37	7	44
Money market	59	60	119
Savings accounts	3	(2)	1
Certificates of deposit	245	158	403
Total interest-bearing deposits	344	223	567
Federal Home Loan Bank of Boston advances	289	122	411
Repurchase agreement borrowing	(96)	10	(86)
Repurchase liabilities	(1)	(12)	(13)
Total interest-bearing liabilities	536	343	879
Increase in net interest income	$ 2,725	$ (761)	$ 1,964

Summary of Operating Results for the Three Months Ended September 30, 2015 and 2014

The following discussion provides a summary and comparison of our operating results for the three months ended September 30, 2015 and 2014:

For the Three Months Ended September 30,

	2015	2014	$ Change	% Change
(Dollars in thousands)				
Net interest income	$ 17,672	$ 15,985	$ 1,687	10.6 %
Provision for loan losses	386	1,041	(655)	(62.9)
Noninterest income	3,241	2,778	463	16.7
Noninterest expense	14,718	14,219	499	3.5
Income before taxes	5,809	3,503	2,306	65.8
Income tax expense	1,594	997	597	59.9
Net income	$ 4,215	$ 2,506	$ 1,709	68.2 %

For the three months ended September 30, 2015, net income increased $1.7 million compared to the three months ended September 30, 2014. The increase in net income was driven by a $1.7 million increase in net interest income due to organic loan growth, a $655,000 decrease in the provision for loan losses, an increase in other noninterest income offset by increases in noninterest expense and income tax expense.

Comparison of Operating Results for the three months ended September 30, 2015 and 2014

Our results of operations depend primarily on net interest income, which is the difference between the interest income on earning assets, such as loans and investments, and the interest expense incurred on interest-bearing liabilities, such as deposits and borrowings. We also generate noninterest income; including service charges on deposit accounts, gain on sale of securities, income from mortgage banking activities, bank-owned life insurance income, brokerage fees, insurance commissions and other miscellaneous fees. Our noninterest expense primarily consists of salary and employee benefits, occupancy expense, furniture and equipment expenses, FDIC assessments, marketing and other general and administrative expenses. Our results of operations are also affected by our provision for loan losses.

Net Interest Income: Net interest income is determined by the interest rate spread (i.e., the difference between the yields earned on interest-earning assets and the rates paid on interest-bearing liabilities) and the relative amounts of interest-earning assets and interest-bearing liabilities. Net interest income before the provision for loan losses was $17.7 million and $16.0 million for the three months ended September 30, 2015 and 2014, respectively. Net interest income increased $1.7 million primarily due to a $362.3 million increase in the average loan balance offset by an $879,000 increase in interest expense. The yield on average interest-earning assets decreased 5 basis points to 3.31% for the third quarter of 2015 from 3.36% for the prior year quarter. The decline was primarily due to a 12 basis point decrease in the yield on total average net loans to 3.52% offset by increases in the investment yields. The cost of average interest-bearing liabilities increased 7 basis points to 0.66% for the third quarter of 2015. The increase was primarily due to certificate of deposit promotions, entering the brokered deposit market and a 16 basis point increase in Federal Home Loan Bank of Boston advance costs due to an increase in long-term advances which carry higher rates. Net interest margin decreased to 2.79% in the third quarter of 2015 compared to 2.91% in the prior year quarter.

Interest expense increased $879,000 for the third quarter of 2015 to $3.4 million compared to the prior year quarter. The average interest-bearing liabilities balance increased $320.8 million and the cost of average interest-bearing liabilities increased 7 basis points to 0.66%. Average balances of noninterest-bearing deposits grew at a rate of 14.7%, while total average interest-bearing deposits grew at a rate of 14.0% for the third quarter in 2015 compared to the prior year quarter.

Provision for Loan Losses: The allowance for loan losses is maintained at a level management determines to be appropriate to absorb estimated credit losses that are both probable and reasonably estimable at the dates of the financial statements. Management evaluates the adequacy of the allowance for loan losses on a quarterly basis and charges any provision for loan losses needed to current operations. The assessment considers historical loss experience, historical and current delinquency statistics, the loan portfolio segment and the amount of loans in the loan portfolio, the financial strength of the borrowers, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral, and prevailing economic conditions and other credit quality indicators.

Management recorded a provision for loan losses of $386,000 and $1.0 million for the three months ended September 30, 2015 and 2014, respectively. The provision recorded is based upon management's analysis of the allowance for loan losses necessary to absorb the estimated credit losses in the loan portfolio for the period. Net charge-offs (recoveries) in the third quarter of 2015 were ($43,000) or (0.01%) to average loans (annualized) compared to $397,000 or 0.08% to average loans (annualized) in the prior year quarter.

At September 30, 2015, the allowance for loan losses totaled $20.0 million, or 0.86% of total loans and 120.05% of non-performing loans, compared to an allowance for loan losses of $19.0 million, or 0.89% of total loans and 122.58% of non-performing loans at December 31, 2014.

Noninterest Income: The following table summarizes noninterest income for the three months ended September 30, 2015 and 2014:

	For the Three Months Ended September 30,			
	2015	2014	$ Change	% Change
(Dollars in thousands)				
Fees for customer services	$ 1,536	$ 1,459	$ 77	5.3 %
Net gain on loans sold	993	633	360	56.9
Brokerage and insurance fee income	54	47	7	14.9
Bank owned life insurance income	349	284	65	22.9
Other	309	355	(46)	(13.0)
Total noninterest income	$ 3,241	$ 2,778	$ 463	16.7 %

Total noninterest income increased $463,000 to $3.2 million compared to the prior year quarter primarily due to a $360,000 increase in net gain on loans sold, a $77,000 increase in fees for customer services and a $65,000 increase in bank owned life insurance income offset by a $46,000 decrease in other noninterest income. Net gain on loans sold increased $360,000 primarily due to selling $83.2 million of fixed rate residential portfolio loans to reposition the balance sheet and maintain our asset sensitive interest rate position.

Noninterest Expense: The following table summarizes noninterest expense for the three months ended September 30, 2015 and 2014:

	For the Three Months Ended September 30,			
	2015	2014	$ Change	% Change
(Dollars in thousands)				
Salaries and employee benefits	$9,302	$8,593	$ 709	8.3 %
Occupancy expense	1,219	1,271	(52)	(4.1)
Furniture and equipment expense	1,034	1,093	(59)	(5.4)
FDIC assessment	413	361	52	14.4
Marketing	443	332	111	33.4
Other operating expenses	2,307	2,569	(262)	(10.2)
Total noninterest expense	$14,718	$14,219	$ 499	3.5 %

Noninterest expense increased $499,000 in the third quarter of 2015 to $14.7 million compared to the prior year quarter primarily due to an increase in salaries and employee benefits offset by a decrease in other operating expenses. Salaries and employee benefits increased $709,000 primarily due to costs associated with our expansion into western Massachusetts, growth driven staff increases in our compliance areas and a general increase to maintain the Bank's

growth. Other operating expenses decreased $262,000 primarily due to $557,000 gain on sale of foreclosed real estate.

Income tax expense was $1.6 million in the third quarter of 2015 compared to $997,000 in the prior year quarter. The increase in income tax expense in the third quarter was primarily due to a $2.3 million increase in income before taxes.

Net Interest Income Analysis: Average Balance Sheets, Interest and Yields/Costs

The following tables present the average balance sheets, average yields and costs and certain other information for the periods indicated therein on a fully tax-equivalent basis. 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 percent yield. Loans held for sale average balance are included in loans average balance. The yields set forth below include the effect of net deferred costs and premiums that are amortized to interest income or expense.

	For The Nine Months Ended September 30,					
	2015			2014		
	Average Balance	Interest and Dividends (1)	Yield/Cost	Average Balance	Interest and Dividends (1)	Yield/Cost
(Dollars in thousands)						
Interest-earning assets:						
Loans	$2,256,907	$ 60,259	3.57 %	$1,914,846	$ 52,742	3.68 %
Securities	188,781	1,337	0.95 %	172,482	1,026	0.80 %
Federal Home Loan Bank of Boston stock	21,004	331	2.11 %	15,218	142	1.25 %
Federal funds and other earning assets	11,166	19	0.23 %	3,913	12	0.41 %
Total interest-earning assets	2,477,858	61,946	3.34 %	2,106,459	53,922	3.42 %
Noninterest-earning assets	118,969			105,511		
Total assets	$2,596,827			$2,211,970		
Interest-bearing liabilities:						
NOW accounts	$463,878	$ 988	0.28 %	$374,084	$ 695	0.25 %
Money market	450,985	2,635	0.78 %	410,066	2,186	0.71 %
Savings accounts	212,427	172	0.11 %	198,978	154	0.10 %
Certificates of deposit	397,094	2,966	1.00 %	334,037	2,215	0.89 %
Total interest-bearing deposits	1,524,384	6,761	0.59 %	1,317,165	5,250	0.53 %
Federal Home Loan Bank of Boston Advances	361,094	2,445	0.91 %	237,576	1,166	0.66 %
Repurchase agreement borrowings	13,346	351	3.52 %	21,000	538	3.43 %
Repurchase liabilities	56,061	87	0.21 %	57,984	109	0.25 %
Total interest-bearing liabilities	1,954,885	9,644	0.66 %	1,633,725	7,063	0.58 %
Noninterest-bearing deposits	349,444			308,112		
Other noninterest-bearing liabilities	52,000			36,664		
Total liabilities	2,356,329			1,978,501		
Stockholders' equity	240,498			233,469		
Total liabilities and stockholders' equity	$2,596,827			$2,211,970		
Tax-equivalent net interest income		$ 52,302			$ 46,859	

Less: tax-equivalent adjustment		(1,156)			(560)	
Net interest income		$ 51,146			$ 46,299	
Net interest rate spread (2)			2.68 %			2.84 %
Net interest-earning assets (3)	$522,973			$472,734		
Net interest margin (4)			2.82 %			2.97 %
Average interest-earning assets to average interest-bearing liabilities		126.75 %			128.94 %	

(1) On a fully-tax equivalent basis.
(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 represent total interest-earning assets less total interest-bearing liabilities.
(4) Net interest margin represents tax-equivalent net interest income divided by average total interest-earning assets.

Rate Volume Analysis

The following table sets forth the effects of changing rates and volumes on tax-equivalent 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). The total column represents the sum of the volume and rate columns. For purposes of this table, changes attributable to both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Nine Months Ended September 30, 2015 vs. 2014 Increase (decrease) due to		
(Dollars in thousands)	Volume	Rate	Total
Interest-earning assets:			
Loans, net	$9,175	$(1,658)	$7,517
Investment securities	103	208	311
Federal Home Loan Bank of Boston stock	67	122	189
Federal funds and other interest-earning assets	14	(7)	7
Total interest-earning assets	9,359	(1,335)	8,024
Interest-bearing liabilities:			
NOW accounts	182	111	293
Money market	229	220	449
Savings accounts	11	7	18
Certificates of deposit	450	301	751
Total interest-bearing deposits	872	639	1,511
Federal Home Loan Bank of Boston advances	739	540	1,279
Repurchase agreement borrowing	(201)	14	(187)
Repurchase liabilities	(4)	(18)	(22)
Total interest-bearing liabilities	1,406	1,175	2,581
Increase in net interest income	$7,953	$(2,510)	$5,443

Summary of Operating Results for the Nine Months Ended September 30, 2015 and 2014

The following discussion provides a summary and comparison of our operating results for the nine months ended September 30, 2015 and 2014:

	For the Nine Months Ended September 30,			
	2015	2014	$ Change	% Change
(Dollars in thousands)				
Net interest income	$ 51,146	$ 46,299	$ 4,847	10.5 %
Provision for loan losses	1,664	1,956	(292)	(14.9)
Noninterest income	9,979	6,606	3,373	51.1
Noninterest expense	45,252	42,433	2,819	6.6
Income before taxes	14,209	8,516	5,693	66.9
Income tax expense	4,011	2,328	1,683	72.3
Net income	$ 10,198	$ 6,188	$ 4,010	64.8 %

For the nine months ended September 30, 2015, net income increased $4.0 million compared to the nine months ended September 30, 2014. The increase in net income was driven by a $4.8 million increase in net interest income due to organic loan growth, a $3.4 million increase in other noninterest income offset by increases in noninterest expense and income tax expense.

Comparison of Operating Results for the nine months ended September 30, 2015 and 2014

Our results of operations depend primarily on net interest income, which is the difference between the interest income on earning assets, such as loans and investments, and the interest expense incurred on interest-bearing liabilities, such as deposits and borrowings. We also generate noninterest income; including service charges on deposit accounts, gain on sale of securities, income from mortgage banking activities, bank-owned life insurance income, brokerage fees, insurance commissions and other miscellaneous fees. Our noninterest expense primarily consists of salary and employee benefits, occupancy expense, furniture and equipment expenses, FDIC assessments, marketing and other general and administrative expenses. Our results of operations are also affected by our provision for loan losses.

Net Interest Income: Net interest income is determined by the interest rate spread (i.e., the difference between the yields earned on interest-earning assets and the rates paid on interest-bearing liabilities) and the relative amounts of interest-earning assets and interest-bearing liabilities. Net interest income before the provision for loan losses was $51.1 million and $46.3 million for the nine months ended September 30, 2015 and 2014, respectively. Net interest income increased 4.8 million primarily due to a $342.1 million increase in the average loan balance offset by a $2.6 million increase in interest expense. The yield on average interest-earning assets decreased 8 basis points to 3.34% for the nine months ended September 30, 2015 from 3.42% for the nine months ended September 30, 2014. The decline was primarily due to an 11 basis point decrease in the yield on total average net loans to 3.57%. The cost of average interest-bearing liabilities increased 8 basis points to 0.66% for the nine months ended September 30, 2015. The increase was primarily due to money market and certificate of deposit promotions, entering the brokered deposit market and a 25 basis point increase in Federal Home Loan Bank of Boston advance costs due to an increase in long-term advances which carry higher rates. Net interest margin decreased to 2.82% for the nine months ended September 30, 2015 compared to 2.97 % for the nine months ended September 30, 2014.

Interest expense increased $2.6 million for the nine months ended September 30, 2015 to $9.6 million compared to the same period a year ago. The average interest-bearing liabilities balance increased $321.2 million and the cost of average interest-bearing liabilities increased 8 basis points to 0.66%. Average balances of noninterest-bearing deposits grew at a rate of 13.4%, while total average interest-bearing deposits grew at a rate of 15.7% for the nine months ended September 30, 2015 and 2014, respectively.

Provision for Loan Losses: The allowance for loan losses is maintained at a level management determines to be appropriate to absorb estimated credit losses that are both probable and reasonably estimable at the dates of the financial statements. Management evaluates the adequacy of the allowance for loan losses on a quarterly basis and charges any provision for loan losses needed to current operations. The assessment considers historical loss experience, historical and current delinquency statistics, the loan portfolio segment and the amount of loans in the loan portfolio, the financial strength of the borrowers, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral, and prevailing economic conditions and other credit quality indicators.

Management recorded a provision for loan losses of $1.7 million and $2.0 for the nine months ended September 30, 2015 and 2014, respectively. The provision recorded is based upon management's analysis of the allowance for loan losses necessary to absorb the estimated credit losses in the loan portfolio for the period. Net charge-offs were $614,000 and $1.7 million for the nine months ended September 30, 2015 and 2014, respectively. One commercial loan relationship represented the majority of the charge-offs in 2014 which was fully reserved in prior years.

At September 30, 2015, the allowance for loan losses totaled $20.0 million, or 0.86% of total loans and 120.05% of non-performing loans, compared to an allowance for loan losses of $19.0 million, or 0.89% of total loans and 122.58% of non-performing loans at December 31, 2014.

Noninterest Income: The following table summarizes noninterest income for the nine months ended September 30, 2015 and 2014:

	For the Nine Months Ended September 30,				
	2015	2014	$ Change	% Change	
(Dollars in thousands)					
Fees for customer services	$ 4,409	$ 3,967	$ 442	11.1	%
Gain on sales of investments	1,523	-	1,523	100.0	
Net gain on loans sold	1,925	1,072	853	79.6	
Brokerage and insurance fee income	163	140	23	16.4	
Bank owned life insurance income	946	847	99	11.7	
Other	1,013	580	433	74.7	
Total noninterest income	$ 9,979	$ 6,606	$ 3,373	51.1	%

Total noninterest income increased $3.3 million to $10.0 million for the nine months ended September 30, 2015 primarily due to a $442,000 increase in fees for customer services, a $1.5 million gain on sale of investments due to the sale of trust preferred securities, a $853,000 increase in gain on sale of fixed-rate residential mortgage loans due to an overall increase in volume and due to selling $83.2 million of fixed rate residential portfolio loans to reposition the balance sheet and maintain our asset sensitive interest rate position and a $735,000 increase in swap fees.

Noninterest Expense: The following table summarizes noninterest expense for the nine months ended September 30, 2015 and 2014:

	For the Nine Months Ended September 30,					
	2015	2014	$ Change		% Change	
(Dollars in thousands)						
Salaries and employee benefits	$ 27,127	$ 25,519	$ 1,608		6.3	%
Occupancy expense	3,858	3,829	29		0.8	
Furniture and equipment expense	3,147	3,217	(70	)	(2.2	)
FDIC assessment	1,227	1,010	217		21.5	
Marketing	1,386	1,219	167		13.7	
Other operating expenses	8,507	7,639	868		11.4	
Total noninterest expense	$ 45,252	$ 42,433	$ 2,819		6.6	%

Noninterest expense increased $2.8 million to $45.3 million for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 primarily due to an increase in salaries and employee benefits, FDIC assessments, marketing and other operating expenses. Salaries and employee benefits increased $1.6 million primarily due to costs associated with our expansion into western Massachusetts, growth driven staff increases in our compliance areas and a general increase to maintain the Bank’s growth. FDIC assessment increased $217,000

primarily due to the increase in our deposit balances. Marketing increased $167,000 primarily related to our expansion into western Massachusetts as we open two de novo branches in the fourth quarter of 2015. Other operating expenses increased $868,000 primarily due to $398,000 in non-recurring stock compensation costs related to two directors retiring during the period, $149,000 loss on a credit sharing arrangement on a sold loan and a general increase in other costs to support the Bank's operations offset by a $557,000 gain on foreclosed real estate.

Income tax expense was $4.0 million for the nine months ended September 30, 2015 compared to $2.3 million in the prior year period. The increase in income tax expense for the nine months ended September 30, 2015 was primarily due to a $5.7 million increase in income before taxes.

Liquidity and Capital Resources:

We maintain liquid assets at levels we consider adequate to meet our liquidity needs. We adjust our liquidity levels to fund loan commitments, repay our borrowings, fund deposit outflows, fund operations and pay escrow obligations on items in our loan portfolio. We also adjust liquidity as appropriate to meet asset and liability management objectives.

Our primary sources of liquidity are deposits, principal repayment and prepayment of loans, the sale in the secondary market of loans held for sale, maturities and sales of investment securities and other short-term investments, periodic pay downs of mortgage-backed securities, and earnings and funds provided from operations. While scheduled principal repayments on loans are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions and rates offered by our competitors. We set the interest rates on our deposits to maintain a desired level of total deposits. In addition, we invest excess funds in short-term interest-earning assets, which provide liquidity to meet lending requirements.

A portion of our liquidity consists of cash and cash equivalents, which are a product of our operating, investing and financing activities. At September 30, 2015, $47.4 million of our assets were invested in cash and cash equivalents compared to $42.9 million at December 31, 2014. Our primary sources of cash are principal repayments on loans, proceeds from the maturities of investment securities, increases in deposit accounts, proceeds from residential loan sales and advances from FHLBB.

For the nine months ended September 30, 2015 and 2014, loan originations and purchases, net of collected principal and loan sales, totaled $201.8 million and $251.7 million, respectively. Cash received from the sales and maturities of available-for-sale investment securities totaled $215.9 million and $252.2 million for the nine months ended September 30, 2015 and 2014, respectively. We purchased $199.0 million and $295.8 million of available-for-sale investment securities during the nine months ended September 30, 2015 and 2014, respectively.

Liquidity management is both a daily and longer-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the FHLBB, which provides an additional source of funds. At September 30, 2015, we had $373.6 million in advances from the FHLBB and an additional available borrowing limit of $316.5 million, compared to $401.7 million in advances from the FHLBB and an additional available borrowing limit of $122.5 million at December 31, 2014, subject to collateral requirements of the FHLBB. Internal policies limit borrowings to 25.0% of total assets, or $677.1 million and $621.3 million at September 30, 2015 and December 31, 2014, respectively. Other sources of funds include access to a pre-approved unsecured line of credit with a financial institution for $20.0 million, our $8.8 million secured line of credit with the FHLBB and our $3.5 million unsecured line of credit with a bank which were all undrawn at September 30, 2015. The Federal Reserve Bank's discount window loan collateral program enables us to borrow up to $67.7 million on an overnight basis as of September 30, 2015. The funding arrangement was collateralized by $145.3 million in pledged commercial

real estate loans as of September 30, 2015.

We had outstanding commitments to originate loans of $34.4 million and $33.7 million and unfunded commitments under construction loans, lines of credit and stand-by letters of credit of $420.2 million and $409.7 million at September 30, 2015 and December 31, 2014, respectively. At September 30, 2015 and December 31, 2014, time deposits scheduled to mature in less than one year totaled $243.7 million and $239.6 million, respectively. Based on prior experience, management believes that a significant portion of such deposits will remain with us, although there can be no assurance that this will be the case. In the event a significant portion of our deposits are not retained by us, we will have to utilize other funding sources, such as FHLBB advances, brokered deposits, our $20.0 million unsecured line of credit with a financial institution, our $8.8 million secured line of credit with the FHLBB, our $3.5 million unsecured line of credit with a bank or our $67.7 million overnight borrowing arrangement with the Federal Reserve Bank in order to maintain our level of assets. Alternatively, we would reduce our level of liquid assets, such as our cash and cash equivalents in order to meet funding needs. In addition, the cost of such deposits may be significantly higher if market interest rates are higher or if there is an increased amount of competition for deposits in our market area at the time of renewal.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

General: The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of loans and available-for-sale investment securities, generally have longer contractual maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Accordingly, our board of directors has established an asset/liability committee which is responsible for (i) evaluating the interest rate risk inherent in our assets and liabilities, (ii) determining the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives and (iii) managing this risk consistent with the guidelines approved by our board of directors. Management monitors the level of interest rate risk on a regular basis and the asset/liability committee meets at least quarterly to review our asset/liability policies and interest rate risk position.

We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. During the low interest rate environment that has existed in recent years, we have implemented the following strategies to manage our interest rate risk: (i) emphasizing adjustable rate commercial and consumer loans, (ii) maintaining a short average life investment portfolio and (iii) periodically lengthening the term structure of our borrowings from the FHLBB. Additionally, we sell a portion of our fixed-rate residential mortgages to the secondary market. These measures should serve to reduce the volatility of our future net interest income in different interest rate environments.

Quantitative Analysis: An economic value of equity and an income simulation analysis are used to estimate our interest rate risk exposure at a particular point in time. We are most reliant on the income simulation method as it is a dynamic method in that it incorporates our forecasted balance sheet growth assumptions under the different interest rate scenarios tested. We utilize the income simulation method to analyze our interest rate sensitivity position and to manage the risk associated with interest rate movements. At least quarterly, our asset/liability committee reviews the potential effect that changes in interest rates could have on the repayment or repricing of rate sensitive assets and the funding requirements of rate sensitive liabilities. Our most recent simulation uses projected repricing of assets and liabilities on the basis of contractual maturities, anticipated repayments and scheduled rate adjustments. Prepayment rate assumptions can have a significant impact on interest income simulation results. Because of the large percentage of loans and mortgage-backed securities we hold, rising or falling interest rates may have a significant impact on the actual prepayment speeds of our mortgage related assets that may in turn effect our interest rate sensitivity position. When interest rates rise, prepayment speeds slow and the average expected life of our assets would tend to lengthen more than the expected average life of our liabilities and would therefore alter our existing interest rate risk position.

Our asset/liability policy currently limits projected changes in net interest income to a maximum variance of (4.0%, 8.0%, 10.0%, 12.0% and 18.0%) assuming a 100, 200, 300, 400 or 500 basis point interest rate shock, respectively, as measured over a 12 month period when compared to the flat rate scenario.

The following table depicts the percentage increase and/or decrease in estimated net interest income over twelve months based on the scenarios run at each of the periods presented:

	Percentage Increase (Decrease) in Estimated Net Interest Income Over 12 Months	
	At September 30, 2015	At December 31, 2014
100 basis point decrease	(6.38)%	(5.50)%
100 basis point increase	3.07%	2.94%
200 basis point increase	2.20%	1.90%
300 basis point increase	1.12%	(0.80)%
400 basis point increase	(0.76)%	(6.10)%

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Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Part II. Other Information

Item 1. Legal Proceedings

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's consolidated financial statements.

Item 1A. Risk Factors

There has been no material changes in the "Risk Factors" from those previously disclosed in the Form 10-K filed on March 16, 2015.

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

(a)	Not applicable.
(b)	Not applicable.

(c) During the quarter ending September 30, 2015, the Company made the following repurchases of common stock:

Period	(a) Total Number of	(b) Average Price Paid	(c) Total Number of Shares (or Units)	(d) Maximum Number (or Approximate Dollar

	Shares (or Units) Purchased	per Share (or Unit)	Purchased as Part of Publicly Announced Plans or Programs	Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1-31, 2015	-	$ -	896,118	780,334
August 1-31, 2015	6,189	$ 15.75	902,307	774,145
September 1-30, 2015	1,400	$ 15.80	903,707	772,745

On June 21, 2013, the Company received regulatory approval to repurchase up to 1,676,452 shares, or 10% of its then current outstanding common stock. Shares repurchased under that approval are shown above. Repurchased shares will be held as treasury stock and will be available for general corporate purposes.

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

3.1	Amended and Restated Certificate of Incorporation of First Connecticut Bancorp, Inc. (filed as Exhibit 3.1 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
3.2	Bylaws of First Connecticut Bancorp, Inc. (filed as Exhibit 3.2 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
3.2.1	Amended and Restated Bylaws of First Connecticut Bancorp, Inc. (filed as Exhibit 3.2.1 to the Form 8-K filed for the Company on October 29, 2013, and incorporated herein by reference).
4.1	Form of Common Stock Certificate of First Connecticut Bancorp, Inc. (filed as Exhibit 4.1 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.2	Supplemental Executive Retirement Plan of Farmington Bank (filed as Exhibit 10.2 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.3	Voluntary Deferred Compensation Plan for Directors and Key Employees (filed as Exhibit 10.3 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.4	First Amendment to Voluntary Deferred Compensation Plan for Directors and Key Employees (filed as Exhibit 10.4 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.4.1	Second Amendment to Voluntary Deferred Compensation Plan for Directors and Key Employees (filed as Exhibit 10.4.1 to the Form 10-K for the year ended December 31, 2012 filed on March 18, 2013, and incorporated herein by reference).
10.5	Voluntary Deferred Compensation Plan for Key Employees (filed as Exhibit 10.5 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.6	Life Insurance Premium Reimbursement Agreement between Farmington Bank and John J. Patrick, Jr. (filed as Exhibit 10.6 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.7	Life Insurance Premium Reimbursement Agreement between Farmington Bank and Gregory A. White (filed as Exhibit 10.7 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.8	Farmington Savings Bank Defined Benefit Employees' Pension Plan, as amended (filed as Exhibit 10.8 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and

incorporated herein by reference).

10.8.1	Farmington Savings Bank Defined Benefit Employees' Pension Plan, as amended (filed as Exhibit 10.8.1 to the Form 10-K for the year ended December 31, 2012 filed on March 18, 2013, and incorporated herein by reference).

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10.9	Annual Incentive Compensation Plan (filed as Exhibit 10.9 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.9.1	Amended Annual Incentive Compensation Plan (filed as Exhibit 10.9.1 to the Form 10-K for the year ended December 31, 2013 filed on March 17, 2014, and incorporated herein by reference)
10.10	Supplemental Retirement Plan Participation Agreement between John J. Patrick, Jr. and Farmington Bank (filed as Exhibit 10.10 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.11	Supplemental Retirement Plan Participation Agreement between Michael T. Schweighoffer and Farmington Bank (filed as Exhibit 10.11 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.12	Supplemental Retirement Plan Participation Agreement between Gregory A. White and Farmington Bank (filed as Exhibit 10.12 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
10.13	Employment Agreement among First Connecticut Bancorp, Inc., Farmington Bank and John J. Patrick, Jr. (filed as Exhibit 10.1 Employment Agreement on Form 8-K for the Company on April 24, 2012 and incorporated herein by reference).
10.13.1	Employment Agreement First Amendment among First Connecticut Bancorp, Inc., Farmington Bank and John J. Patrick, Jr. (filed as Exhibit 10.13.1 to the current report on the Form 8-K filed for the Company on February 28, 2013, as amended, and incorporated herein by reference) (term currently extended to December 31, 2018).
10.14	Life Insurance Premium Reimbursement Agreement between Farmington Bank and Michael T. Schweighoffer (filed as Exhibit 10.14 to the Form 10-Q filed for the Company on May 15, 2012, and incorporated herein by reference).
10.15	First Connecticut Bancorp, Inc. 2012 Stock Incentive Plan (Incorporated by reference to Appendix A in the Definitive Proxy Statement on Form 14A filed on June 6, 2012 and amended on July 2, 2012 (File No. 001-35209-12890818 and 12960688).
21.1	Subsidiaries of First Connecticut Bancorp, Inc. and Farmington Bank (filed as Exhibit 21.1 to the Registration Statement on the Form S-1 filed for the Company on January 28, 2011, as amended, and incorporated herein by reference).
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by the Company’s Chief Executive Officer.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by the Company’s Chief Financial Officer.
32.1	Written Statement pursuant to 18 U.S.C. § 1350, as created by section 906 of the Sarbanes-Oxley Act of 2002, signed by the Company’s Chief Executive Officer.
32.2	Written Statement pursuant to 18 U.S.C. § 1350, as created by section 906 of the Sarbanes-Oxley Act of 2002, signed by the Company’s Chief Financial Officer.
101	Interactive data files pursuant to Rule 405 of Regulation S-t: (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statement of Changes in Stockholders’ Equity, (iv) the Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Consolidated Financial Statements tagged as blocks of text and in detail.*
*	As provided in Rule 406T of Regulation S-T, 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 Act of 1934.

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.

	FIRST CONNECTICUT BANCORP, INC.
Date: November 6, 2015	/s/ John J. Patrick, Jr John J. Patrick, Jr. Chairman, President and Chief Executive Officer
Date: November 6, 2015	/s/ Gregory A. White Gregory A. White Executive Vice President and Chief Financial Officer