UBNK 10-Q 9/30/2015

Section 1: 10-Q (10-Q)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2015.**

Commission File Number: 001-35028

UNITED FINANCIAL BANCORP, INC.

(Exact name of registrant as specified in its charter)

Connecticut	**27-3577029**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
45 Glastonbury Boulevard, Glastonbury, Connecticut	**06033**
(Address of principal executive offices)	**(Zip Code)**

(860) 291-3600
(Registrant's telephone number, including area code)

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

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

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12B-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12B-2 of the Act). Yes ☐ No ☒

As of October 30, 2015, there were 49,540,490 shares of Registrant's no par value common stock outstanding.

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Part 1 - FINANCIAL INFORMATION

Item 1 - Interim Financial Statements

United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Condition

(In thousands, except share data) (Unaudited)	September 30, 2015	December 31, 2014
ASSETS		
Cash and due from banks	$ 38,534	$ 43,416
Short-term investments	59,776	43,536
Total cash and cash equivalents	98,310	86,952
Available-for-sale securities - at fair value	1,080,393	1,053,011
Held-to-maturity securities - at amortized cost	14,715	15,368
Loans held for sale	13,511	8,220
Loans receivable (net of allowance for loan losses of $30,832 at September 30, 2015 and $24,809 at December 31, 2014)	4,185,032	3,877,063
Federal Home Loan Bank of Boston stock	40,814	31,950
Accrued interest receivable	15,477	14,212
Deferred tax asset, net	31,554	33,833
Premises and equipment, net	55,919	57,665
Goodwill	115,281	115,240
Core deposit intangible	7,939	9,302
Cash surrender value of bank-owned life insurance	125,186	122,622
Other real estate owned	258	2,239
Other assets	58,633	49,132
Total assets	$ 5,843,022	$ 5,476,809
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest-bearing	$ 622,535	$ 602,359
Interest-bearing	3,640,436	3,432,952
Total deposits	4,262,971	4,035,311
Mortgagors' and investors' escrow accounts	8,108	13,004
Advances from the Federal Home Loan Bank	746,549	580,973
Other borrowings	147,316	196,341
Accrued expenses and other liabilities	56,626	48,772
Total liabilities	5,221,570	4,874,401
Stockholders' equity:		
Preferred stock (no par value; 2,000,000 authorized; no shares issued)	—	—
Common stock (no par value; authorized 120,000,000 and 60,000,000 shares; 49,517,538 and 49,537,700 shares issued and outstanding, at September 30, 2015 and December 31, 2014, respectively)	513,831	514,189
Additional paid-in capital	14,000	16,007
Unearned compensation - ESOP	(5,979)	(6,150)
Retained earnings	107,788	84,852
Accumulated other comprehensive loss, net of tax	(8,188)	(6,490)
Total stockholders' equity	621,452	602,408
Total liabilities and stockholders' equity	$ 5,843,022	$ 5,476,809

See accompanying notes to unaudited consolidated financial statements.

United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Net Income

(In thousands, except share data) (Unaudited)	For the Three Months Ended September 30, 2015	For the Three Months Ended September 30, 2014	For the Nine Months Ended September 30, 2015	For the Nine Months Ended September 30, 2014
Interest and dividend income:				
Loans	$ 41,878	$ 40,119	$ 123,658	$ 92,329
Securities - taxable interest	4,907	5,180	14,947	11,064
Securities - non-taxable interest	2,080	1,495	6,353	3,319
Securities - dividends	708	381	1,554	893
Interest-bearing deposits	52	26	119	65
Total interest and dividend income	49,625	47,201	146,631	107,670
Interest expense:				
Deposits	5,319	3,990	15,643	9,294
Borrowed funds	2,663	1,018	7,099	2,396
Total interest expense	7,982	5,008	22,742	11,690
Net interest income	41,643	42,193	123,889	95,980
Provision for loan losses	3,252	2,633	9,225	5,163
Net interest income after provision for loan losses	38,391	39,560	114,664	90,817
Non-interest income:				
Service charges and fees	5,960	3,657	15,434	9,179
Gain (loss) on sales of securities, net	(59)	430	639	1,287
Income from mortgage banking activities	2,257	978	7,618	2,769
Bank-owned life insurance income	893	873	2,557	2,145
Net loss on limited partnership investments	(991)	(2,176)	(2,337)	(2,176)
Other income (loss)	(242)	314	113	400
Total non-interest income	7,818	4,076	24,024	13,604
Non-interest expense:				
Salaries and employee benefits	16,994	17,791	50,161	42,574
Service bureau fees	1,828	3,016	5,114	5,875
Occupancy and equipment	3,343	3,278	11,600	7,586
Professional fees	1,581	1,081	3,280	2,365
Marketing and promotions	587	367	1,843	876
FDIC insurance assessments	750	785	2,651	1,735
Other real estate owned	25	136	202	569
Core deposit intangible amortization	433	481	1,363	802
Merger related expense	—	4,008	—	26,782
Other	6,335	3,979	16,676	10,192
Total non-interest expense	31,876	34,922	92,890	99,356
Income before income taxes	14,333	8,714	45,798	5,065
Provision (benefit) for income taxes	952	(1,271)	6,060	(296)
Net income	$ 13,381	$ 9,985	$ 39,738	$ 5,361
Net income per share:				
Basic	$ 0.27	$ 0.19	$ 0.81	$ 0.13
Diluted	$ 0.27	$ 0.19	$ 0.81	$ 0.13
Weighted-average shares outstanding:				
Basic	48,931,203	52,162,635	48,829,193	40,301,620
Diluted	49,429,809	52,750,658	49,339,271	40,636,247

See accompanying notes to unaudited consolidated financial statements.

United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(In thousands) (Unaudited)	2015	2014	2015	2014
Net income	$ 13,381	$ 9,985	$ 39,738	$ 5,361
Other comprehensive income (loss):				
Securities available for sale:				
Unrealized holding gains (losses)	7,771	(3,858)	2,719	9,022
Reclassification adjustment for (gains) losses realized in operations (1)	59	(430)	(639)	(1,287)
Net unrealized gains (losses)	7,830	(4,288)	2,080	7,735
Tax effect - benefit (expense)	(2,820)	1,544	(756)	(2,670)
Net-of-tax amount - securities available for sale	5,010	(2,744)	1,324	5,065
Interest rate swaps designated as cash flow hedges:				
Unrealized gains (losses)	(4,898)	36	(5,533)	(4,851)
Reclassification adjustment for expense realized in operations (2)	—	—	12	—
Net unrealized gains (losses)	(4,898)	36	(5,521)	(4,851)
Tax effect - benefit (expense)	1,764	(13)	1,989	1,672
Net-of-tax amount - interest rate swaps	(3,134)	23	(3,532)	(3,179)
Defined benefit pension plans:				
Reclassification adjustment for losses (gains) recognized in net periodic benefit cost (3)	185	—	554	—
Tax effect - benefit (expense)	(71)	—	(64)	—
Net-of-tax amount - pension plans	114	—	490	—
Post-retirement plans:				
Reclassification adjustment for prior service costs recognized in net periodic benefit cost (4)	2	8	5	16
Reclassification adjustment for losses (gains) recognized in net periodic benefit cost (4)	6	—	16	(7)
Losses arising during the period	—	(3)	—	(1)
Change in losses and prior service costs	8	5	21	8
Tax effect - benefit (expense)	(3)	(1)	(1)	(2)
Net-of-tax amount - post-retirement plans	5	4	20	6
Net-of-tax amount - pension and post-retirement plans	119	4	510	6
Total other comprehensive income (loss)	1,995	(2,717)	(1,698)	1,892
Comprehensive income	$ 15,376	$ 7,268	$ 38,040	$ 7,253

(1) Amounts are included in gain (loss) on sales of securities, net in the unaudited Consolidated Statements of Net Income. Income tax (expense) benefit associated with the reclassification adjustment was $21 and $(162) for the three months ended September 30, 2015 and 2014, respectively, and $(230) and $(463) for the nine months ended September 30, 2015 and 2014, respectively.

(2) Amounts are included in borrowed funds expense in the unaudited Consolidated Statements of Net Income. Income tax benefit associated with the reclassification adjustment for the nine months ended September 30, 2015 was $4.

(3) Amounts are included in salaries and employee benefits in the unaudited Consolidated Statements of Net Income. Income tax expense associated with the reclassification adjustment for the three and nine months ended September 30, 2015 was $67 and $200, respectively.

(4) Amounts are included in salaries and employee benefits expense in the unaudited Consolidated Statements of Net Income. Income tax benefit associated with the reclassification adjustment for prior period service costs for the three months ended September 30, 2015 and 2014 was $1 and $1, respectively, and $2 and $2, for the nine months ended September 30, 2015 and 2014, respectively. Income tax benefit (expense) associated with the reclassification adjustment of the losses (gains) recognized in net periodic benefit cost for the three and nine months ended September 30, 2015 and 2014, was $2 and $0, respectively and $6, and $(2), respectively.

See accompanying notes to unaudited consolidated financial statements.

United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

(In thousands, except share data) (Unaudited)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Unearned Compensation - ESOP	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity
Balance at December 31, 2014	49,537,700	$ 514,189	$ 16,007	$ (6,150)	$ 84,852	$ (6,490)	—	$ —	$ 602,408
Comprehensive income	—	—	—	—	39,738	(1,698)	—	—	38,040
Common stock repurchased	(377,700)	(5,171)	—	—	—	—	—	—	(5,171)
Share-based compensation expense	—	—	689	—	—	—	—	—	689
ESOP shares released or committed to be released	—	—	51	171	—	—	—	—	222
Shares issued for stock options exercised and SARs	349,387	4,657	(2,047)	—	—	—	—	—	2,610
Shares issued for restricted stock grants	27,330	340	(340)	—	—	—	—	—	—
Cancellation of shares for tax withholding	(18,044)	(184)	(67)	—	—	—	—	—	(251)
Tax benefit from stock-based awards	—	—	(293)	—	—	—	—	—	(293)
Dividends paid ($0.34 per common share)	—	—	—	—	(16,802)	—	—	—	(16,802)
Forfeited unvested restricted stock	(1,135)	—	—	—	—	—	—	—	—
Balance at September 30, 2015	49,517,538	$ 513,831	$ 14,000	$ (5,979)	$107,788	$ (8,188)	—	$ —	$ 621,452
Balance at December 31, 2013	29,456,290	$ 243,776	$ 15,808	$ (7,151)	$ 96,078	$ (4,766)	3,487,886	$ (44,363)	$ 299,382
Comprehensive income	—	—	—	—	5,361	1,892	—	—	7,253
Issuance of common stock for acquisition of United Financial Bancorp, Inc.	26,706,401	356,365	—	—	—	—	—	—	356,365
Cancellation of treasury shares	(3,476,270)	(44,226)	—	—	—	—	(3,476,270)	44,226	—
Common stock repurchased	(304,895)	(3,853)	—	—	—	—	—	—	(3,853)
Share-based compensation expense	—	—	3,608	—	—	—	—	—	3,608
ESOP shares released or committed to be released	—	—	530	751	—	—	—	—	1,281
Shares issued for stock options exercised	213,585	3,009	(1,923)	—	—	—	(11,616)	137	1,223
Shares issued for restricted stock grants	133,943	1,752	(1,752)	—	—	—	—	—	—
Cancellation of shares for tax withholding	(97,370)	(322)	(992)	—	—	—	—	—	(1,314)
Tax benefit from stock-based awards	—	—	549	—	—	—	—	—	549
Dividends paid ($0.30 per common share)	—	—	—	—	(13,128)	—	—	—	(13,128)
Balance at September 30, 2014	52,631,684	$ 556,501	$ 15,828	$ (6,400)	$ 88,311	$ (2,874)	—	$ —	$ 651,366

See accompanying notes to unaudited consolidated financial statements.

United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(In thousands) (Unaudited)	For the Nine Months Ended September 30, 2015	2014
Cash flows from operating activities:		
Net income	$ 39,738	$ 5,361
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of premiums and discounts on investments, net	3,934	1,762
Accretion of intangible assets and purchase accounting marks	(9,034)	(7,968)
Amortization of subordinated debt issuance costs	95	3
Share-based compensation expense	689	3,608
ESOP expense	222	1,281
Loss on extinguishment of debt	—	288
Tax benefit from stock-based awards	293	(549)
Provision for loan losses	9,225	5,163
Gain on sales of securities, net	(639)	(1,287)
Loans originated for sale	(290,795)	(103,368)
Principal balance of loans sold	285,504	99,841
(Increase) decrease in mortgage servicing asset	(1,266)	39
Gain on sales of other real estate owned	(166)	(209)
Net change in mortgage banking fair value adjustments	(836)	(486)
Loss on disposal of equipment	193	—
Write-downs of other real estate owned	118	134
Depreciation and amortization	3,997	2,537
Loss on limited partnerships	2,337	2,176
Deferred income tax expense	3,447	5,631
Increase in cash surrender value of bank-owned life insurance	(2,557)	(2,145)
Net change in:		
Deferred loan fees and premiums	(2,240)	(932)
Accrued interest receivable	(1,265)	(2,737)
Other assets	(16,834)	(18,376)
Accrued expenses and other liabilities	11,002	(442)
Net cash provided by (used in) operating activities	35,162	(10,675)
Cash flows from investing activities:		
Proceeds from sales of available-for-sale securities	195,335	308,603
Proceeds from calls and maturities of available-for-sale securities	16,655	15,043
Principal payments on available-for-sale securities	67,277	44,475
Principal payments on held-to-maturity securities	630	601
Purchases of available-for-sale securities	(308,253)	(622,303)
Purchases of held-to-maturity securities	—	(2,342)
Cash acquired from United Financial Bancorp, Inc.	—	25,410
Redemption of FHLBB stock	—	2,297
Purchase of FHLBB stock	(8,864)	—
Proceeds from sale of other real estate owned	2,232	3,359
Purchases of loans	(11,348)	(8,298)
Loan originations, net of principal repayments	(297,971)	(203,691)
Purchases of premises and equipment	(3,186)	(10,036)
Proceeds from sale of equipment	192	—

(Continued)

See accompanying notes to unaudited consolidated financial statements.

United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows - Concluded

	For the Nine Months Ended September 30,	
(In thousands) (Unaudited)	2015	2014
Net cash used in investing activities	(347,301)	(446,882)
Cash flows from financing activities:		
Net increase in non-interest-bearing deposits	20,176	60,050
Net increase in interest-bearing deposits	210,249	292,715
Net decrease in mortgagors' and investors' escrow accounts	(4,896)	(1,751)
Net increase in short-term FHLBB advances	57,200	73,790
Repayments of long-term FHLBB advances	(6,977)	(15,239)
Proceeds from long-term FHLBB advances	116,800	—
Net change in other borrowings	(49,148)	30,506
Proceeds from issuance of subordinated debt, net of issuance costs	—	73,759
Proceeds from exercise of stock options and SARs	2,610	1,223
Common stock repurchased	(5,171)	(3,853)
Cancellation of shares for tax withholding	(251)	(1,314)
Tax benefit from share-based awards	(293)	549
Cash dividend paid on common stock	(16,802)	(13,128)
Net cash provided by financing activities	323,497	497,307
Net increase in cash and cash equivalents	11,358	39,750
Cash and cash equivalents, beginning of period	86,952	45,235
Cash and cash equivalents, end of period	$ 98,310	$ 84,985
Supplemental Disclosures of Cash Flow Information:		
Cash paid (refunded) during the year for:		
Interest	$ 25,757	$ 14,773
Income taxes, net	(6,719)	3,599
Transfer of loans to other real estate owned	318	2,018
Decrease in due to broker, investment purchases	(1,105)	(5,893)
(Decrease) increase in due to broker, common stock buyback	(523)	995

See accompanying notes to unaudited consolidated financial statements.

United Financial Bancorp, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Operations

On April 30, 2014, Rockville Financial, Inc. ("Rockville") completed its merger with United Financial Bancorp, Inc. ("Legacy United") and changed its legal entity name to United Financial Bancorp, Inc. (the "Company"). In connection with this merger, Rockville Bank, the Company's principal asset and wholly-owned subsidiary, completed its merger with Legacy United's banking subsidiary, United Bank, and changed its name to United Bank (the "Bank"). Discussions throughout this report related to the merger with Legacy United are referred to as the "Merger."

The consolidated financial statements for periods prior to April 30, 2014 do not reflect the operations of Legacy United.

The Company, headquartered in Glastonbury, Connecticut, through United Bank and various subsidiaries, delivers financial services to individuals, families and businesses primarily throughout Connecticut and Massachusetts through 52 banking offices, its commercial loan production offices, its mortgage loan production offices, 63 ATMs, telephone banking, mobile banking and online banking (www.bankatunited.com).

Basis of Presentation

The consolidated interim financial statements and the accompanying notes presented in this report include the accounts of the Company, the Bank and the Bank's wholly-owned subsidiaries, United Bank Mortgage Company, United Bank Investment Corp., Inc., United Bank Commercial Properties, Inc., United Bank Residential Properties, Inc., United Northeast Financial Advisors, Inc., United Bank Investment Sub, Inc., UCB Securities, Inc. II and UB Properties, LLC.

The consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included in the interim unaudited consolidated financial statements. Interim results are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 or any future period. These unaudited interim consolidated financial statements should be read in conjunction with the Company's 2014 audited consolidated financial statements and notes thereto included in United Financial Bancorp, Inc.'s Annual Report on Form 10-K as of and for the year ended December 31, 2014.

Common Share Repurchases

The Company is chartered in the state of Connecticut. Connecticut law does not provide for treasury shares, rather shares repurchased by the Company constitute authorized but unissued shares. GAAP states that accounting for treasury stock shall conform to state law. Therefore, the cost of shares repurchased by the Company has been allocated to common stock balances. Notwithstanding the foregoing, prior to June 30, 2014, the Consolidated Statement of Condition refers to repurchased shares as "treasury stock."

Reclassifications

Certain reclassifications have been made in prior periods' consolidated financial statements to conform to the 2015 presentation. These reclassifications had no impact on the Company's consolidated financial position, results of operations or net change in cash equivalents. All significant intercompany transactions have been eliminated.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results in the future could vary from the amounts derived from management's estimates and assumptions. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, realizability of deferred tax assets, the evaluation of securities for other-than-temporary impairment, the valuation of derivative instruments and hedging activities and goodwill impairment valuations.

Note 2. Recent Accounting Pronouncements

Interest-Imputation of Interest.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2015-03, (*Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, as part of its simplification initiative. The ASU changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. For public business entities, the guidance in the ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Entities would apply the new guidance retrospectively to all prior periods (i.e., the balance sheet for each period is adjusted). This ASU is not expected to have a material impact on the Company's Consolidated Financial Statements.

Business Combinations

In September 2015, the FASB issued ASU No. 2015-16 *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments* which aims to simplify accounting for adjustments made to provisional amounts recognized in a business combination. The requirement to retrospectively apply measurement-period adjustments to provisional amounts was eliminated. The new guidance requires that the acquiring company recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. In addition, an entity is required to present separately, on the face of the income statement or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this ASU with earlier application permitted for financial statements that have not yet been made available for issuance. This ASU is not expected to have an impact on the Company's historical Consolidated Financial Statements.

Intangibles-Goodwill and Other-Internal-Use Software

In April 2015, the FASB issued ASU No. 2015-05, *Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. The ASU provides criteria for customers in a cloud computing arrangement to determine whether the arrangement includes a license of software. When a cloud computing arrangement includes a license of software, the customer will capitalize the fee attributable to the software license portion of the arrangement when the criteria for capitalization of internal-use software are met. When a cloud computing arrangement does not include a license of software, the customer will account for the arrangement as a service contract and expense the cost as the services are received. The ASU supersedes the guidance that required companies to analogize to lease accounting when determining the asset acquired in a software licensing arrangement. Entities may elect to adopt the ASU either prospectively for all arrangements entered into or materially modified after the effective date, or retrospectively. For public business entities, the standard is effective for annual and interim periods in fiscal years beginning after December 15, 2015. For all other entities, the standard is effective for annual periods beginning after December 15, 2015, and interim periods in fiscal years beginning after December 15, 2016. Early adoption is permitted for all entities. Entities that elect prospective transition should disclose the nature of, and reason for, the change in accounting policy, the transition method, and a qualitative description of the financial statement line items affected by the change. Entities that elect retrospective transition should also disclose quantitative information about the effects of the accounting change. This information should include the cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented. This ASU is not expected to have a material impact on the Company's Consolidated Financial Statements.

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Note 3. Securities

The amortized cost, gross unrealized gains, gross unrealized losses and fair value of investment securities at September 30, 2015 and December 31, 2014 are as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2015				
Available for sale:				
Debt securities:				
U.S. Government and government-sponsored enterprise obligations	$ 10,156	$ 41	$ (127)	$ 10,070
Government-sponsored residential mortgage-backed securities	109,138	1,111	(127)	110,122
Government-sponsored residential collateralized debt obligations	297,566	3,874	(148)	301,292
Government-sponsored commercial mortgage-backed securities	53,825	1,538	(12)	55,351
Government-sponsored commercial collateralized debt obligations	130,740	2,000	(16)	132,724
Asset-backed securities	164,764	572	(1,331)	164,005
Corporate debt securities	66,947	44	(2,097)	64,894
Obligations of states and political subdivisions	201,447	326	(2,508)	199,265
Total debt securities	1,034,583	9,506	(6,366)	1,037,723
Marketable equity securities, by sector:				
Banks	39,612	414	(573)	39,453
Industrial	109	24	—	133
Mutual funds	2,847	87	(3)	2,931
Oil and gas	131	22	—	153
Total marketable equity securities	42,699	547	(576)	42,670
Total available-for-sale securities	$ 1,077,282	$ 10,053	$ (6,942)	$ 1,080,393
Held to maturity:				
Debt securities:				
Obligations of states and political subdivisions	$ 12,369	$ 823	$ —	$ 13,192
Government-sponsored residential mortgage-backed securities	2,346	258	—	2,604
Total held-to-maturity securities	$ 14,715	$ 1,081	$ —	$ 15,796

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2014				
Available for sale:				
Debt securities:				
U.S. Government and government-sponsored enterprise obligations	$ 6,965	$ 94	$ (237)	$ 6,822
Government-sponsored residential mortgage-backed securities	165,199	2,379	(159)	167,419
Government-sponsored residential collateralized debt obligations	237,128	1,365	(360)	238,133
Government-sponsored commercial mortgage-backed securities	67,470	1,081	(253)	68,298
Government-sponsored commercial collateralized debt obligations	129,547	737	(598)	129,686
Asset-backed securities	181,198	272	(2,715)	178,755
Corporate debt securities	43,907	35	(1,697)	42,245
Obligations of states and political subdivisions	194,857	1,572	(657)	195,772
Total debt securities	1,026,271	7,535	(6,676)	1,027,130
Marketable equity securities, by sector:				
Banks	22,645	277	(340)	22,582
Industrial	109	76	—	185
Mutual funds	2,824	89	(3)	2,910
Oil and gas	131	73	—	204
Total marketable equity securities	25,709	515	(343)	25,881
Total available-for-sale securities	$ 1,051,980	$ 8,050	$ (7,019)	$ 1,053,011
Held to maturity:				
Debt securities:				
Obligations of states and political subdivisions	$ 12,397	$ 1,006	$ —	$ 13,403
Government-sponsored residential mortgage-backed securities	2,971	339	—	3,310
Total held-to-maturity securities	$ 15,368	$ 1,345	$ —	$ 16,713

At September 30, 2015, the net unrealized gain on securities available for sale of $3.1 million, net of an income tax expense of $1.1 million, or $2.0 million, was included in accumulated other comprehensive loss in the unaudited Consolidated Statement of Condition. The amortized cost and fair value of debt securities at September 30, 2015 by contractual maturities are presented below. Actual maturities may differ from contractual maturities because some securities may be called or repaid without any penalties. Also, because mortgage-backed securities require periodic principal paydowns, they are not included in the maturity categories in the following maturity summary.

(In thousands)	Available for Sale Amortized Cost	Available for Sale Fair Value	Held to Maturity Amortized Cost	Held to Maturity Fair Value
Maturity:				
Within 1 year	$ 350	$ 350	$ —	$ —
After 1 year through 5 years	11,526	11,360	1,196	1,222
After 5 years through 10 years	62,814	62,183	—	—
After 10 years	203,860	200,336	11,173	11,970
	278,550	274,229	12,369	13,192
Government-sponsored residential mortgage-backed securities	109,138	110,122	2,346	2,604
Government-sponsored residential collateralized debt obligations	297,566	301,292	—	—
Government-sponsored commercial mortgage-backed securities	53,825	55,351	—	—
Government-sponsored commercial collateralized debt obligations	130,740	132,724	—	—
Asset-backed securities	164,764	164,005	—	—
Total debt securities	$ 1,034,583	$ 1,037,723	$ 14,715	$ 15,796

At September 30, 2015, the Company had 91 securities with a fair value of $364.7 million pledged as derivative collateral, collateral for reverse repurchase borrowings and collateral for Federal Home Loan Bank of Boston (“FHLBB”) borrowing capacity. At December 31, 2014, the Company had 219 securities with a fair value of $336.3 million pledged as derivative collateral, collateral for reverse repurchase borrowings, and collateral for FHLBB borrowing capacity.

For the three months ended September 30, 2015 and 2014, gross gains of $185,000 and $629,000, respectively, were realized on the sales of available-for-sale securities. There were gross losses of $244,000 and $199,000 realized on the sale of available-for-sale securities for the three months ended September 30, 2015 and 2014. For the nine months ended September 30, 2015 and 2014, gross gains of $2.4 million and $1.9 million, respectively, were realized on the sales of available-for-sale securities. There were gross losses of $1.8 million and $645,000 realized on the sale of available-for-sale securities for the nine months ended September 30, 2015 and 2014, respectively.

As of September 30, 2015, the Company did not have any exposure to private-label mortgage-backed securities. The Company also did not own any single security with an aggregate book value in excess of 10% of the Company’s stockholders’ equity.

As of September 30, 2015, the fair value of the obligations of states and political subdivisions portfolio was $212.5 million, with no significant geographic/issuer exposure concentrations. Of the total revenue and general obligations of $212.5 million, $101.1 million were representative of general obligation bonds for which $78.2 million are general obligations of political subdivisions of the respective state, rather than general obligations of the state itself.

The following table summarizes gross unrealized losses and fair value, aggregated by category and length of time the securities have been in a continuous unrealized loss position, as of September 30, 2015 and December 31, 2014:

	Less Than 12 Months		12 Months or More		Total	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
September 30, 2015						
Available for sale:						
Debt Securities:						
U.S. Government and government-sponsored enterprise obligations	$ —	$ —	$ 4,866	$ (127)	$ 4,866	$ (127)
Government-sponsored residential mortgage-backed securities	29,768	(103)	7,437	(24)	37,205	(127)
Government-sponsored residential collateralized debt obligations	27,326	(136)	3,700	(12)	31,026	(148)
Government-sponsored commercial mortgage-backed securities	—	—	2,994	(12)	2,994	(12)
Government-sponsored commercial collateralized debt obligations	3,564	(16)	—	—	3,564	(16)
Asset-backed securities	57,609	(499)	34,197	(832)	91,806	(1,331)
Corporate debt securities	45,670	(447)	9,522	(1,650)	55,192	(2,097)
Obligations of states and political subdivisions	127,048	(2,023)	19,241	(485)	146,289	(2,508)
Total debt securities	290,985	(3,224)	81,957	(3,142)	372,942	(6,366)
Marketable equity securities	24,294	(376)	5,408	(200)	29,702	(576)
Total available-for-sale securities	$ 315,279	$ (3,600)	$ 87,365	$ (3,342)	$ 402,644	$ (6,942)
December 31, 2014						
Available for sale:						
Debt Securities:						
U.S. Government and government-sponsored enterprise obligations	$ —	$ —	$ 4,757	$ (237)	$ 4,757	$ (237)
Government-sponsored residential mortgage-backed securities	1,492	(11)	19,785	(148)	21,277	(159)
Government-sponsored residential collateralized debt obligations	35,769	(124)	17,443	(236)	53,212	(360)
Government-sponsored commercial mortgage-backed securities	14,118	(15)	16,337	(238)	30,455	(253)
Government-sponsored commercial collateralized debt obligations	62,477	(551)	4,991	(47)	67,468	(598)
Asset-backed securities	128,808	(2,080)	20,146	(635)	148,954	(2,715)
Corporate debt securities	30,634	(501)	5,054	(1,196)	35,688	(1,697)
Obligations of states and political subdivisions	55,029	(419)	18,568	(238)	73,597	(657)
Total debt securities	328,327	(3,701)	107,081	(2,975)	435,408	(6,676)
Marketable equity securities	12,716	(340)	140	(3)	12,856	(343)
Total available-for-sale securities	$ 341,043	$ (4,041)	$ 107,221	$ (2,978)	$ 448,264	$ (7,019)

Of the securities summarized above as of September 30, 2015, 119 issues had unrealized losses equaling 1.1% of the amortized cost basis for less than twelve months and 75 issues had an unrealized loss of 3.7% of the amortized cost basis for twelve months or more. There were no unrealized losses on debt securities held to maturity at September 30, 2015. As of December 31, 2014, 155 issues had unrealized losses equaling 1.2% of the cost basis for less than twelve months and 78 issues had unrealized losses equaling 2.7% of the amortized cost basis for twelve months or more.

Management believes that no individual unrealized loss as of September 30, 2015 represents an other-than-temporary impairment, based on its detailed quarterly review of the securities portfolio. Among other things, the other-than-temporary impairment review of the investment securities portfolio focuses on the combined factors of percentage and length of time by which an issue is below book value as well as consideration of issuer specific information (present value of cash flows expected to be collected, issuer rating changes and trends, credit worthiness and review of underlying collateral), broad market details and the Company's intent to sell the security or if it is more likely than not that the Company will be required to sell the debt security before recovering its cost. The Company also considers whether the depreciation is due to interest rates, market changes, or credit risk.

The following paragraphs outline the Company's position related to unrealized losses in its investment securities portfolio at September 30, 2015.

U.S. Government and government-sponsored enterprises. The unrealized losses on the Company's U.S. Government and government-sponsored securities were caused by spread widening to the government curve. The Company does not expect these securities to settle at a price less than the par value of the securities.

U.S. Government and government-sponsored collateralized mortgage obligations and commercial mortgage- backed securities. The unrealized losses on the Company's U.S. Government and government-sponsored collateralized debt obligations and commercial mortgage backed securities were caused by the pickup of prepayment speeds given the overall drop in the government curve over the period, which encouraged further refinancing. The Company monitors this risk, and therefore, strives to minimize premiums within this security class. The Company does not expect these securities to settle at a price less than the par value of the securities.

Asset-backed securities. The unrealized losses on the Company's asset-backed securities were largely driven by increases in the spreads of the respective sectors' asset classes over comparable securities. The majority of these securities have resetting coupons that adjust on a quarterly basis and the market spreads on similar securities have increased. Based on the credit profiles and asset qualities of the individual securities, management does not believe that the securities have suffered from any credit related losses. The Company does not expect these securities to settle at a price less than the par value of the securities.

Corporate debt securities. The unrealized losses on corporate debt securities is primarily related to one pooled trust preferred security, Preferred Term Security XXVIII, Ltd ("PRETSL XXVIII"). The unrealized loss on this security is caused by the low interest rate environment, as the security reprices quarterly to the three month LIBOR and market spreads on similar newly issued securities have increased. No loss of principal is projected. Based on the existing credit profile, management does not believe that this security has suffered from any credit related losses. The unrealized loss on the remainder of the corporate credit portfolio has been driven primarily by overall wider credit spreads.

Obligations of states and political subdivisions. The unrealized loss on obligations of states and political subdivisions relates to several securities, with no geographic concentration. The unrealized loss was largely due to a shift in the credit spreads of the long end of the municipal bond spread curve that resulted in a negative impact to the respective bonds' pricing, relative to the time of purchase.

Marketable equity securities. The unrealized loss on marketable equity securities largely pertains to widening credit spreads for trust preferred and preferred equity investments (similar to the corporate debt investments mentioned above) that resulted in a negative impact to the respective securities' pricing, relative to the time of purchase.

The Company will continue to review its entire portfolio for other-than-temporarily impaired securities with additional attention being given to high risk securities such as the one pooled trust preferred security that the Company owns.

Note 4. Loans Receivable and Allowance for Loan Losses

A summary of the Company's loan portfolio is as follows:

(In thousands)	September 30, 2015	December 31, 2014
Real estate loans:		
Residential	$ 1,525,966	$ 1,413,739
Commercial	1,878,231	1,678,936
Construction	180,622	185,843
Total real estate loans	3,584,819	3,278,518
Commercial business loans	619,563	613,596
Installment and collateral loans	5,236	5,752
Total loans	4,209,618	3,897,866
Net deferred loan costs and premiums	6,246	4,006
Allowance for loan losses	(30,832)	(24,809)
Loans - net	$ 4,185,032	$ 3,877,063

Acquired Loans

Gross loans acquired from the Legacy United merger on April 30, 2014 totaled $1.88 billion. Acquired performing loans totaled $1.86 billion with a fair value of $1.83 billion. Loans acquired and determined to be impaired totaled $18.5 million.

The impaired loans are accounted for in accordance with Accounting Standards Codification ("ASC") Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30"). At September 30, 2015, the net recorded carrying amount of loans accounted for under ASC 310-30 was $5.7 million and the aggregate outstanding principal balance was $9.3 million.

Information about the acquired loan portfolio subject to Purchased Credit Impaired ("PCI") accounting guidance (ASC 310-30) as of April 30, 2014 is as follows:

(In thousands)	April 30, 2014
Contractually required principal and interest at acquisition	$ 18,540
Contractual cash flows not expected to be collected (nonaccretable)	(6,415)
Expected cash flows at acquisition (1)	12,125
Interest component of expected cash flows (accretable)	(2,235)
Fair value of acquired PCI loans	$ 9,890

(1) Prepayments were not factored into the expected cash flows

The following table summarizes the activity in the the accretable yield balance for PCI loans for the three and nine months ended September 30, 2015 and 2014:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Balance at beginning of period	$ (570)	$ (1,908)	$ (1,587)	$ —
Acquisition	—	—	—	(2,235)
Accretion	1	260	178	587
Reclassification to nonaccretable balance	42	—	882	—
Paid off	114	—	114	—
Balance at end of period	$ (413)	$ (1,648)	$ (413)	$ (1,648)

A reclassification of $882,000 from the accretable balance to the nonaccretable balance occurred during the nine months ended September 30, 2015 due to the impact on the accretable marks caused by reductions in expected cash flows for the ASC 310-30 loans.

Allowance for Loan Losses

Management has established a methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. The allowance for loan losses is established as embedded losses are estimated to have occurred through the provisions for losses charged against operations and is maintained at a level that management considers adequate to absorb losses in the loan portfolio. Management's judgment in determining the adequacy of the allowance is inherently subjective and is based on past loan loss experience, known and inherent losses and size of the loan portfolios, an assessment of current economic and real estate market conditions, estimates of the current value of underlying collateral, review of regulatory authority examination reports and other relevant factors. An allowance is maintained for impaired loans to reflect the difference, if any, between the carrying value of the loan and the present value of the projected cash flows, observable fair value or collateral value. Loans are charged-off against the allowance for loan losses when management believes that the uncollectibility of principal is confirmed. Any subsequent recoveries are credited to the allowance for loan losses when received. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant properties, when considered necessary.

The allowance for loan losses is maintained at a level estimated by management to provide for probable losses inherent within the loan portfolio. Probable losses are estimated based upon a quarterly review of the loan portfolio, which includes historic default and loss experience, specific problem loans, risk rating profile, economic conditions and other pertinent factors which, in management's judgment, warrant current recognition in the loss estimation process.

The adequacy of the allowance for loan losses is subject to considerable assumptions and judgment used in its determination. Therefore, actual losses could differ materially from management's estimate if actual conditions differ significantly from the assumptions utilized. These conditions include economic factors in the Company's market and nationally, industry trends and concentrations, real estate values and trends, and the financial condition and performance of individual borrowers.

The Company's general practice is to identify problem credits early and recognize full or partial charge-offs as promptly as practicable when it is determined that the collection of loan principal is unlikely. The Company recognizes full or partial charge-offs on collateral dependent impaired loans when the collateral is deemed to be insufficient to support the carrying value of the loan. The Company does not recognize a recovery when an updated appraisal indicates a subsequent increase in value.

At September 30, 2015, the Company had a loan loss allowance of $30.8 million, or 0.73%, of total loans as compared to a loan loss allowance of $24.8 million, or 0.64%, of total loans at December 31, 2014. Management believes that the allowance for loan losses is adequate and consistent with asset quality indicators and that it represents the best estimate of probable losses inherent in the loan portfolio.

There are three components for the allowance for loan loss calculation:

General component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the loan segments. Management uses a rolling average of historical losses based on a three-year loss history to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels and trends in delinquencies; level and trend of charge-offs and recoveries; trends in volume and types of loans; effects of changes in risk selection and underwriting standards, changes in risk selection and underwriting standards; experience and depth of lending weighted average risk rating; and national and local economic trends and conditions.

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 – The Bank establishes maximum loan-to-value and debt-to-income ratios and minimum credit scores as an integral component of the underwriting criteria. Loans in these segments are collateralized by owner-occupied residential real estate and repayment is dependent on the income and credit quality of the individual borrower. Within the qualitative allowance factors, national and local economic trends including unemployment rates and potential declines in property value, are key elements reviewed as a component of establishing the appropriate allocation. Overall economic conditions, unemployment rates and housing price trends will influence the underlying credit quality of these segments.

Commercial real estate – Loans in this segment are primarily income-producing properties throughout Connecticut, western Massachusetts, and other select markets in the Northeast. The underlying cash flows generated by the properties could be adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management obtains rent rolls annually, continually monitors the cash flows of these loans and performs stress testing.

Construction loans – Loans in this segment primarily include commercial real estate development and residential subdivision loans for which payment is derived from the sale of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial business loans – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy and its effect on business profitability and cash flow could have an effect on the credit quality in this segment.

Installment and collateral loans – Loans in this segment are generally unsecured and repayment is dependent on the credit quality of the individual borrower.

For acquired loans, our allowance for loan losses is estimated based upon our evaluation of the credit quality of the acquired loan portfolio or expected cash flows for the acquired PCI loans. To the extent that we experience a deterioration in borrower credit quality resulting in a decrease in our expected cash flows subsequent to the acquisition of the loans, an allowance for loan losses would be established based on our estimate of future credit losses over the remaining life of the loans, in excess of any existing purchase accounting discounts.

Allocated component

The allocated component relates to loans that are classified as impaired. Impairment is measured on a loan by loan basis for commercial, commercial real estate and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral, less estimated costs to sell, if the loan is collateral dependent. 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. Residential and installment and collateral loans are evaluated for impairment if payments are 90 days or more delinquent. Updated property evaluations are obtained at time of impairment and serve as the basis for the loss allocation if foreclosure is probable or the loan is collateral dependent.

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.

When a loan is determined to be impaired the Company makes a determination if the repayment of the obligation is collateral dependent. As a majority of impaired loans are collateralized by real estate, appraisals on the underlying value of the property securing the obligation are utilized in determining the specific impairment amount that is allocated to the loan as a component of the allowance calculation. If the loan is collateral dependent, an updated appraisal is obtained within a short period of time from the date the loan is determined to be impaired; typically no longer than 30 days for a residential property and 90 days for a commercial real estate property. The appraisal and the appraised value are reviewed for adequacy and then further discounted for estimated disposition costs and the period of time until resolution, in order to determine the impairment amount. The Company updates the appraised value at least annually and on a more frequent basis if current market factors indicate a potential change in valuation.

The majority of the Company's loans are collateralized by real estate located in central and eastern Connecticut and western Massachusetts in addition to a portion of the commercial real estate loan portfolio located in the Northeast region of the United States. Accordingly, the collateral value of a substantial portion of the Company's loan portfolio and real estate acquired through foreclosure is susceptible to changes in market conditions in these areas.

Unallocated component

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Credit Quality Information

The Company utilizes a nine-grade internal loan rating system for residential and commercial real estate, construction, commercial and installment and collateral loans as follows:

Loans rated 1 – 5: Loans in these categories are considered "pass" rated loans with low to average risk.

Loans rated 6: Loans in this category are considered "special mention." These loans reflect 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 obligor and 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 as 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.

At the time of loan origination, a risk rating based on this nine point grading system is assigned to each loan based on the loan officer's assessment of risk. For residential real estate and installment and collateral loans, the Company considers factors such as updated FICO scores, employment status, home prices, loan to value and geography. Residential real estate and installment loans are pass rated unless their payment history reveals signs of deterioration, which may result in modifications to the original contractual terms. In situations which require modification to the loan terms, the internal loan grade will typically be reduced to substandard. More complex loans, such as commercial business loans and commercial real estate loans require that our internal credit area further evaluate the risk rating of the individual loan, with the credit area and Chief Credit Officer having final determination of the appropriate risk rating. These more complex loans and relationships receive an in-depth analysis and 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 credit quality of the Company's loan portfolio is reviewed by a third-party risk assessment firm throughout the year and by the Company's internal credit management function. The internal and external analysis of the loan portfolio is utilized to identify and quantify loans with higher than normal risk. Loans having a higher risk profile are assigned a risk rating corresponding to the level of weakness identified in the loan. All loans risk rated Special Mention, Substandard or Doubtful are reviewed by management not less than on a quarterly basis to assess the level of risk and to ensure that appropriate actions are being taken to minimize potential loss exposure. Loans identified as being loss are normally fully charged off.

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

(In thousands)	Residential Real Estate	Commercial Real Estate	Construction	Commercial Business	Installment and Collateral
September 30, 2015					
Loans rated 1-5	$ 1,504,201	$ 1,795,507	$ 166,986	$ 589,901	$ 5,225
Loans rated 6	1,428	42,493	9,656	9,103	—
Loans rated 7	20,337	40,231	3,980	20,446	11
Loans rated 8	—	—	—	113	—
Loans rated 9	—	—	—	—	—
	$ 1,525,966	$ 1,878,231	$ 180,622	$ 619,563	$ 5,236
December 31, 2014					
Loans rated 1-5	$ 1,396,866	$ 1,606,420	$ 174,629	$ 570,808	$ 5,488
Loans rated 6	1,981	28,616	4,652	21,589	—
Loans rated 7	14,892	43,900	6,562	21,154	264
Loans rated 8	—	—	—	45	—
Loans rated 9	—	—	—	—	—
	$ 1,413,739	$ 1,678,936	$ 185,843	$ 613,596	$ 5,752

Activity in the allowance for loan losses for the periods ended September 30, 2015 and 2014 were as follows:

(In thousands)	Residential Real Estate	Commercial Real Estate	Construction	Commercial Business	Installment and Collateral	Unallocated	Total
Three Months Ended September 30, 2015							
Balance, beginning of period	$ 9,047	$ 11,958	$ 1,963	$ 5,334	$ 104	$ 450	$ 28,856
Provision (credit) for loan losses	1,138	1,391	(224)	690	57	200	3,252
Loans charged off	(371)	(215)	—	(840)	(70)	—	(1,496)
Recoveries of loans previously charged off	75	—	—	121	24	—	220
Balance, end of period	$ 9,889	$ 13,134	$ 1,739	$ 5,305	$ 115	$ 650	$ 30,832
Three Months Ended September 30, 2014							
Balance, beginning of period	$ 7,000	$ 7,866	$ 864	$ 5,217	$ 25	$ 371	$ 21,343
Provision (credit) for loan losses	1,184	2,091	179	(551)	18	(288)	2,633
Loans charged off	(935)	(750)	—	—	(14)	—	(1,699)
Recoveries of loans previously charged off	25	—	—	—	2	—	27
Balance, end of period	$ 7,274	$ 9,207	$ 1,043	$ 4,666	$ 31	$ 83	$ 22,304
Nine Months Ended September 30, 2015							
Balance, beginning of period	$ 7,927	$ 9,418	$ 1,470	$ 5,808	$ 75	$ 111	$ 24,809
Provision for loan losses	2,648	4,421	771	651	195	539	9,225
Loans charged off	(922)	(837)	(502)	(1,793)	(239)	—	(4,293)
Recoveries of loans previously charged off	236	132	—	639	84	—	1,091
Balance, end of period	$ 9,889	$ 13,134	$ 1,739	$ 5,305	$ 115	$ 650	$ 30,832
Nine Months Ended September 30, 2014							
Balance, beginning of period	$ 6,396	$ 8,288	$ 829	$ 3,394	$ 29	$ 247	$ 19,183
Provision (credit) for loan losses	2,175	1,669	214	1,250	19	(164)	5,163
Loans charged off	(1,430)	(750)	—	(51)	(34)	—	(2,265)
Recoveries of loans previously charged off	133	—	—	73	17	—	223
Balance, end of period	$ 7,274	$ 9,207	$ 1,043	$ 4,666	$ 31	$ 83	$ 22,304

Further information pertaining to the allowance for loan losses and impaired loans at September 30, 2015 and December 31, 2014 follows:

(In thousands)	Residential Real Estate	Commercial Real Estate	Construction	Commercial Business	Installment and Collateral	Unallocated	Total
September 30, 2015							
Allowance related to loans individually evaluated and deemed impaired	$ 23	$ 47	$ 22	$ 145	$ —	$ —	$ 237
Allowance related to loans collectively evaluated and not deemed impaired	9,866	13,087	1,717	5,160	115	650	30,595
Allowance related to loans acquired with deteriorated credit quality	—	—	—	—	—	—	—
Total allowance for loan losses	$ 9,889	$ 13,134	$ 1,739	$ 5,305	$ 115	$ 650	$ 30,832
Loans deemed impaired	$ 20,052	$ 18,168	$ 4,001	$ 6,022	$ 9	$ —	$ 48,252
Loans not deemed impaired	1,505,914	1,855,770	176,061	612,721	5,227	—	4,155,693
Loans acquired with deteriorated credit quality	—	4,293	560	820	—	—	5,673
Total loans	$ 1,525,966	$ 1,878,231	$ 180,622	$ 619,563	$ 5,236	$ —	$ 4,209,618
December 31, 2014							
Allowance related to loans individually evaluated and deemed impaired	$ 28	$ 316	$ 33	$ 882	$ —	$ —	$ 1,259
Allowance related to loans collectively evaluated and not deemed impaired	7,899	9,102	1,437	4,710	75	111	23,334
Allowance related to loans acquired with deteriorated credit quality	—	—	—	216	—	—	216
Total allowance for loan losses	$ 7,927	$ 9,418	$ 1,470	$ 5,808	$ 75	$ 111	$ 24,809
Loans deemed impaired	$ 15,981	$ 19,514	$ 2,610	$ 5,846	$ 46	$ —	$ 43,997
Loans not deemed impaired	1,397,758	1,654,917	180,548	604,055	5,706	—	3,842,984
Loans acquired with deteriorated credit quality	—	4,505	2,685	3,695	—	—	10,885
Total loans	$ 1,413,739	$ 1,678,936	$ 185,843	$ 613,596	$ 5,752	$ —	$ 3,897,866

Management has established the allowance for loan loss in accordance with GAAP at September 30, 2015 based on the current risk assessment and level of loss that is believed to exist within the portfolio. This level of reserve is deemed an appropriate estimate of probable loan losses inherent in the loan portfolio as of September 30, 2015 based upon the analysis conducted and given the portfolio composition, delinquencies, charge offs and risk rating changes experienced during the first nine months of 2015 and the three-year evaluation period utilized in the analysis. Based on the qualitative assessment of the portfolio and in thorough consideration of non-performing loans, management believes that the allowance for loan losses properly supports the level of associated loss and risk.

The following is a summary of past due and non-accrual loans at September 30, 2015 and December 31, 2014, including purchased credit impaired loans:

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More	Total Past Due	Past Due 90 Days or More and Still Accruing	Loans on Non-accrual
September 30, 2015						
Real estate loans:						
Residential	$ 1,587	$ 2,162	$ 9,509	$ 13,258	$ 432	$ 18,874
Commercial	8,316	4,053	7,520	19,889	165	11,749
Construction	436	62	2,325	2,823	1,173	1,604
Commercial business loans	474	704	2,833	4,011	113	4,609
Installment and collateral	39	—	3	42	3	9
Total	$ 10,852	$ 6,981	$ 22,190	$ 40,023	$ 1,886	$ 36,845
December 31, 2014						
Real estate loans:						
Residential	$ 18,913	$ 3,954	$ 7,320	$ 30,187	$ —	$ 13,972
Commercial	7,734	3,967	9,509	21,210	2,361	12,514
Construction	1,403	227	695	2,325	84	611
Commercial business loans	2,782	3,812	7,486	14,080	2,307	5,217
Installment and collateral	34	—	12	46	—	44
Total	$ 30,866	$ 11,960	$ 25,022	$ 67,848	$ 4,752	$ 32,358

At September 30, 2015, loans reported as past due 90 days or more and still accruing represent Legacy United purchased credit impaired loans, for which an accretable fair value interest mark is being recognized. Additionally, there were certain loans evaluated by management and maintained on accrual status based on an evaluation of the borrower. At December 31, 2014, there was a U.S. Government fully guaranteed loan reported as past due 90 days or more and still accruing in addition to accruing purchased credit impaired loans.

The following is a summary of impaired loans with and without a valuation allowance as of September 30, 2015 and December 31, 2014:

	September 30, 2015			December 31, 2014		
(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans without a valuation allowance:						
Real estate loans:						
Residential	$ 19,022	$ 22,512	$ —	$ 15,233	$ 17,143	$ —
Commercial	18,000	20,268	—	18,408	21,202	—
Construction	3,352	3,439	—	2,384	2,441	—
Commercial business loans	5,325	7,060	—	3,804	6,129	—
Installment and collateral loans	9	11	—	46	46	—
Total	45,708	53,290	—	39,875	46,961	—
Impaired loans with a valuation allowance:						
Real estate loans:						
Residential	$ 1,030	$ 1,045	$ 23	$ 748	$ 892	$ 28
Commercial	168	172	47	1,106	1,271	316
Construction	649	649	22	226	226	33
Commercial business loans	697	697	145	2,042	2,098	882
Total	2,544	2,563	237	4,122	4,487	1,259
Total impaired loans	$ 48,252	$ 55,853	$ 237	$ 43,997	$ 51,448	$ 1,259

The following is a summary of average recorded investment in impaired loans with and without a valuation allowance and interest income recognized on those loans for the three and nine months ended September 30, 2015 and 2014:

(In thousands)	For the Three Months Ended September 30, 2015 Average Recorded Investment	For the Three Months Ended September 30, 2015 Interest Income Recognized	For the Three Months Ended September 30, 2014 Average Recorded Investment	For the Three Months Ended September 30, 2014 Interest Income Recognized
Impaired loans without a valuation allowance:				
Real estate loans:				
Residential	$ 18,062	$ 817	$ 11,974	$ 14
Commercial	17,435	452	10,356	47
Construction	3,450	19	2,332	20
Commercial business loans	5,940	480	3,113	—
Installment and collateral loans	19	8	223	—
Total	44,906	1,776	27,998	81
Impaired loans with a valuation allowance:				
Real estate loans:				
Residential	1,033	13	1,287	10
Commercial	412	—	1,305	—
Construction	417	7	—	—
Commercial business loans	539	13	370	1
Total	2,401	33	2,962	11
	$ 47,307	$ 1,809	$ 30,960	$ 92

(In thousands)	For the Nine Months Ended September 30, 2015 Average Recorded Investment	For the Nine Months Ended September 30, 2015 Interest Income Recognized	For the Nine Months Ended September 30, 2014 Average Recorded Investment	For the Nine Months Ended September 30, 2014 Interest Income Recognized
Impaired loans without a valuation allowance:				
Real estate loans:				
Residential	$ 16,915	$ 1,215	$ 10,684	$ 193
Commercial	17,956	986	9,305	109
Construction	3,253	63	2,655	54
Commercial business loans	5,561	779	2,213	19
Installment and collateral loans	28	9	126	1
Total	43,713	3,052	24,983	376
Impaired loans with a valuation allowance:				
Real estate loans:				
Residential	704	37	1,223	67
Commercial	585	6	653	—
Construction	311	20	—	—
Commercial business loans	975	25	185	7
Total	2,575	88	2,061	74
	$ 46,288	$ 3,140	$ 27,044	$ 450

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring ("TDR") if both (i) the restructuring constitutes a concession by the creditor and (ii) the debtor is experiencing financial difficulties. A TDR may include (i) a transfer from the debtor to the creditor of receivables from third parties, real estate, or other assets to satisfy fully or partially a debt,

(ii) issuance or other granting of an equity interest to the creditor by the debtor to satisfy fully or partially a debt unless the equity interest is granted pursuant to existing terms for converting debt into an equity interest, and (iii) modifications of terms of a debt.

The following table provides detail of TDR balances for the periods presented:

(In thousands)	At September 30, 2015	At December 31, 2014
Recorded investment in TDRs:		
Accrual status	$ 11,407	$ 11,638
Non-accrual status	4,605	4,169
Total recorded investment in TDRs	$ 16,012	$ 15,807
Accruing TDRs performing under modified terms more than one year	$ 4,386	$ 1,919
Specific reserves for TDRs included in the balance of allowance for loan losses	$ 95	$ 380
Additional funds committed to borrowers in TDR status	$ —	$ 210

Loans restructured as TDRs during the three and nine months ended September 30, 2015 and 2014 are set forth in the following table:

	Three Months Ended			Nine Months Ended		
(Dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
September 30, 2015						
Residential real estate	7	$ 514	$ 514	24	$ 3,166	$ 3,163
Commercial real estate	—	—	—	2	791	791
Construction	—	—	—	2	564	564
Commercial business	3	592	592	5	1,340	1,340
Installment and collateral	—	—	—	—	—	—
Total troubled debt restructuring	10	$ 1,106	$ 1,106	33	$ 5,861	$ 5,858
September 30, 2014						
Residential real estate	—	$ —	$ —	6	$ 1,412	$ 1,412
Commercial real estate	2	392	392	3	674	674
Construction	—	—	—	13	3,853	3,853
Commercial business	—	—	—	—	—	—
Installment and collateral	—	—	—	—	—	—
Total troubled debt restructuring	2	$ 392	$ 392	22	$ 5,939	$ 5,939

The following table provides information on loan balances modified as TDRs during the period:

	Three Months Ended September 30,								
	2015					2014			
(In thousands)	Extended Maturity	Adjusted Interest Rates	Adjusted Rate and Extended Maturity	Payment Deferral	Other	Extended Maturity	Adjusted Interest Rates	Payment Deferral	Other
Residential real estate	$ —	$ 39	$ 121	$ —	$ 354	$ —	$ —	$ —	$ —
Commercial real estate	—	—	—	—	—	110	282	—	—
Construction	—	—	—	—	—	—	—	—	—
Commercial business	585	—	7	—	—	—	—	—	—
	$ 585	$ 39	$ 128	$ —	$ 354	$ 110	$ 282	$ —	$ —

	Nine Months Ended September 30,								
	2015					2014			
(In thousands)	Extended Maturity	Adjusted Interest Rates	Adjusted Rate and Extended Maturity	Payment Deferral	Other	Extended Maturity	Adjusted Interest Rates	Payment Deferral	Other
Residential real estate	$ —	$ 940	$ 465	$ 814	$ 947	$ —	$ 884	$ —	$ 528
Commercial real estate	538	—	253	—	—	110	564	—	—
Construction	564	—	—	—	—	3,672	—	—	181
Commercial business	1,333	—	7	—	—	—	—	—	—
	$ 2,435	$ 940	$ 725	$ 814	$ 947	$ 3,782	$ 1,448	—	$ 709

The following table provides information on loans modified as TDRs within the previous 12 months and for which there was a payment default during the periods presented:

	September 30, 2015		September 30, 2014	
(Dollars in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate	3	$ 402	—	$ —
Commercial real estate	7	1,239	2	3,395
	10	$ 1,641	2	$ 3,395

The majority of restructured loans were on accrual status as of September 30, 2015 and December 31, 2014. The financial impact of TDR loans has been minimal to date. Typically, residential loans are restructured with a modification and extension of the loan amortization and maturity at substantially the same interest rate as contained in the original credit extension. As part of the troubled debt restructuring process, the current value of the property is compared to the general ledger loan balance and if not fully supported, a charge-off is processed through the allowance for loan losses. Commercial real estate loans, commercial construction loans and commercial business loans also contain payment modification agreements and a like assessment of the underlying collateral value if the borrower's cash flow may be inadequate to service the entire obligation.

Loan Servicing

The Company services certain loans for third parties. The aggregate balance of loans serviced for others was $769.4 million and $559.1 million as of September 30, 2015 and December 31, 2014, respectively. The balances of these loans are not included on the accompanying Consolidated Statements of Condition.

The risks inherent in mortgage servicing rights relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The fair value of mortgage servicing rights at September 30, 2015 and December 31, 2014 was determined using pretax internal rates of return ranging from 8.4% to 11.5% and the Public Securities Association Standard Prepayment model to estimate prepayments on the portfolio with an average prepayment speed of 213 and 187, respectively. The fair value of mortgage servicing rights is obtained from a third party provider.

During the three and nine months ended September 30, 2015, the Company received servicing income in the amount of $310,000 and $799,000, respectively, which compares to $287,000 and $783,000 for the same respective periods of 2014. This income is included in income from mortgage banking activities in the Consolidated Statements of Net Income.

Mortgage servicing rights are included in other assets on the Consolidated Statements of Condition. The following table summarizes mortgage servicing rights activity for the three and nine months ended September 30, 2015 and 2014. Changes in the fair value of mortgage servicing rights are included in income from mortgage banking activities in the Consolidated Statements of Net Income.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(In thousands)	2015	2014	2015	2014
Mortgage servicing rights:				
Balance at beginning of period	$ 5,994	$ 4,554	$ 4,729	$ 4,103
Addition of Legacy United MSRs	—	—	—	764
Change in fair value recognized in net income	(888)	(103)	(888)	(734)
Issuances	889	455	2,154	773
Fair value of mortgage servicing rights at end of period	$ 5,995	$ 4,906	$ 5,995	$ 4,906

Note 5. Merger

The Company acquired 100% of the outstanding common shares and completed its merger with Legacy United on April 30, 2014. Legacy United's principal subsidiary was a federally chartered savings bank headquartered in West Springfield, Massachusetts, which operated 35 branch locations, two express drive-up branches, and two loan production offices, primarily in the Springfield and Worcester regions of Massachusetts and in Central Connecticut. The Company entered into the Merger agreement based on its assessment of the anticipated benefits, including enhanced market share and expansion of its banking franchise. The Merger was accounted for as a purchase and, as such, was included in our results of operations from the date of the Merger. The Merger was funded with shares of Rockville common stock and cash. As of the close of trading on April 30, 2014, all of the shareholders of Legacy United received 1.3472 shares of Rockville common stock for each share of Legacy United common stock owned at that date. Total consideration paid at closing was valued at $356.4 million, based on the closing price of $13.16 of Rockville common stock, the value of Legacy United exercisable options and cash paid for fractional shares on April 30, 2014.

The following table summarizes the Merger on April 30, 2014:

(Dollars and shares in thousands)

Legacy United Balance at April 30, 2014		Transaction Related Items				
Assets	Equity	Goodwill	Other Identifiable Intangibles	Shares Issued	Value of Legacy United Exercisable Options	Total Purchase Price
$ 2,442,525	$ 304,505	$ 114,211	$ 10,585	26,706	$ 4,909	$ 356,394

The transaction was accounted for using the purchase method of accounting in accordance with FASB ASC Topic 805, *Business Combinations*. Accordingly, the purchase price was allocated based on the estimated fair market values of the assets and liabilities acquired. See the Company's 2014 audited consolidated financial statements and notes thereto included in United Financial Bancorp, Inc.'s Annual Report on Form 10-K as of and for the year ended December 31, 2014 for additional information.

Note 6. Goodwill and Core Deposit Intangibles

The changes in the carrying amount of goodwill and core deposit intangible assets are summarized as follows:

(In thousands)	Goodwill	Core Deposit Intangibles
Balance at December 31, 2013	$ 1,070	$ —
Acquisition of Legacy United	114,170	10,585
Amortization expense	—	(1,283)
Balance at December 31, 2014	115,240	9,302
Adjustments	41	—
Amortization expense	—	(1,363)
Balance at September 30, 2015	$ 115,281	$ 7,939

Estimated amortization expense for the years ending December 31,	
2015 (remaining three months)	$ 433
2016	1,604
2017	1,411
2018	1,219
2019	1,026
2020 and thereafter	2,246
Total remaining	$ 7,939

The goodwill associated with the acquisition of Legacy United is not tax deductible. In accordance with ASC 350, Intangibles – Goodwill and Other, goodwill will not be amortized, but will be subject to at least an annual impairment test. The amortizing intangible asset associated with the acquisition consists of the core deposit intangible. The core deposit intangible is being amortized using the sum of the years' digits method over its estimated life of 10 years. Amortization expense of the core deposit intangible was $433,000 and $1.4 million for the three and nine months ended September 30, 2015.

Note 7. Borrowings

FHLBB Advances

The Bank is a member of the FHLBB. Contractual maturities and weighted-average rates of outstanding advances from the FHLBB as of September 30, 2015 and December 31, 2014 are summarized below:

	September 30, 2015		December 31, 2014	
(Dollars in thousands)	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
2015	$ 256,000	0.37%	$ 435,763	0.38%
2016	243,115	0.53	19,714	1.53
2017	126,000	1.92	66,000	2.72
2018	81,044	1.52	16,784	2.19
2019 and thereafter	36,425	1.89	37,300	1.89
	$ 742,584	0.89%	$ 575,561	0.84%

The total carrying value of FHLBB advances at September 30, 2015 was $746.5 million, which includes a remaining fair value adjustment of $4.0 million on advances acquired in the Merger. At December 31, 2014, the total carrying value of FHLBB advances was $581.0 million, with a remaining fair value adjustment of $5.4 million.

At September 30, 2015, eight advances totaling $41.0 million with interest rates ranging from 3.19% to 4.49%, which are scheduled to mature between 2017 and 2018, are callable by the FHLBB. Advances are collateralized by first mortgage loans and investment securities with an estimated eligible collateral value of $1.01 billion and $853.8 million at September 30, 2015 and December 31, 2014, respectively.

In addition to the outstanding advances, the Bank has access to an unused line of credit with the FHLBB amounting to $10.0 million at September 30, 2015 and December 31, 2014. In accordance with an agreement with the FHLBB, the qualified collateral must be free and clear of liens, pledges and have a discounted value equal to the aggregate amount of the line of credit and outstanding advances. At September 30, 2015, the Bank could borrow immediately an additional $220.9 million from the FHLBB, inclusive of the line of credit.

Other Borrowings

The following table presents other borrowings by category as of the dates indicated:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Subordinated debentures	$ 79,437	$ 79,288
Wholesale repurchase agreements	35,000	69,242
Customer repurchase agreements	26,572	41,335
Other	6,307	6,476
Total other borrowings	$ 147,316	$ 196,341

Subordinated Debentures

At September 30, 2015 and December 31, 2014, the carrying value of the Company’s subordinated debentures totaled $79.4 million and $79.3 million, respectively.

On September 23, 2014, the Company closed its public offering of $75.0 million of its 5.75% Subordinated Notes due October 1, 2024 (the “Notes”). The Notes were offered to the public at par. Interest on the Notes is payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2015. Issuance costs totaled $1.3 million and are being amortized over the life of the Notes as a component of interest expense.

The Company assumed junior subordinated debt as a result of the Merger in 2014 in the form of trust preferred securities issued through a private placement offering with a face amount of $7.7 million. The Company recorded a fair value acquisition discount of $2.3 million on May 1, 2014. The remaining unamortized discount was $2.2 million at September 30, 2015. This issue has a maturity date of March 15, 2036 and bears a floating rate of interest that reprices quarterly at the 3-month LIBOR rate plus 1.85%. A special redemption provision allows the Company to redeem this issue at par on March 15, June 15, September 15, or December 15 of any year subsequent to March 15, 2011.

Repurchase Agreements

The following table presents the Company’s outstanding borrowings under repurchase agreements as of September 30, 2015 and December 31, 2014:

	Remaining Contractual Maturity of the Agreements				
(Dollars in thousands)	Overnight	Up to 1 Year	1 - 3 Years	Greater than 3 Years	Total
September 30, 2015					
Repurchase Agreements					
U.S. Treasury and agency securities	$ 26,572	$ 15,000	$ —	$ 20,000	$ 61,572
December 31, 2014					
Repurchase Agreements					
U.S. Treasury and agency securities	$ 41,335	$ 49,242	$ —	$ 20,000	$ 110,577

As of September 30, 2015 and December 31, 2014, advances outstanding under wholesale reverse repurchase agreements totaled $35.0 million and $69.2 million, respectively. The outstanding advances at September 30, 2015 consisted of three individual borrowings with remaining terms of four years or less and a weighted average cost of 1.75%. The outstanding advances at December 31, 2014 had a weighted average cost of 1.07%. The Company pledged investment securities with a market value of $40.3 million and $78.5 million as collateral for these borrowings at September 30, 2015 and December 31, 2014, respectively.

Retail repurchase agreements primarily consist of transactions with commercial and municipal customers, are for a term of one day and are backed by the purchasers’ interest in certain U.S. Government Agency securities or government-sponsored securities. As of September 30, 2015 and December 31, 2014, retail repurchase agreements totaled $26.6 million and $41.3

million, respectively. The Company pledged investment securities with a market value of $38.3 million and $50.8 million as collateral for these borrowings at September 30, 2015 and December 31, 2014, respectively.

Given that the repurchase agreements are secured by investment securities valued at market value, the collateral position is susceptible to change based upon variation in the market vale of the securities that can arise due to fluctuations in interest rates, among other things. In the event that the interest rate changes result in a decrease in the value of the pledged securities, additional securities will be required to be pledged in order to secure the borrowings. Due to the short term nature of the majority of the repurchase agreements, Management believes the risk of further encumbered securities pose a minimal impact to the Company's liquidity position.

Other

Other borrowings consist of a secured borrowing and capital lease obligations. The secured borrowing relates to the transfer of a financial asset that did not meet the definition of a participating interest and did not meet sale accounting criteria; therefore, it is accounted for as a secured borrowing and classified as long-term debt on the Consolidated Statements of Condition. The Company has capital lease obligations for three of its leased banking branches.

Other Sources of Wholesale Funding

The Bank has relationships with brokered sweep deposit providers by which funds are deposited by the counterparties at the Bank's request. Amounts outstanding under these agreements are reported as interest-bearing deposits and totaled $113.2 million at a cost of 0.47% at September 30, 2015 and $111.8 million at a cost of 0.47% at December 31, 2014. The Bank maintains open dialogue with the brokered sweep providers and has the ability to increase the deposit balances upon request, up to certain limits based upon internal policy requirements.

Additionally, the Company has unused federal funds lines of credit with five counterparties totaling $137.5 million at September 30, 2015.

Note 8. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposure to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings. The Company also has interest rate derivatives that result from a service provided to certain qualifying customers. The Company manages a matched book with respect to these derivative instruments in order to minimize its net risk exposure resulting from such transactions.

Information about interest rate swap agreements and non-hedging derivative assets and liabilities as of September 30, 2015 and December 31, 2014 is as follows:

	Notional Amount	Weighted-Average Remaining Maturity	Weighted-Average Rate Received	Weighted-Average Rate Paid	Estimated Fair Value, Net Asset (Liability)
	(In thousands)	(In years)			(In thousands)
September 30, 2015					
Cash flow hedges:					
Forward starting interest rate swaps on future borrowings	$ 100,000	6.00	TBD (1)	2.54%	$ (4,318)
Interest rate swaps	75,000	5.08	0.30%	1.82%	(2,199)
Fair value hedges:					
Interest rate swaps	35,000	1.98	1.04%	0.27% (2)	220
Non-hedging derivatives:					
Forward loan sale commitments	41,068	0.00			25
Derivative loan commitments	35,423	0.00			827
Loan level swaps - dealer(3)	234,704	8.69	1.78%	3.94%	(12,971)
Loan level swaps - borrowers(3)	234,704	8.69	3.94%	1.78%	12,815
Total	$ 755,899				$ (5,601)
December 31, 2014					
Cash flow hedges:					
Forward starting interest rate swaps on future borrowings	$ 150,000	6.34	TBD (1)	2.45%	$ (1,069)
Interest rate swaps	25,000	2.41	0.23%	0.90%	73
Fair value hedges:					
Interest rate swaps	35,000	2.72	1.04%	0.24% (2)	(82)
Non-hedging derivatives:					
Forward loan sale commitments	14,091	0.00			(14)
Derivative loan commitments	8,839	0.00			213
Loan level swaps - dealer(3)	86,446	8.69	1.98%	4.34%	(3,816)
Loan level swaps - borrowers(3)	86,446	8.69	4.34%	1.98%	3,678
Total	$ 405,822				$ (1,017)

(1) The receiver leg of the cash flow hedges is floating rate and indexed to the 3-month USD-LIBOR-BBA, as determined two London banking days prior to the first day of each calendar quarter, commencing with the earliest effective trade. The earliest effective trade date for these forward starting cash flow hedges is October 15, 2015.

(2) The paying leg is one month LIBOR plus a fixed spread; above rate in effect as of the date indicated.

(3) The Company offers a loan level hedging product to qualifying commercial borrowers that seek to mitigate risk to rising interest rates. As such, the Company enters into equal and offsetting trades with dealer counterparties.

Cash Flow Hedges of Interest Rate Risk

The Company’s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and nine months ended September 30, 2015, the Company did not record any hedge ineffectiveness.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company’s variable-rate debt. The Company expects to reclassify $2.0 million from accumulated other comprehensive loss to interest expense during the next 12 months.

The Company is hedging its exposure to the variability in future cash flows for forecasted transactions over a period of approximately 60 months (excluding forecasted transactions related to the payment of variable interest on existing financial instruments).

As of September 30, 2015, the Company had six outstanding interest rate derivatives with a notional value of $175.0 million that were designated as cash flow hedges of interest rate risk.

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain of its fixed rate obligations due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the benchmark interest rate. Interest rate swaps designated as fair value hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for the Company making variable rate payments over the life of the agreements without the exchange of the underlying notional amount.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in earnings. The Company includes the gain or loss on the hedged items in the same line item as the offsetting gain or loss on the related derivatives. For the three and nine months ended September 30, 2015, the Company recognized a negligible net reduction to interest expense. For the three months ended September 30, 2014, the Company recognized a negligible net reduction to interest expense related to net settlements. For the nine months ended September 30, 2014, the Company recognized a net reduction to interest expense related to net settlements of $23,000. Amounts recognized as interest expense related to hedge ineffectiveness were negligible.

As of September 30, 2015, the Company had three outstanding interest rate derivatives with a notional amount of $35.0 million that were designated as a fair value hedge of interest rate risk.

Non-Designated Hedges

Qualifying derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers, which the Company implemented during the second quarter of 2013. The Company executes interest rate derivatives with commercial banking customers to facilitate their respective risk management strategies. Those interest rate derivatives are simultaneously hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

As of September 30, 2015, the Company had 36 borrower-facing interest rate derivatives with an aggregate notional amount of $234.7 million and 36 broker derivatives with an aggregate notional value amount of $234.7 million related to this program.

As of September 30, 2015 the Company had three risk participation agreements with two counterparties related to a loan level interest rate swap with three of its commercial banking customers. Of these agreements, two were entered into in conjunction with credit enhancements provided to the borrowers by the counterparties; therefore, if the borrowers default, the counterparties are responsible for a percentage of the exposure. During the third quarter of 2015, one agreement was entered into in conjunction with credit enhancements provided to the borrower by the Bank, whereby the Bank is responsible for a percentage of the exposure to the counterparty. At September 30, 2015 the notional amount of this risk participation agreement was $6.3 million, reflecting the counterpart participation of 3.1%. The risk participation agreements are a guarantee of performance on a derivative and accordingly, are recorded at fair value on the Company’s Consolidated Statements of Condition. At September 30, 2015, the notional amount of the remaining two risk participation agreements was $6.5 million, reflecting the counterparty participation level of 46.9%.

Derivative Loan Commitments

Additionally, the Company enters into mortgage loan commitments that are also referred to as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. The Company enters into commitments to fund residential mortgage loans at specified rates and times in the future, with the intention that these loans will subsequently be sold in the secondary market.

Outstanding derivative loan commitments expose the Company to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases.

Forward Loan Sale Commitments

To protect against the price risk inherent in derivative loan commitments, the Company utilizes both “mandatory delivery” and “best efforts” forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments.

With a “mandatory delivery” contract, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. If the Company fails to deliver the amount of mortgages necessary to fulfill the commitment by the specified date, it is obligated to pay a “pair-off” fee, based on then-current market prices, to the investor to compensate the investor for the shortfall.

With a “best efforts” contract, the Company commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally, the price the investor will pay the seller for an individual loan is specified prior to the loan being funded (e.g., on the same day the lender commits to lend funds to a potential borrower). The Company expects that these forward loan sale commitments will experience changes in fair value opposite to the change in fair value of derivative loan commitments.

Fair Values of Derivative Instruments on the Statement of Condition

The table below presents the fair value of the Company’s derivative financial instruments as well as their classification on the Consolidated Statements of Condition as of September 30, 2015 and December 31, 2014:

	Derivative Assets			Derivative Liabilities		
		Fair Value			Fair Value	
(In thousands)	Balance Sheet Location	Sep 30 2015	Dec 31, 2014	Balance Sheet Location	Sep 30, 2015	Dec 31, 2014
Derivatives designated as hedging instruments:						
Interest rate swap - cash flow hedge	Other Assets	$ —	$ 140	Other Liabilities	$ 6,517	$ 1,137
Interest rate swap - fair value hedge	Other Assets	220	34	Other Liabilities	—	116
Total derivatives designated as hedging instruments		$ 220	$ 174		$ 6,517	$ 1,253
Derivatives not designated as hedging instruments:						
Forward loan sale commitments	Other Assets	$ 67	$ 7	Other Liabilities	$ 42	$ 21
Derivative loan commitments	Other Assets	827	213		—	—
Interest rate swap - with customers	Other Assets	12,815	3,679		—	—
Interest rate swap - with counterparties		—	—	Other Liabilities	12,971	3,816
Total derivatives not designated as hedging		$ 13,709	$ 3,899		$ 13,013	$ 3,837

Effect of Derivative Instruments in the the Company’s Consolidated Statements of Net Income and Changes in Stockholders’ Equity

The table below presents the effect of derivative instruments in the Company’s Statements of Changes in Stockholders’ Equity designated as hedging instruments for the three and nine months ended September 30, 2015 and 2014:

Cash Flow Hedges

Derivatives Designated as Cash Flow Hedging Instruments	Amount of Gain (Loss) Recognized in AOCI (Effective Portion)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(In thousands)				
Interest rate swaps	$ (4,898)	$ 36	$ (5,787)	$ (4,851)

Derivatives Designated as Cash Flow Hedging Instruments	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(In thousands)				
Interest rate swaps	$ —	$ —	$ (12)	$ —

The tables below present information pertaining to the Company's derivatives in the Consolidated Statements of Net Income designated as hedging instruments for the three and nine months ended September 30, 2015 and 2014:

Fair Value Hedges

Derivatives Designated as Fair Value Hedging Instruments	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income for Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
(In thousands)					
Interest Rate Swaps	Interest income	$ 137	$ (180)	$ 303	$ (21)

		Amount of Gain (Loss) Recognized in Income for Hedged Items			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
Interest Rate Swaps	Interest income	$ (138)	$ 182	$ (306)	$ 22

The table below presents information pertaining to the Company's derivatives not designated as hedging instruments in the Consolidated Statements of Net Income as of September 30, 2015 and 2014:

	Amount of Gain (Loss) Recognized in Income			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2015	2014	2015	2014
Derivatives not designated as hedging instruments:				
Derivative loan commitments	$ 1,568	$ (143)	$ 614	$ 212
Forward loan sale commitments	(37)	233	39	6
Interest rate swaps	(245)	(20)	(3)	(190)
	$ 1,286	$ 70	$ 650	$ 28

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the counterparty defaults on any of its indebtedness or fails to maintain a well-capitalized rating, then the counterparty could also be declared in default on its derivative obligations and could be required to terminate its derivative positions with the counterparty.

As of September 30, 2015, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $19.8 million. As of September 30, 2015, the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral of $19.8 million against its obligations under these agreements. A degree of netting occurs on occasions where the Company has exposure to a counterparty and the counterparty has exposure to the Company. If the Company had breached any of these provisions at September 30, 2015, it could have been required to settle its obligations under the agreements at the termination value and would have been required to pay any additional amounts due in excess of amounts previously posted as collateral with the respective counterparty.

Note 9. Share-Based Compensation Plans

The Company maintains and operates the Rockville Financial, Inc. 2006 Stock Incentive Award Plan (the "2006 Plan") as approved by the Company's Board and stockholders. The 2006 Plan allows the Company to use stock options, stock awards, stock appreciation rights and performance awards to attract, retain and reward performance of qualified employees and others who contribute to the success of the Company. The 2006 Plan allows for maximum issuances of 530,587 restricted stock shares and 1,326,467 stock options. As of September 30, 2015, 16,319 restricted stock shares and 27,691 stock options remained available for future grants under the 2006 Plan.

The Company maintains and operates the Rockville Financial, Inc. 2012 Stock Incentive Plan (the “2012 Plan”) as approved by the Company’s Board and stockholders. The 2012 Plan allows the Company to use stock options, stock awards, and performance awards to attract, retain and reward performance of qualified employees and others who contribute to the success of the Company. The 2012 Plan allows for the issuance of a maximum of 684,395 restricted stock shares and 1,710,989 stock options. As of September 30, 2015, 44,302 restricted stock shares and 251,468 stock options remained available for future grants under the 2012 Plan.

In connection with the merger, the Company assumed the following Legacy United share-based compensation plans: (a) United Financial Bancorp, Inc. 2006 Stock-Based Incentive Plan, (b) United Financial Bancorp, Inc. 2008 Equity Incentive Plan, (c) CNB Financial Corp. 2008 Equity Incentive Plan, and (d) CNB Amended and Restated Stock Option Plan collectively referred to as “the Legacy United Stock Plans.” As of September 30, 2015, 375,494 shares remained available for future grants under the Legacy United Stock Plans.

On October 29, 2015, a special meeting of stockholders was held and the shareholders approved the 2015 Omnibus Stock Incentive Plan (the “2015 Plan”). The 2015 Plan allows the Company to use stock options, stock awards, and performance awards to attract, retain and reward performance of qualified employees and others who contribute to the success of the Company. The 2015 Plan reserves a total of up to 4,050,000 shares (the “Cap”) of Company common stock for issuance upon the grant or exercise of awards made pursuant to the 2015 Plan. Of these shares, the Company may grant shares in the form of restricted stock, performance shares and other stock-based awards and may grant stock options. However, the number of shares issuable will be adjusted by a “fungible ratio” of 2.35. This means that for each share award other than a stock option share or a stock appreciation right share, each 1 share awarded shall be deemed to be 2.35 shares awarded. The 2015 Plan will become effective as of the date of approval by the Company’s shareholders, and upon shareholder approval no other awards may be granted from either "the Conversion Plans" (Rockville Financial, Inc. 2006 Stock Incentive Award Plan and Rockville Financial, Inc. 2012 Stock Incentive Award Plan) or "the Legacy Plans" (United Financial Bancorp, Inc. 2006 Stock-Based Incentive Plan, United Financial Bancorp, Inc. 2008 Equity Incentive Plan, CNB Financial Corp. 2008 Equity Incentive Plan, and CNB Amended and Restated Stock Option Plan).

For the nine-month period ended September 30, 2015, total employee and Director share-based compensation expense recognized for stock options and restricted stock was $100,000 with a related tax benefit of $36,000 and $589,000 with a related tax benefit of $212,000, respectively. Of the total expense amount for the nine-month period, the amount for Director share-based compensation expense recognized (in the Consolidated Statements of Net Income as other non-interest expense) was $201,000, and the amount for officer share-based compensation expense recognized (in the Consolidated Statements of Net Income as salaries and employee benefit expense) was $488,000. For the nine-month period ended September 30, 2014, total employee and Director share-based compensation expense recognized for stock options and restricted stock was $1.6 million with a related tax benefit of $525,000 and $2.0 million with a related tax benefit of $700,000, respectively.

For the three-month period ended September 30, 2015, total employee and Director share-based compensation expense recognized for stock options and restricted stock was $32,000 with a related tax benefit of $12,000 and $131,000 with a related tax benefit of $47,000, respectively, all of which was officer share-based compensation expense recognized in the Consolidated Statements of Net Income, as salaries and employee benefit expense. For the three-month period ended September 30, 2014, total employee and Director share-based compensation expense recognized for stock options and restricted stock was $227,000 with a related tax benefit of $79,000 and $47,000 with a related tax benefit of $16,000, respectively.

The fair values of stock option and restricted stock awards, measured at grant date, are amortized to compensation expense on a straight-line basis over the vesting period. The Company accelerates the recognition of compensation costs for 2006 Plan share-based awards granted to retirement-eligible employees and Directors and employees and Directors who become retirement-eligible prior to full vesting of the award because the Company’s incentive compensation plans allow for full vesting at the time an employee or Director retires. Share-based compensation granted to non-retirement-eligible individuals pursuant to the 2006 Plan and share-based compensation granted to all individuals pursuant to the 2012 Plan are expensed over the normal vesting period as established by each plan.

Stock Options

The following table presents the activity related to stock options outstanding, including options that have stock appreciation rights (“SARs”), under the Plans 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 millions)
Outstanding at December 31, 2014	3,390,469	$ 10.70		
Granted	—	—		
Exercised	(478,510)	9.20		
Forfeited or expired	(62,371)	13.48		
Outstanding at September 30, 2015	2,849,588	$ 10.89	5.5	$ 6.4
Stock options vested and exercisable at September 30, 2015	2,633,076	$ 10.66	5.2	$ 6.4

As of September 30, 2015, the unrecognized cost related to outstanding stock options was $361,000 and will be recognized over a weighted-average period of 2.9 years.

There were no stock options granted during the nine months ended September 30, 2015. There were 397,095 stock options granted during the nine months ended September 30, 2014.

Options exercised during the nine months ended September 30, 2015 include awards that were originally granted as tandem SARs. Therefore, if the SAR component is exercised, it will not equate to the number of shares issued due to the conversion of the SAR option value to the actual share value at exercise date. Included in total options exercised during the nine months ended September 30, 2015, were 398,302 SAR options which converted to 269,179 issued shares.

Restricted Stock

Restricted stock provides grantees with rights to shares of common stock upon completion of a service period. During the restriction period, all shares are considered outstanding and dividends are paid on the restricted stock. During the nine months ended September 30, 2015, the Company issued 27,330 shares of restricted stock from shares available under the Company’s 2012 Plan to certain executives and directors. During the nine months ended September 30, 2015, the weighted-average grant date fair value was $12.44 per share and the restricted stock awards vest in equal annual installments on the anniversary date over a 3 year period. The following table presents the activity for restricted stock for the nine months ended September 30, 2015:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2014	124,536	$ 13.66
Granted	27,330	12.44
Vested	(47,022)	13.66
Forfeited	(1,135)	13.22
Unvested as of September 30, 2015	103,709	$ 13.34

As of September 30, 2015, there was $932,000 of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted-average period of 1.9 years.

Employee Stock Ownership Plan

In connection with its reorganization and stock offering completed in 2005, the Company established an Employee Stock Ownership Plan (“ESOP”) to provide substantially all employees of the Company the opportunity to also become shareholders. The ESOP borrowed $7.8 million from the Company to purchase 699,659 shares of common stock in the subscription offering and in the open market. This loan was paid in full at December 31, 2014. The 699,659 ESOP shares purchased in the initial reorganization in 2005 were exchanged for shares in the second-step conversion using an exchange ratio of 1.5167.

As part of the second-step conversion and stock offering completed in 2011, the ESOP borrowed an additional $7.1 million from the Company to purchase 684,395 shares of common stock during the initial public offering and in the open market. The outstanding loan balance of $6.5 million at September 30, 2015 will be repaid principally from the Bank’s discretionary contributions to the ESOP over a remaining period of 26 years.

The Company accounts for its ESOP in accordance with FASB ASC 718-40, *Compensation – Stock Compensation*. Under this guidance, unearned ESOP shares are not considered outstanding and are shown as a reduction of stockholders’ equity as unearned compensation. The Company will recognize compensation cost equal to the fair value of the ESOP shares during the periods in which they are committed to be allocated. To the extent that the fair value of the Company’s ESOP shares differs from the cost of such shares, this difference will be credited or debited to equity. As the loan is internally leveraged, the loan receivable from the ESOP to the Company is not reported as an asset nor is the debt of the ESOP shown as a liability in the Company's financial statements. Dividends on unallocated shares are used to pay the ESOP debt.

At September 30, 2015, the remaining loan had an outstanding balance of $6.5 million and the interest rate is the prime rate plus one percent. The unallocated ESOP shares are pledged as collateral on the loans. As the loans are repaid to the Company, shares will be released from collateral and will be allocated to the accounts of the participants. For the three months ended September 30, 2015 and 2014, ESOP compensation expense was $75,000 and $408,000 respectively. The ESOP compensation expense for the nine months ended September 30, 2015 and 2014 was $222,000 and $1.3 million, respectively.

The ESOP shares as of September 30, 2015 were as follows:

Allocated shares		1,152,426
Shares allocated for release		17,110
Unreleased shares		576,032
Total ESOP shares		1,745,568
Market value of unreleased shares at September 30, 2015 (in thousands)	$	7,741

The Company merged its ESOP with its Defined Contribution, or 401(k) Plan, effective January 1, 2014. In lieu of employer cash contributions to the 401(k) Plan, shares released from the pay down on the ESOP loan will be allocated to all participants in the 401(k) Plan.

Note 10. Pension and Other Post-Retirement Benefit Plans

Legacy Rockville offered a noncontributory defined benefit pension plan through December 31, 2012 for eligible employees who met certain minimum service and age requirements hired before January 1, 2005. Pension plan benefits were based upon employee earnings during the period of credited service. The pension plan was frozen effective December 31, 2012. Employees hired on or after January 1, 2005 receive no benefits under the plan. All other employees will accrue no additional retirement benefits on or after January 1, 2013, and the amount of their qualified retirement income will not exceed the amount of benefits determined as of December 31, 2012.

As a result of the Merger, the Company participates in the Pentegra Defined Benefit Plan for Financial Institutions, a tax-qualified multi-employer defined benefit pension plan.

The Company also has supplemental retirement plans (the "Supplemental Plans") that provide benefits for certain key officers. Benefits under the Supplemental Plans are based on a predetermined formula and are reduced by other benefits. The liability arising from these plans is being accrued over the participants' remaining periods of service so that at the expected retirement dates, the present value of the annual payments will have been expensed.

The Company also provides an unfunded post-retirement medical, health and life insurance benefit plan for retirees and employees hired prior to March 31, 1993.

The following table presents the amount of net periodic pension costs for the three and nine months ended September 30, 2015 and 2014:

For the Three Months Ended:	Qualified Pension September 30,		Supplemental Executive Retirement Plans September 30,		Other Post-Retirement Benefits September 30,	
	2015	2014	2015	2014	2015	2014
(In thousands)						
Service cost	$ 15	$ 19	$ 6	$ 22	$ 6	$ 5
Interest cost	290	286	9	28	20	21
Expected return on plan assets	(456)	(468)	—	—	—	—
Amortization:						
Loss (gain)	185	—	1	—	5	(3)
Prior service cost	—	—	2	8	—	—
Additional amount recognized due to settlement or curtailment	—	—	—	—	—	—
Net periodic benefit cost (benefit)	$ 34	$ (163)	$ 18	$ 58	$ 31	$ 23

For the Nine Months Ended:	Qualified Pension September 30,		Supplemental Executive Retirement Plans September 30,		Other Post-Retirement Benefits September 30,	
	2015	2014	2015	2014	2015	2014
(In thousands)						
Service cost	$ 45	$ 56	$ 18	$ 41	$ 17	$ 14
Interest cost	871	859	31	60	60	64
Expected return on plan assets	(1,368)	(1,404)	—	—	—	—
Amortization:						
Loss (gain)	554	—	2	1	14	(8)
Prior service cost	—	—	5	16	—	—
Additional amount recognized due to settlement or curtailment	—	—	40	667	—	—
Net periodic benefit cost (benefit)	$ 102	$ (489)	$ 96	$ 785	$ 91	$ 70

Note 11. Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly, additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. The regulations require the Company and the Bank to meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities, and certain off-balance sheet items, as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. At September 30, 2015, the Bank exceeded all regulatory capital requirements and is considered "well-capitalized" under regulatory guidelines.

Basel III

In July 2013, federal banking regulators approved final rules that implement changes to the regulatory capital framework for U.S. banks. The rules set minimum requirements for both the quantity and quality of capital held by community banking institutions. The final rule includes a new minimum ratio of common equity Tier 1 capital to risk weighted assets of 4.5%, raises the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6%, and includes a minimum leverage ratio of 4% for all banking organizations. Additionally, community banking 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 phase-in period for the rules began for the Company on January 1, 2015, with full compliance with all of the final rules' requirements phased in over a multi-year schedule. Management believes that the Company's capital levels will remain characterized as "well-capitalized" under the new rules.

The following is a summary of the Company's and the Bank's regulatory capital amounts and ratios as of September 30, 2015 and December 31, 2014 compared to the Federal Deposit Insurance Corporation's requirements for classification as a well-capitalized institution and for minimum capital adequacy:

	Actual		Minimum For Capital Adequacy Purposes		Minimum To Be Well-Capitalized Under Prompt Corrective Action Provisions		
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	
United Bank:							
September 30, 2015							
Total capital to risk weighted assets	$ 574,827	12.4%	$ 371,756	8.0%	$ 464,694	10.0%	
Common equity tier 1 capital to risk weighted assets	542,711	11.7	209,092	4.5	302,022	6.5	
Tier 1 capital to risk weighted assets	542,711	11.7	278,790	6.0	371,720	8.0	
Tier 1 capital to total average assets	542,711	9.6	225,894	4.0	282,368	5.0	
December 31, 2014							
Total capital to risk weighted assets	$ 513,960	12.9%	$ 317,750	8.0%	$ 397,187	10.0%	
Tier 1 capital to risk weighted assets	487,713	12.3	158,864	4.0	238,296	6.0	
Tier 1 capital to total average assets	487,713	9.3	210,221	4.0	262,776	5.0	
United Financial Bancorp, Inc.							
September 30, 2015							
Total capital to risk weighted assets	$ 618,563	13.3%	$ 372,068	8.0%	$ 465,085	10.0%	(1)
Common equity tier 1 capital to risk weighted assets	511,447	11.0	209,419	4.5	302,494	6.5	(1)
Tier 1 capital to risk weighted assets	511,447	11.0	279,225	6.0	372,300	8.0	(1)
Tier 1 capital to total average assets	511,447	9.1	225,307	4.0	281,634	5.0	(1)
December 31, 2014							
Total capital to risk weighted assets	$ 579,109	14.6%	$ 317,973	8.0%	N/A	N/A	
Tier 1 capital to risk weighted assets	477,862	12.0	159,022	4.0	N/A	N/A	
Tier 1 capital to total average assets	477,862	9.1	210,049	4.0	N/A	N/A	

(1) Pursuant to Basel III regulatory capital reform rules effective January 1, 2015.

Connecticut law restricts the amount of dividends that the Bank can pay the Company based on retained earnings for the current year and the preceding two years.

On May 21, 2015, the Company announced the results of the annual meeting of stockholders. The stockholders approved the amendment to the Certificate of Incorporation to increase the number of authorized shares of common stock from 60,000,000 to 120,000,000. The increase in the number of authorized shares of common stock became effective May 21, 2015.

Note 12. Accumulated Other Comprehensive Loss

Components of accumulated other comprehensive loss, net of taxes, consist of the following:

(In thousands)	Net Unrealized Gain (Loss) on Benefit Plans	Net Unrealized Gain on Available For Sale Securities	Net Unrealized Loss on Interest Rate Swaps	Accumulated Other Comprehensive Loss
December 31, 2014	$ (6,509)	$ 656	$ (637)	$ (6,490)
Change	510	1,324	(3,532)	(1,698)
September 30, 2015	$ (5,999)	$ 1,980	$ (4,169)	$ (8,188)

The components of accumulated other comprehensive loss, included in stockholders' equity, are as follows:

(In thousands)	September 30, 2015	December 31, 2014
Benefit plans:		
Unrecognized net actuarial loss	$ (9,377)	$ (9,952)
Tax effect	3,378	3,443
Net-of-tax amount	(5,999)	(6,509)
Securities available for sale:		
Net unrealized gain	3,111	1,030
Tax effect	(1,131)	(374)
Net-of-tax amount	1,980	656
Interest rate swaps:		
Net unrealized loss	(6,517)	(996)
Tax effect	2,348	359
Net-of-tax amount	(4,169)	(637)
	$ (8,188)	$ (6,490)

Note 13. Net Income Per Share

The following table sets forth the calculation of basic and diluted net income per share for the three and nine months ended September 30, 2015 and 2014:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(In thousands, except share data)	2015	2014	2015	2014
Net income available to common stockholders	$ 13,381	$ 9,985	$ 39,738	$ 5,361
Weighted-average common shares outstanding	49,510,996	52,809,265	49,414,633	40,980,165
Less: average number of unallocated ESOP award shares	(579,793)	(646,630)	(585,440)	(678,545)
Weighted-average basic shares outstanding	48,931,203	52,162,635	48,829,193	40,301,620
Dilutive effect of stock options	498,606	588,023	510,078	334,627
Weighted-average diluted shares	49,429,809	52,750,658	49,339,271	40,636,247
Net income per share:				
Basic	$ 0.27	$ 0.19	$ 0.81	$ 0.13
Diluted	$ 0.27	$ 0.19	$ 0.81	$ 0.13

For both the three and nine months ended September 30, 2015, the weighted-average number of anti-dilutive stock options excluded from diluted earnings per share were 637,770. For the three and nine months ended September 30, 2014, the weighted-average number of anti-dilutive stock options excluded from diluted earnings per share were 880,920 shares and 741,086 shares, respectively. For the 2015 periods shown, the stock options are anti-dilutive because the strike price is greater than the average fair value of the Company's common stock for the periods presented.

Note 14. Fair Value Measurements

Fair value estimates are made as of a specific point in time based on the characteristics of the assets and liabilities and relevant market information. In accordance with FASB ASC 820, 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 are described below:

Level 1: Quoted prices are available in active markets for identical assets and liabilities as of the reporting date. The quoted price is not adjusted because of the size of the position relative to trading volume.

Level 2: Pricing inputs are observable for assets and liabilities, either directly or indirectly, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for assets and liabilities and include situations where there is little, if any, market activity and the determination of fair value requires significant judgment or estimation.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, the determination of which category within the fair value hierarchy is appropriate for any given asset and liability is based on the lowest level of input that is significant to the fair value of the asset and liability.

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, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and could be material. Derived fair value estimates may not 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 for financial instrument fair value disclosures 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.

Loans Held for Sale

The Company has elected the fair value option for its portfolio of residential real estate mortgage loans held for sale to reduce certain timing differences and better match changes in fair value of the loans with changes in the fair value of the derivative loan sale contracts used to economically hedge them.

The aggregate principal amount of the residential real estate mortgage loans held for sale was $12.9 million and $8.1 million at September 30, 2015 and December 31, 2014, respectively. The aggregate fair value of these loans as of the same dates was $13.5 million and $8.2 million, respectively.

There were no residential real estate mortgage loans held for sale 90 days or more past due at September 30, 2015 and December 31, 2014.

The following table presents the gains in fair value related to mortgage loans held for sale for the periods indicated. Changes in the fair value of mortgage loans held for sale are reported as a component of income from mortgage banking activity in the Consolidated Statements of Net Income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2015	2014	2015	2014
Mortgage loans held for sale	$ (498)	$ (439)	$ 183	$ 128

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables detail the assets and liabilities 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. There were no transfers in and out of Level 1, Level 2 and Level 3 measurements during the nine months ended September 30, 2015 and 2014.

(In thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2015				
Available-for-Sale Securities:				
U.S. Government and government-sponsored enterprise obligations	$ 10,070	$ —	$ 10,070	$ —
Government-sponsored residential mortgage-backed securities	110,122	—	110,122	—
Government-sponsored residential collateralized debt obligations	301,292	—	301,292	—
Government-sponsored commercial mortgage-backed securities	55,351	—	55,351	—
Government-sponsored commercial collateralized debt obligations	132,724	—	132,724	—
Asset-backed securities	164,005	—	16,972	147,033
Corporate debt securities	64,894	—	63,308	1,586
Obligations of states and political subdivisions	199,265	—	199,265	—
Marketable equity securities	42,670	3,217	39,453	—
Total available-for-sale securities	$ 1,080,393	$ 3,217	$ 928,557	$ 148,619
Mortgage loan derivative assets	$ 894	$ —	$ 894	$ —
Mortgage loan derivative liabilities	42	—	42	—
Loans held for sale	13,511	—	13,511	—
Mortgage servicing rights	5,995	—	—	5,995
Interest rate swap assets	13,035	—	13,035	—
Interest rate swap liabilities	19,488	—	19,488	—
December 31, 2014				
Available-for-Sale Securities:				
U.S. Government and government-sponsored enterprise obligations	$ 6,822	$ —	$ 6,822	$ —
Government-sponsored residential mortgage-backed securities	167,419	—	167,419	—
Government-sponsored residential collateralized-debt obligations	238,133	—	238,133	—
Government-sponsored commercial mortgage-backed securities	68,298	—	68,298	—
Government-sponsored commercial collateralized-debt obligations	129,686	—	129,686	—
Asset-backed securities	178,755	—	43,166	135,589
Corporate debt securities	42,245	—	40,627	1,618
Obligations of states and political subdivisions	195,772	—	195,772	—
Marketable equity securities	25,881	3,299	22,582	—
Total available-for-sale securities	$ 1,053,011	$ 3,299	$ 912,505	$ 137,207
Mortgage loan derivative assets	$ 220	$ —	$ 220	$ —
Mortgage loan derivative liabilities	21	—	21	—
Loans held for sale	8,220	—	8,220	—
Mortgage servicing rights	4,729	—	—	4,729
Interest rate swap assets	3,853	—	3,853	—
Interest rate swap liabilities	4,931	—	4,931	—

The following table presents additional information about assets measured at fair value on a recurring basis for which the Company utilized Level 3 inputs to determine fair value:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2015	2014	2015	2014
Balance of available-for-sale securities, at beginning of period	$ 146,956	$ 135,231	$ 137,207	$ 72,963
Purchases	2,995	4,599	12,794	67,772
Principal payments	(532)	(3,255)	(967)	(5,415)
Total unrealized gains (losses) included in other comprehensive income/loss	(800)	(407)	(415)	848
Balance at end of period	$ 148,619	$ 136,168	$ 148,619	$ 136,168
Balance of mortgage servicing rights, at beginning of period	$ 5,994	$ 4,554	$ 4,729	$ 4,103
Addition of Legacy United mortgage servicing rights	—	—	—	764
Issuances	889	455	2,154	773
Change in fair value recognized in net income	(888)	(103)	(888)	(734)
Balance at end of period	$ 5,995	$ 4,906	$ 5,995	$ 4,906

The following valuation methodologies are used for certain assets that are recorded at fair value on a recurring basis.

Available-for-Sale Securities: 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 an independent pricing service. Level 1 securities are those traded on active markets for identical securities including U.S. treasury securities, equity securities and mutual funds. Level 2 securities include U.S. Government agency obligations, U.S. Government-sponsored enterprises, mortgage-backed securities, obligations of states and political subdivisions, corporate and other debt securities. Level 3 securities include private placement securities and thinly traded equity securities. All fair value measurements are obtained from a third party pricing service and are not adjusted by management.

Matrix pricing is used for pricing most obligations of states and political subdivisions, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on securities relationships to other benchmark quoted securities. The grouping of securities is completed according to insurer, credit support, state of issuance and rating to incorporate additional spreads and municipal bond yield curves.

The valuation of the Company's asset-backed securities is obtained from a third party pricing provider and is determined utilizing an approach that combines advanced analytics with structural and fundamental cash flow analysis based upon observed market based yields. The third party provider's model analyzes each instrument's underlying collateral given observable collateral characteristics and credit statistics to extrapolate future performance and project cash flows, by incorporating expectations of default probabilities, recovery rates, prepayment speeds, loss severities and a derived discount rate. The Company has determined that due to the liquidity and significance of unobservable inputs, that asset-backed securities are classified in Level 3 of the valuation hierarchy.

The Company holds one pooled trust preferred security. The security's fair value is based on unobservable issuer-provided financial information and discounted cash flow models derived from the underlying structured pool and therefore is classified as Level 3.

Loans Held for Sale: The fair value of residential mortgage loans held for sale is estimated using quoted market prices for loans with similar characteristics provided by government-sponsored entities. Any changes in the valuation of mortgage loans held for sale is based upon the change in market interest rates between closing the loan and the measurement date and an immaterial portion attributable to changes in instrument-specific credit risk. The Company has determined that loans held for sale are classified in Level 2 of the valuation hierarchy.

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 provided by a third party and 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 recorded monthly. (See Note 4, "Loans Receivable and Allowance for Loan Losses" in the Notes to Consolidated Financial Statements contained elsewhere in this report) as the cash flows derived from the valuation model change the fair value of the asset. 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.

Derivatives: Derivative instruments related to commitments for loans to be sold are carried at fair value. Fair value is determined through quotes obtained from actively traded mortgage markets. Any change in fair value for rate lock commitments to the borrower is based upon the change in market interest rates between making the rate lock commitment and the measurement date and, for forward loan sale commitments to the investor, is based upon the change in market interest rates from entering into the forward loan sales contract and the measurement date. Both the rate lock commitments to the borrowers and the forward loan sale commitments to investors are derivatives pursuant to the requirements of FASB ASC 815-10; however, the Company has not designated them as hedging instruments. Accordingly, they are marked to fair value through earnings.

The Company's intention is to sell the majority of its fixed rate mortgage loans with original terms of 30 years on a servicing retained basis as well as certain 10, 15 and 20 year loans. The servicing value has been included in the pricing of the rate lock commitments. The Company estimates a fallout rate of approximately 14.5% based upon historical averages in determining the fair value of rate lock commitments. Although the use of historical averages is based upon unobservable data, the Company believes that this input is insignificant to the valuation and, therefore, has concluded that the fair value measurements meet the Level 2 criteria. The Company continually reassesses the significance of the fallout rate on the fair value measurement and updates the fallout rate accordingly.

Hedging derivatives include interest rate swaps as part of management's strategy to manage interest rate risk. The valuation of the Company's interest rate swaps is obtained from a third-party pricing service and is determined using a discounted cash flow analysis on the expected cash flows of each derivative. The pricing analysis is based on observable inputs for the contractual terms of the derivatives, including the period to maturity and interest rate curves. The Company has determined that the majority of the inputs used to value its interest rate derivatives fall within Level 2 of the fair value hierarchy.

The following table presents additional quantitative information about assets measured at fair value on a recurring basis for which the Company utilized Level 3 inputs to determine fair value at September 30, 2015:

(Dollars in thousands)

	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Asset-backed securities	$ 147,033	Discounted Cash Flow	Discount Rates	1.2% - 6.1% (4.3%)
			Cumulative Default %	6.1% - 13.3% (8.7%)
			Loss Given Default	1.9% - 9.7% (2.8%)
Corporate debt - pooled trust preferred security	$ 1,586	Discounted Cash Flow	Discount Rate	7.3% (7.3%)
			Cumulative Default %	2.8% - 78.0% (13.4%)
			Loss Given Default	85% - 100% (89.8%)
Mortgage servicing rights	$ 5,995	Discounted Cash Flow	Discount Rate	9.0% - 18.0% (10.5%)
			Cost to Service	$50 - $110 ($60.6)
			Float Earnings Rate	0.25% (0.25%)

Asset-backed securities: Given the level of market activity for the asset backed securities in the portfolio, the discount rates utilized in the fair value measurement were derived by analyzing current market yields for comparable securities and research reports issued by brokers and dealers in the financial services industry. Adjustments were then made for credit and structural differences between these types of securities. There is an inverse correlation between the discount rate and the fair value measurement. When the discount rate increases, the fair value decreases.

Other significant unobservable inputs to the fair value measurement of the asset backed securities in the portfolio included prospective defaults and recoveries. The cumulative default percentage represents the lifetime defaults assumed. The loss given default percentage represents the percentage of current and projected defaults assumed to be lost. There is an inverse correlation between the default percentages and the fair value measurement. When default percentages increase, the fair value decreases.

Corporate debt: Given the level of market activity for the trust preferred securities in the form of collateralized debt obligations, the discount rate utilized in the fair value measurement were derived by analyzing current market yields for trust preferred securities of individual name issuers in the financial services industry. Adjustments were then made for credit and structural differences between these types of securities. There is an inverse correlation between the discount rate and the fair value measurement. When the discount rate increases, the fair value decreases.

Other significant unobservable inputs to the fair value measurement of the collateralized debt obligations included prospective defaults and recoveries. The cumulative default percentage represents the lifetime defaults assumed, excluding currently defaulted collateral and including all performing and currently deferring collateral. As a result, the cumulative default percentage also reflects assumptions of the possibility of currently deferring collateral curing and becoming current. The loss given default percentage represents the percentage of current and projected defaults assumed to be lost. There is an inverse correlation between the cumulative default and loss given default percentages and the fair value measurement. When default percentages increase, the fair value decreases.

Mortgage servicing rights: Given the low level of market activity in the MSR market and the general difficulty in price discovery, even when activity is at historic norms, the discount rate utilized in the fair value measurement was derived by analyzing recent and historical pricing for MSRs. Adjustments were then made for various loan and investor types underlying these MSRs. There is an inverse correlation between the discount rate and the fair value measurement. When the discount rate increases, the fair value decreases.

Other significant unobservable inputs to the fair value measurement of MSR's include cost to service, an input that is not as simple as taking total costs and dividing by a number of loans. It is a figure informed by marginal cost and pricing for MSRs by competing firms, taking other assumptions into consideration. It is different for different loan types. There is an inverse correlation between the cost to service and the fair value measurement. When the cost assumption increase, the fair value decreases.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company may also be required, from time to time, to measure certain other assets at fair value on a non-recurring basis in accordance with generally accepted accounting principles; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. The following tables detail the assets carried at fair value on a non-recurring basis at September 30, 2015 and December 31, 2014 and indicate the fair value hierarchy of the valuation technique utilized by the Company to determine fair value. There were no liabilities measured at fair value on a non-recurring basis at September 30, 2015 and December 31, 2014.

(In thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2015				
Impaired loans	$ 2,308	$ —	$ —	$ 2,308
Other real estate owned	258	—	—	258
Total	$ 2,566	$ —	$ —	$ 2,566
December 31, 2014				
Impaired loans	$ 2,863	$ —	$ —	$ 2,863
Other real estate owned	2,239	—	—	2,239
Total	$ 5,102	$ —	$ —	$ 5,102

The following is a description of the valuation methodologies used for certain assets that are recorded at fair value on a non-recurring basis.

Other Real Estate Owned: The Company classifies property acquired through foreclosure or acceptance of deed-in-lieu of foreclosure, as other real estate owned ("OREO") in its financial statements. Upon foreclosure, the property securing the loan is recorded at fair value as determined by real estate appraisals less the estimated selling expense. Appraisals are based upon observable market data such as comparable sales within the real estate market. Assumptions are also made based on management's judgment of the appraisals and current real estate market conditions and therefore these assets are classified as non-recurring Level 3 assets in the fair value hierarchy.

Impaired Loans: Accounting standards require that a creditor recognize the impairment of a loan if the present value of expected future cash flows discounted at the loan's effective interest rate (or, alternatively, the observable market price of the loan or the fair value of the collateral) is less than the recorded investment in the impaired loan. Non-recurring fair value adjustments to collateral dependent loans are recorded, when necessary, to reflect partial write-downs and the specific reserve allocations based upon observable market price or current appraised value of the collateral less selling costs and discounts based on management's judgment of current conditions. Based on the significance of management's judgment, the Company records collateral dependent impaired loans as non-recurring Level 3 fair value measurements.

Gains (losses) on assets recorded at fair value on a non-recurring basis are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2015	2014	2015	2014
Impaired loans	$ (162)	$ 186	$ (249)	$ (461)
Other real estate owned	(1)	34	166	205
Total	$ (163)	$ 220	$ (83)	$ (256)

Disclosures about Fair Value of Financial Instruments:

The following methods and assumptions were used by management to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and Cash Equivalents: Carrying value is assumed to represent fair value for cash and due from banks and short-term investments, which have original maturities of 90 days or less.

Securities: Refer to the above discussion on securities.

Loans Held for Sale: Refer to the above discussion on loans held for sale.

Loans Receivable – net: The fair value of the net loan portfolio is determined by discounting the estimated future cash flows using the prevailing interest rates and appropriate credit and prepayment risk adjustments as of period-end at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of non-performing loans is estimated using the Bank’s prior credit experience.

Federal Home Loan Bank of Boston (“FHLBB”) stock: FHLBB stock is a non-marketable equity security which is assumed to have a fair value equal to its carrying value due to the fact that it can only be redeemed by the FHLB Boston at par value.

Accrued Interest Receivable: Carrying value is assumed to represent fair value.

Derivative Assets: Refer to the above discussion on derivatives.

Mortgage Servicing Rights: Refer to the above discussion on mortgage servicing rights.

Deposits and Mortgagors’ and Investors’ Escrow Accounts: The fair value of demand, non-interest- bearing checking, savings and certain money market deposits is determined as the amount payable on demand at the reporting date. The fair value of time deposits is estimated by discounting the estimated future cash flows using rates offered for deposits of similar remaining maturities as of period-end.

FHLBB Advances and Other Borrowings: The fair value of borrowed funds is estimated by discounting the future cash flows using market rates for similar borrowings.

Derivative Liabilities: Refer to the above discussion on derivatives.

As of September 30, 2015 and December 31, 2014, the carrying value and estimated fair values of the Company's financial instruments are as described below:

(In thousands)	Carrying Value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
September 30, 2015					
Financial assets:					
Cash and cash equivalents	$ 98,310	$ 98,310	$ —	$ —	$ 98,310
Available-for-sale securities	1,080,393	3,217	928,557	148,619	1,080,393
Held-to-maturity securities	14,715	—	15,796	—	15,796
Loans held for sale	13,511	—	13,511	—	13,511
Loans receivable-net	4,185,032	—	—	4,244,442	4,244,442
FHLBB stock	40,814	—	—	40,814	40,814
Accrued interest receivable	15,477	—	—	15,477	15,477
Derivative assets	13,929	—	13,929	—	13,929
Mortgage servicing rights	5,995	—	—	5,995	5,995
Financial liabilities:					
Deposits	4,262,971	—	—	4,269,424	4,269,424
Mortgagors' and investors' escrow accounts	8,108	—	—	8,108	8,108
FHLBB advances and other borrowings	893,865	—	894,309	—	894,309
Derivative liabilities	19,530	—	19,530	—	19,530
December 31, 2014					
Financial assets:					
Cash and cash equivalents	$ 86,952	$ 86,952	$ —	$ —	$ 86,952
Available-for-sale securities	1,053,011	3,299	912,505	137,207	1,053,011
Held-to-maturity securities	15,368	—	16,713	—	16,713
Loans held for sale	8,220	—	8,220	—	8,220
Loans receivable-net	3,877,063	—	—	3,919,432	3,919,432
FHLBB stock	31,950	—	—	31,950	31,950
Accrued interest receivable	14,212	—	—	14,212	14,212
Derivative assets	4,073	—	4,073	—	4,073
Mortgage servicing rights	4,729	—	—	4,729	4,729
Financial liabilities:					
Deposits	4,035,311	—	—	3,899,658	3,899,658
Mortgagors' and investors' escrow accounts	13,004	—	—	13,004	13,004
FHLBB advances and other borrowings	777,314	—	—	773,786	773,786
Derivative liabilities	4,952	—	4,952	—	4,952

Certain financial instruments and all nonfinancial investments are exempt from disclosure requirements. Accordingly, the aggregate fair value of amounts presented above may not necessarily represent the underlying fair value of the Company.

Note 15. Commitments and Contingencies

Financial Instruments With Off-Balance Sheet Risk

In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit through issuing standby letters of credit and undisbursed portions of construction loans and involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized on the Consolidated Statements of Condition. The contractual amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer defaults and the value of any existing collateral obligations is deemed worthless. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments. Off-balance sheet financial instruments whose contract amounts represent credit risk are as follows at September 30, 2015 and December 31, 2014:

(In thousands)	September 30, 2015	December 31, 2014
Commitments to extend credit:		
Commitment to grant loans	$ 248,051	$ 128,766
Undisbursed construction loans	111,240	144,118
Undisbursed home equity lines of credit	310,430	321,346
Undisbursed commercial lines of credit	303,367	295,639
Standby letters of credit	10,641	12,547
Unused credit card lines	5,249	—
Unused checking overdraft lines of credit	1,315	1,304
Total	$ 990,293	$ 903,720

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. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Since these commitments could 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 varies but may include residential and commercial property, accounts receivable, inventory, property, plant and equipment, deposits, and securities.

Other Commitments

In conjunction with its merger with Legacy United, the Company acquired investments in partnerships, including low income housing tax credit and new markets housing tax credit partnerships. In September 2014 and March 2015, the Company invested in alternative energy tax credit partnerships. The net carrying balance of all of the partnership investments totaled $21.7 million at September 30, 2015 and is included in other assets in the consolidated statement of condition. At September 30, 2015, the Company was contractually committed under these limited partnership agreements to make additional capital contributions of approximately $706,000, which constitutes our maximum potential obligation to these partnerships. The Company makes additional investments in response to formal written requests, rather than a funding schedule. Funding requests are submitted when the partnerships plan to make additional investments.

Legal Matters

The Company is involved in various legal proceedings that have arisen in the normal course of business. The Company is not involved in any legal proceedings deemed to be material as of September 30, 2015.

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 that are within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties. These risks and uncertainties could cause our results to differ materially from those set forth in such forward-looking statements.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Words such as “believes,” “anticipates,” “expects,” “intends,” “plans,” “estimates,” “targeted” and similar expressions, and future or conditional verbs, such as “will,” “would,” “should,” “could” or “may” are intended to identify forward-looking statements but are not the only means to identify these statements.

Risk Factors

Factors that have a material adverse effect on operations include, but are not limited to, the following:

- Local, regional, national and international 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;
- Competition for opportunistic acquisitions can be highly competitive, and we may not be able to acquire other institutions on attractive terms. There can be no assurance that regulators will provide the requisite approvals or that we will be successful in completing future acquisitions;
- The ability to increase market share and control expenses may be more difficult than anticipated;
- Changes in government regulations (including those concerning taxes, banking, securities and insurance) may adversely affect us or our businesses, including those under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the Basel III update to the Basel Accords;
- Changes in accounting policies and practices, as may be adopted by regulatory agencies 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;
- If the tax credit positions we have taken in tax credit investments for federal renewable energy tax benefits are challenged by the taxing authorities and not upheld, it could have a negative impact to profitability.
- Technological changes and cyber-security matters;
- Changes in demand for loan products, financial products and deposit flow could impact our financial performance;
- The timely development and acceptance of new products and services and perceived overall value of these products and services by customers;
- Adverse conditions in the securities markets that lead to impairment in the value of securities in our investment portfolio;
- Strong competition within our market area may limit our growth and profitability;
- We have opened and may open additional new branches and/or loan production offices which may not become profitable as soon as anticipated, if at all;
- If the goodwill that the Company has recorded in connection with its mergers and acquisitions becomes impaired, it could have a negative impact on 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 banking regulations and our Certificate of Incorporation restricting takeovers;
- Changes in the level of non-performing assets and charge-offs;
- Because we intend to continue to increase our commercial real estate and commercial business loan originations, our lending risk may increase, and downturns in the real estate market or local economy could adversely affect our earnings;
- The trading volume in our stock is less than in larger publicly traded companies which can cause price volatility, hinder your ability to sell our common stock and may lower the market price of the stock;
- Our ability to attract and retain qualified employees;
- We may not manage the risks involved in the foregoing as well as anticipated, and
- Severe weather, natural disasters, acts of God, war or terrorism and other external events could significantly impact our business.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Except as required by applicable law or regulation, management undertakes no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand United Financial Bancorp, Inc., our operations and our present business environment. We believe accuracy, transparency and clarity are the primary goals of successful financial reporting. We remain committed to transparency in our financial reporting, providing our stockholders with informative financial disclosures and presenting an accurate view of our financial disclosures, financial position and operating results.

The MD&A is provided as a supplement to—and should be read in conjunction with—our Unaudited Consolidated Financial Statements and the accompanying notes thereto contained in Part I, Item 1, of this report as well as our Annual Report on Form 10-K for the year ended December 31, 2014. The following sections are included in the MD&A:

- *Our Business* – a general description of our business, our objectives and regulatory considerations.
- *Critical Accounting Estimates* – a discussion of accounting estimates that require critical judgments and estimates.
- *Operating Results* – an analysis of our Company's consolidated results of operations for the periods presented in our Unaudited Consolidated Financial Statements.
- *Comparison of Financial Liquidity and Capital Resources* – an overview of financial condition and market interest rate risk.

Our Business

Merger with Legacy United

On April 30, 2014, Rockville Financial, Inc. ("Rockville") completed its merger with United Financial Bancorp, Inc. ("Legacy United") and changed its legal entity name to United Financial Bancorp, Inc. (the "Company"). In connection with this merger, Rockville Bank, the Company's principal asset and wholly-owned subsidiary, completed its merger with Legacy United's banking subsidiary, United Bank, and changed its name to United Bank (the "Bank"). Discussions throughout this report related to the merger with Legacy United are referred to as the "Merger."

The Merger had a significant impact by more than doubling the assets and deposits of the former Rockville Financial, Inc., expanding the branch network and by entering into new markets – Western and Central Massachusetts as well as expanding our presence in Central Connecticut.

General

By assets, United Financial Bancorp, Inc. is the third largest publicly traded banking institution headquartered in Connecticut with consolidated assets of $5.84 billion and stockholders' equity of $621.5 million at September 30, 2015.

The Company delivers financial services to individuals, families and businesses throughout Connecticut and Massachusetts through its 52 banking offices, its commercial loan production offices, its mortgage loan production offices, 63 ATMs, telephone banking, mobile banking, and online banking (www.bankatunited.com).

The Company's vision is to pursue excellence in all things with respect to its customers, employees, shareholders and communities. This has helped United Financial Bancorp, Inc. fulfill the financial needs of its customers while delivering an exceptional banking experience in the market areas that it has served since 1858. The structure of United Bank supports the vision with community banking teams in each market that provide traditional banking products and services to business organizations and individuals, including residential and commercial real estate loans, commercial business loans, consumer loans, financial advisory services and a variety of deposit products. Current strategies for the Company include continuing to expand commercial real estate and commercial business lending activities; growing the Company's deposit base; building on the success of its residential mortgage lending activities; increasing the non-interest income component of total revenues through development of banking-related fee income and the sale of insurance and investment products; and remaining focused on improving operating efficiencies.

The Company's results of operations depend primarily on net interest income, which is the difference between the income earned on its loan and securities portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by the Company's provision for loan losses, gains and losses from sales of loans and securities, and non-interest income and expenses. Non-interest income primarily consists of fee income from depositors, mortgage servicing income, mortgage origination and loan sale income, loan swap fees and increases in cash surrender value of bank-owned life insurance ("BOLI"). Non-interest expenses consist principally of salaries and employee benefits, occupancy, service bureau fees, core deposit intangible amortization, marketing, professional fees, FDIC insurance assessments, and other operating expenses.

Results of operations are also significantly affected by general economic and competitive conditions and changes in interest rates as well as government policies and actions of regulatory authorities. Future changes in applicable laws, regulations or government policies may materially affect the Company. Uncertainty and challenges surrounding future economic growth, consumer confidence, credit availability, competition and corporate earnings remains.

Our Objectives

The Company seeks to continually deliver superior value to its customers, stockholders, employees and communities through achievement of its core operating objectives which are to:

- Grow and retain core deposit relationships with a focus on checking, savings and money market accounts for personal, business and municipal depositors;
- Build high quality, profitable loan portfolios using primarily organic growth and also purchase strategies, while also continuing to maintain and improve efficiencies in its robust secondary mortgage banking business;
- Build and diversify revenue streams through development of banking-related fee income, in particular, through the expansion of its financial advisory services;
- Maintain expense discipline and improve operating efficiencies;
- Invest in technology to enhance superior customer service and products; and
- Maintain a rigorous risk identification and management process.

Significant factors management reviews to evaluate achievement of the Company's operating objectives and its operating results and financial condition include, but are not limited to: net income and earnings per share, return on tangible common equity and assets, net interest margin, non-interest income, operating expenses related to total average assets and efficiency ratio, asset quality, loan and deposit growth, capital management, liquidity and interest rate sensitivity levels, customer service standards, market share and peer comparisons.

Regulatory Considerations

The Company and its subsidiaries are subject to numerous examinations by federal and state banking regulators, as well as the Securities and Exchange Commission. Please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for additional disclosures with respect to laws and regulations affecting the Company's businesses.

In July 2013, the Federal Reserve published Basel III rules establishing a new comprehensive capital framework of U.S. banking organizations. Under the rules, effective January 1, 2015 for the Company and Bank, the minimum capital ratios are a) 4.5% "Common Equity Tier 1" to risk-weighted assets, b) 6.0% Tier 1 capital to risk-weighted assets and c) 8.0% total capital to risk-weighted assets. In addition, the new regulations will impose certain limitations on dividends, share buy-backs, discretionary payments on Tier 1 instruments and discretionary bonuses to executive officers if the organization does not maintain a capital conservation buffer of common equity Tier 1 capital in an amount greater than 2.5% of its risk-weighted assets, in addition to the amount needed to meet its minimum risk-based capital requirements, phased in over a 5 year period until January 1, 2019. Accordingly, while these proposed rules were phased in commencing January 1, 2015 (and the capital conservation buffer is slated to begin January 1, 2016), the Company proactively planned for them, and was well positioned to meet the requirements of these complex proposals. We believe that we now do and will continue to exceed all expected well capitalized regulatory requirements over the course of the proposed phase-in period, and on a fully phased-in basis.

Critical Accounting Estimates

The accounting policies followed by the Company and its subsidiaries conform with accounting principles generally accepted in the United States of America and with general practices within the banking industry. 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 base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our Consolidated Financial Statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP.

We believe that our most critical accounting policies, which involve the most complex subjective decisions or assessments, relate to the allowance for loan losses, other-than-temporary impairment of investment securities, derivative instruments and hedging activities, goodwill, and income taxes. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors. Additional accounting policies are more fully described in Note 1 in the "Notes to Consolidated Financial Statements" presented in our 2014 Annual Report on Form 10-K. A brief description of our current policies involving significant judgment follows:

Allowance for Loan Losses

The allowance for loan losses is established as embedded losses are estimated to have occurred through the provisions for losses charged against operations and is maintained at a level that management considers adequate to absorb losses in the loan portfolio. Management's judgment in determining the adequacy of the allowance is inherently subjective and is based on past loan loss experience, known and inherent losses and size of the loan portfolios, an assessment of current economic and real estate market conditions, estimates of the current value of underlying collateral, review of regulatory authority examination reports and other relevant factors.

We determined our allowance for loan losses by portfolio segment, which consists of residential real estate for loans collateralized by owner-occupied residential real estate, commercial real estate, construction, commercial business, and installment and collateral loans. We further segregate these portfolios between loans which are accounted for under the amortized cost method (referred to as "covered" loans) and loans acquired (referred to as "acquired" loans), as acquired loans were originally recorded at fair value, which included an estimate of lifetime credit losses, resulting in no carryover of the related allowance for loan losses. An allowance for loan losses on acquired loans is only established to the extent that there is deterioration in a loan exceeding the remaining credit loss established upon acquisition.

Although management believes it uses appropriate available information to establish the allowance for loan losses, future additions to the allowance may be necessary if certain future events occur that cause actual results to differ from the assumptions used in making the evaluation.

Other-than-Temporary Impairment of Securities

The Company maintains a securities portfolio that is classified into two major categories: available for sale and held to maturity. Securities available-for-sale are recorded at estimated fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Held-to-maturity securities are recorded at amortized cost. Management determines the classifications of a security at the time of its purchase.

Quarterly, securities with unrealized losses are reviewed as deemed appropriate to assess whether the decline in fair value is temporary or other-than-temporary. The assessment is to determine whether the decline in value is from company-specific events, industry developments, general economic conditions, credit losses on debt or other reasons. Declines in the fair value of available-for-sale securities below their cost or amortized cost that are deemed to be other-than-temporary are reflected in earnings for equity securities and for debt securities that have an identified credit loss. Unrealized losses on debt securities with no identified credit loss component are reflected in other comprehensive income. During the nine months ended September 30, 2015, the Company did not experience any losses which were deemed to be other-than-temporary.

Derivative Instruments and Hedging Activities

The Company uses derivatives to manage a variety of risks, including risks related to interest rates. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting. The rules and interpretations related to derivatives accounting are complex. Failure to apply this complex guidance correctly will result in the changes in the fair value of the derivative being reported in earnings.

The Company uses interest rate swaps to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. The fair values of interest rate swaps are determined using the standard methodology of netting the discounted future fixed cash receipts (or payment) and the expected variable cash payments (or receipts). The variable cash payment (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rates curves.

At September 30, 2015, derivative assets and liabilities were $13.9 million and $19.5 million, respectively. Further information about our use of derivatives is provided in Note 8, "Derivatives and Hedging Activities" in Notes to Unaudited Consolidated Financial Statements contained elsewhere in this report.

Goodwill

The Company is required to record certain assets and liabilities it has acquired in a business combination, including identifiable intangible assets such as core deposit intangibles, at fair value, which may involve making estimates based on third-party valuations, such as appraisals or internal valuations based on discounted cash flow analyses or other valuation techniques. The resulting goodwill is evaluated for impairment annually or whenever events or changes in circumstances indicate the carrying value of the goodwill may be impaired.

When goodwill is evaluated for impairment, qualitative factors considered include, but are not limited to, industry and market conditions, overall financial performance, and events affecting the reporting unit. If there are no qualitative factors that indicate goodwill may be impaired, the quantitative analysis is not considered necessary. For a quantitative analysis, if the carrying amount exceeds the implied fair value, an impairment charge is recorded to income. The fair value is based on observable market prices, when practicable. Other valuation techniques may be used when market prices are unavailable, including estimated discounted cash flows and market multiples analyses. These types of analyses contain uncertainties because they require management to make assumptions and to apply judgment to estimate industry economic factors and the profitability of future business strategies. In the event of future changes in fair value, the Company may be exposed to an impairment charge that could be material.

The carrying value of goodwill at September 30, 2015 was $115.3 million. For further discussion on goodwill see Note 6, "Goodwill and Core Deposit Intangibles" in Notes to Unaudited Consolidated Financial Statements contained elsewhere in this report.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities 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 bases.

Significant management judgment is required in determining income tax expense and deferred tax assets and liabilities. Some judgments are subjective and involve estimates and assumptions about matters that are inherently uncertain. In determining the valuation allowance, we use forecasted future operating results, based upon approved business plans, including a review of the eligible carry forward periods, tax planning opportunities and other relevant considerations. Management believes that the accounting estimate related to the valuation allowance is a critical accounting estimate because the underlying assumptions can change from period to period. For example, tax law changes or variances in future projected operating performance could result in a change in the valuation allowance.

The reserve for tax contingencies contains uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures associated with our various tax positions. The effective income tax rate is also affected by changes in tax law, entry into new tax jurisdictions, the level of earnings and the results of tax audits.

Operating Results

Non-GAAP Financial Measures

In addition to evaluating the Company’s results of operations in accordance with GAAP, management periodically supplements this evaluation with an analysis of certain non-GAAP financial measures. These non-GAAP measures are intended to provide the reader with additional perspectives on operating results, financial condition, and performance trends, while facilitating comparisons with the performance of other financial institutions. Non-GAAP financial measures are not a substitute for GAAP measures, rather, they should be read and used in conjunction with the Company’s GAAP financial information.

The following is a reconciliation of Non-GAAP financial measures by major category for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
(In thousands)	2015	2014	2015	2014
Net income (GAAP)	$ 13,381	$ 9,985	$ 39,738	$ 5,361
Adjustments:				
Net interest income:				
(Accretion)/amortization of loan mark	(2,787)	(1,734)	(6,852)	(5,122)
Accretion/(amortization) of deposit mark	841	1,482	2,765	2,632
Accretion/(amortization) of borrowings mark	464	612	1,419	1,022
Net adjustment to net interest income	(4,092)	(3,828)	(11,036)	(8,776)
Non-interest income:				
Net (gain) loss on sales of securities	59	(430)	(639)	(1,287)
Net adjustment to non-interest income	59	(430)	(639)	(1,287)
Non-interest expense:				
Merger and acquisition expense	—	(4,008)	—	(26,782)
Core deposit intangible amortization expense	(433)	(481)	(1,363)	(802)
Amortization of fixed assets mark	(6)	(8)	(15)	(8)
Net adjustment to non-interest expense	(439)	(4,497)	(1,378)	(27,592)
Total adjustments	(3,594)	239	(10,297)	17,529
Income tax expense (benefit) adjustment	1,258	226	3,604	(4,477)
Operating net income (Non-GAAP)	$ 11,045	$ 10,450	$ 33,045	$ 18,413

The following table is a reconciliation of Non-GAAP financial measures for select average balances, interest income and expense, and average yields and cost for the three and nine months ended September 30, 2015:

(In thousands)	GAAP Average Balance	GAAP Interest and Dividends	GAAP Yield/Cost	Mark to Market Average Balance	Mark to Market Interest and Dividends	Mark to Market Yield/Cost	Operating Average Balance	Operating Interest and Dividends	Operating Yield/Cost
For the Three Months Ended September 30, 2015									
Total loans	$ 4,145,961	$ 41,878	4.02%	$ (9,794)	$ 2,787	0.28 %	$ 4,155,755	$ 39,091	3.74%
Total interest-earning assets	5,332,706	50,773	3.79	(9,794)	2,878	0.21	5,342,500	47,895	3.58
Time deposits	1,591,618	3,363	0.84	3,175	(841)	(0.21)	1,588,443	4,204	1.05
Federal Home Loan Bank advances	695,208	1,276	0.73	4,222	(475)	(0.28)	690,986	1,751	1.01
Other borrowings	146,936	1,387	3.75	(1,792)	11	0.09	148,728	1,376	3.66
Total interest-bearing liabilities	4,461,641	7,982	0.71	5,605	(1,305)	(0.12)	4,456,036	9,287	0.83
Tax-equivalent net interest margin			3.20%						2.89%

(In thousands)	GAAP Average Balance	GAAP Interest and Dividends	GAAP Yield/Cost	Mark to Market Average Balance	Mark to Market Interest and Dividends	Mark to Market Yield/Cost	Operating Average Balance	Operating Interest and Dividends	Operating Yield/Cost
For the Nine Months Ended September 30, 2015									
Total loans	$ 3,997,408	$ 123,658	4.13%	$ (13,131)	$ 6,852	0.24 %	$ 4,010,539	$ 116,806	3.89%
Total interest-earning assets	5,177,985	150,140	3.87	(13,131)	6,852	0.18	5,191,116	143,288	3.69
Time deposits	1,563,821	10,038	0.86	4,073	(2,765)	(0.24)	1,559,748	12,803	1.10
Federal Home Loan Bank advances	619,906	2,944	0.63	4,715	(1,447)	(0.32)	615,191	4,391	0.95
Other borrowings	161,894	4,155	3.43	(1,802)	28	0.06	163,696	4,127	3.37
Total interest-bearing liabilities	4,328,577	22,742	0.70	6,986	(4,184)	(0.13)	4,321,591	26,926	0.83
Tax-equivalent net interest margin			3.28%						2.99%

Executive Overview

The Company’s results were significantly impacted by the merger with Legacy United, which was completed on April 30, 2014. The 2015 year to date activity includes four more months of results of the combined entity as compared to the nine months ending September 30, 2014.

Net income of $13.4 million, or $0.27 per diluted share, was recorded for the third quarter of 2015 compared to net income of $10.0 million, or $0.19 per diluted share, for the third quarter of 2014. Operating net income for the third quarter of 2015 was $11.0 million (Non-GAAP), adjusted for $439,000 (pre-tax) of merger-related non-interest expenses, $4.1 million (pre-tax) net impact of the amortization and accretion of the fair value adjustments on loans, deposits and borrowings as a result of the merger, and $59,000 (pre-tax) net loss on sales of securities. Operating net income for the third quarter of 2014 was $10.5 million (Non-GAAP), adjusted for $4.5 million (pre-tax) of expenses related to the merger, $3.8 million (pre-tax) net impact of the amortization and accretion of the fair value adjustments on loans, deposits, and borrowings as a result of the merger, and $430,000 (pre-tax) net gains on sales of securities.

Net income for the nine months ended September 30, 2015 was $39.7 million, or $0.81 per diluted share, compared to net income of $5.4 million, or $0.13 per diluted share, for the same period in 2014. Operating net income for the nine months ended September 30, 2015 was $33.0 million (Non-GAAP), adjusted for $1.4 million (pre-tax) of merger-related non-interest expenses, $11.0 million (pre-tax) net impact of the amortization and accretion of the fair value adjustments on loans, deposits and borrowings as a result of the merger, and $639,000 (pre-tax) net gains on sales of securities. Operating net income for the nine months ended September 30, 2014 was $18.4 million (Non-GAAP), adjusted for $27.6 million (pre-tax) of expenses related to the merger, $8.8 million (pre-tax) net impact of the amortization and accretion of the fair value adjustments on loans, deposits, and borrowings as a result of the merger, and $1.3 million (pre-tax) net gains on sales of securities. The Company is presenting operating net income as management believes it gives a more accurate picture of the results for the period and will benefit investors in their understanding of the Company.

Net interest income increased $27.9 million for the nine months ended September 30, 2015, compared to the same period in 2014 due to balance sheet growth, and the additional months year over year as a combined Company. Net interest income decreased $550,000 for the three months ended September 30, 2015 due to a larger increase in interest expense, primarily borrowed funds, compared to the growth in interest income. The Company's tax-equivalent net interest margin for the three and nine months ended September 30, 2015 was 3.20% and 3.28%, a decrease of 36 basis points and 30 basis points over the same periods in the prior year. Excluding the $4.1 million and $11.0 million net impact of the amortization and accretion of the fair value adjustments on loans, deposits and borrowings as a result of the merger, operating net interest margin for the three and nine months ended September 30, 2015 was 2.89% and 2.99%, respectively. The general year over year trends impacting the margin include decreased yields on loans due to the low interest rate environment, partially offset by slightly higher yields on securities due to an increase in investment grade collateralized loan obligations and a re-characterization of the securities portfolio upon the acquisition of Legacy United in the second quarter of 2014.

Non-interest income increased $3.7 million and $10.4 million for the three and nine months ended September 30, 2015, respectively, which was driven by strong residential mortgage origination volume in the third quarter of 2015 and an increase in loan level hedge income. As a result, income from mortgage banking activities increased $1.3 million and $4.8 million inclusive of gains on sale of loans, for the three and nine months ended September 30, 2015, respectively, compared to the same periods in 2014, and service charges and fees increased over the three and nine months ended September 30, 2015, respectively, by approximately $2.3 million and $6.3 million compared to the same periods in 2014.

Non-interest expense decreased $3.0 million and $6.5 million for the three and nine months ended September 30, 2015, respectively, from the 2014 comparative periods, respectively. These decreases primarily reflect the fact that no merger related expenses were incurred in 2015, partially offset by the increase in loan swap fees, as the Company entered into more of these types of agreements in the three and nine months ended September 30, 2015 as compared to the prior year periods.

The asset quality of our loan portfolio has remained strong. The allowance for loan losses to total loans ratio was 0.73% and 0.64%, the allowance for loan losses to non-performing loans ratio was 83.68% and 76.67%, and the ratio of non-performing loans to total loans was 0.88% and 0.83% at September 30, 2015 and December 31, 2014, respectively. Acquired loans are recorded at fair value with no carryover of the allowance for loan losses. As such, some asset quality measures are not comparable between periods due to the Merger. A provision for loan losses of $3.3 million and $9.2 million, respectively, was recorded for the three and nine months ended September 30, 2015, compared to $2.6 million and $5.2 million for the same prior year periods, reflecting growth in our covered loan portfolio, the ongoing assessment of asset quality measures including the estimated exposure on impaired loans and organic loan growth.

The following table presents selected financial data and ratios:

Selected Financial Data	At or For the Three Months Ended September 30,		At or For the Nine Months Ended September 30,	
(Dollars in thousands, except share data)	2015	2014	2015	2014
Share Data:				
Basic net income per share	$ 0.27	$ 0.19	$ 0.81	$ 0.13
Diluted net income per share	0.27	0.19	0.81	0.13
Dividends declared per share	0.12	0.10	0.34	0.30
Key Statistics:				
Total revenue	$ 49,461	$ 46,269	$ 147,913	$ 109,584
Total expense	31,876	34,922	92,890	99,356
Key Ratios (annualized):				
Return on average assets	0.93%	0.76%	0.95%	0.18%
Return on average equity	8.68%	6.12%	8.67%	1.44%
Tax-equivalent net interest margin	3.20%	3.56%	3.28%	3.58%
Non-interest expense to average assets	2.22%	2.66%	2.21%	3.38%
Cost of interest-bearing deposits	0.58%	0.48%	0.59%	0.49%
Non-performing Assets:				
Total non-accrual loans, excluding troubled debt restructures	$ 32,240	$ 24,109	$ 32,240	$ 24,109
Troubled debt restructures - non-accruing	4,605	5,180	4,605	5,180
Total non-performing loans	36,845	29,289	36,845	29,289
Other real estate owned	258	2,647	258	2,647
Total non-performing assets	$ 37,103	$ 31,936	$ 37,103	$ 31,936
Asset Quality Ratios:				
Non-performing loans to total loans	0.88%	0.77%	0.88%	0.77%
Non-performing assets to total assets	0.63%	0.60%	0.63%	0.60%
Allowance for loan losses to non-performing loans	83.68%	76.15%	83.68%	76.15%
Allowance for loan losses to total loans	0.73%	0.59%	0.73%	0.59%
Non-GAAP Ratio:				
Efficiency ratio (1)	60.82%	61.98%	59.64%	63.40%

(1) The efficiency ratio represents the ratio of non-interest expense before foreclosed property expense, amortization of intangibles, and goodwill impairments, if any, as a percent of net interest income (fully taxable equivalent) and non-interest revenues, excluding only gains from securities transactions and nonrecurring items.

Average Balances, Interest, Average Yields\Cost and Rate\Volume Analysis

The tables below sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. A tax-equivalent yield adjustment was made for the three and nine months ended September 30, 2015 and 2014. All average balances are daily average balances. Loans held for sale and non-accrual loans are included in the computation of interest-earning average balances, with non-accrual loans carrying a zero yield. The yields set forth above include the effect of deferred costs, discounts and premiums that are amortized or accreted to interest income or expense.

Average Balance Sheets for the Three Months Ended September 30, 2015 and 2014

	Three Months Ended September 30,					
	2015			2014		
(Dollars in thousands)	Average Balance	Interest and Dividends	Annualized Yield/Cost	Average Balance	Interest and Dividends	Annualized Yield/Cost
Interest-earning assets:						
Residential real estate loans	$ 1,539,362	$ 12,931	3.36%	$ 1,364,982	$ 11,776	3.45%
Commercial real estate loans	1,816,122	18,833	4.11	1,632,233	18,549	4.51
Construction loans	173,355	1,952	4.47	123,848	2,851	9.13
Commercial loans	612,857	8,112	5.25	610,574	6,787	4.41
Installment and collateral loans	4,265	50	4.67	17,146	156	3.64
Total loans (1)	4,145,961	41,878	4.02	3,748,783	40,119	4.28
Securities	1,123,005	8,843	3.15	1,017,559	7,924	3.11
Other earning assets	63,740	52	0.33	51,565	26	0.20
Total interest-earning assets	5,332,706	50,773	3.79	4,817,907	48,069	3.97
Allowance for loan losses	(29,901)			(22,152)		
Non-interest-earning assets	449,363			446,626		
Total assets	$ 5,752,168			$ 5,242,381		
Interest-bearing liabilities:						
NOW and money market accounts	$ 1,500,449	1,874	0.50	$ 1,366,795	945	0.28
Saving deposits (2)	527,430	82	0.06	438,607	167	0.15
Time deposits	1,591,618	3,363	0.84	1,532,862	2,878	0.75
Total interest-bearing deposits	3,619,497	5,319	0.58	3,338,264	3,990	0.48
Advances from the Federal Home Loan Bank	695,208	1,276	0.73	400,220	584	0.58
Other borrowings	146,936	1,387	3.75	165,557	434	1.05
Total interest-bearing liabilities	4,461,641	7,982	0.71%	3,904,041	5,008	0.51%
Non-interest-bearing deposits	610,253			632,425		
Other liabilities	63,620			53,011		
Total liabilities	5,135,514			4,589,477		
Stockholders' equity	616,654			652,904		
Total liabilities and stockholders' equity	$ 5,752,168			$ 5,242,381		
Net interest-earning assets (3)	$ 871,065			$ 913,866		
Tax-equivalent net interest income		42,791			43,061	
Tax-equivalent net interest rate spread (4)			3.08%			2.46%
Tax-equivalent net interest margin (5)			3.20%			3.56%
Average interest-earning assets to average interest-bearing liabilities			119.52%			123.41%
Less tax-equivalent adjustment		1,148			868	
		$ 41,643			$ 42,193	

(1) Total loans excludes loans held for sale and includes nonperforming loans.
(2) Includes mortgagors' and investors' escrow accounts.
(3) Tax-equivalent net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(4) Net interest rate spread represents the difference between yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(5) Tax-equivalent net interest rate margin represents tax-equivalent net interest income divided by average interest-earning assets.

Average Balance Sheets for the Nine Months Ended September 30, 2015 and 2014

	Nine Months Ended September 30,					
	2015			2014		
(Dollars in thousands)	Average Balance	Interest and Dividends	Annualized Yield/Cost	Average Balance	Interest and Dividends	Annualized Yield/Cost
Interest-earning assets:						
Residential real estate loans	$ 1,492,336	$ 37,952	3.39%	$ 1,044,523	$ 27,241	3.48%
Commercial real estate loans	1,713,690	57,437	4.48	1,263,903	45,506	4.81
Construction loans	169,754	6,150	4.84	87,240	5,063	7.76
Commercial loans	616,395	21,986	4.77	449,440	14,169	4.21
Installment and collateral loans	5,233	133	3.38	10,708	350	4.35
Total loans (1)	3,997,408	123,658	4.12	2,855,814	92,329	4.31
Securities	1,126,343	26,363	3.12	750,918	17,109	3.04
Other earning assets	54,234	119	0.29	36,782	65	0.24
Total interest-earning assets	5,177,985	150,140	3.87	3,643,514	109,503	4.01
Allowance for loan losses	(27,308)			(20,463)		
Non-interest-earning assets	452,094			301,341		
Total assets	$ 5,602,771			$ 3,924,392		
Interest-bearing liabilities:						
NOW and money market accounts	$ 1,449,105	5,357	0.49	$ 1,042,204	2,269	0.29
Saving deposits (2)	533,851	248	0.06	373,905	336	0.12
Time deposits	1,563,821	10,038	0.86	1,108,695	6,689	0.81
Total interest-bearing deposits	3,546,777	15,643	0.59	2,524,804	9,294	0.49
Advances from the Federal Home Loan Bank	619,906	2,944	0.63	302,101	1,738	0.77
Other borrowings	161,894	4,155	3.43	101,205	658	0.87
Total interest-bearing liabilities	4,328,577	22,742	0.70%	2,928,110	11,690	0.53%
Non-interest-bearing deposits	594,204			465,243		
Other liabilities	68,551			35,019		
Total liabilities	4,991,332			3,428,372		
Stockholders' equity	611,439			496,020		
Total liabilities and stockholders' equity	$ 5,602,771			$ 3,924,392		
Net interest-earning assets (2)	$ 849,408			$ 715,404		
Tax-equivalent net interest income		127,398			97,813	
Tax-equivalent net interest rate spread (3)			3.17%			3.48%
Tax-equivalent net interest margin (4)			3.28%			3.58%
Average interest-earning assets to average interest-bearing liabilities			119.62%			124.43%
Less tax-equivalent adjustment		3,509			1,833	
		$ 123,889			$ 95,980	

(1) Total loans excludes loans held for sale and includes nonperforming loans.
(2) Includes mortgagors' and investors' escrow accounts.
(3) Tax-equivalent net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(4) Net interest rate spread represents the difference between yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(5) Tax-equivalent net interest rate margin represents tax-equivalent net interest income divided by average interest-earning assets.

Rate\Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to changes in 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 Compared to September 30, 2014			Nine Months Ended September 30, 2015 Compared to September 30, 2014		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
(In thousands)	Volume	Rate	Net	Volume	Rate	Net
Interest and dividend income:						
Loans receivable	$ 4,227	$ (2,468)	$ 1,759	$ 35,786	$ (4,458)	$ 31,328
Securities (1)	829	90	919	8,775	479	9,254
Other earning assets	7	19	26	36	18	54
Total earning assets	5,063	(2,359)	2,704	44,597	(3,961)	40,636
Interest expense:						
NOW and money market accounts	103	826	929	1,108	1,980	3,088
Savings accounts	28	(113)	(85)	111	(199)	(88)
Time deposits	114	371	485	2,898	450	3,348
Total interest-bearing deposits	245	1,084	1,329	4,117	2,231	6,348
FHLBB advances	513	179	692	1,555	(349)	1,206
Other borrowings	(55)	1,008	953	591	2,906	3,497
Total interest-bearing liabilities	703	2,271	2,974	6,263	4,788	11,051
Change in tax-equivalent net interest income	$ 4,360	$ (4,630)	$ (270)	$ 38,334	$ (8,749)	$ 29,585

(1) Includes FHLBB stock

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

The results from operations were impacted by costs associated with the Merger and other charges as follows:

- Merger and acquisition expenses were not incurred subsequent to December 31, 2014. For the three and nine months ended September 30, 2014, we recorded $4.0 million and $26.8 million of merger related expenses including legal fees, shareholder expenses and other professional services, respectively. These items were recorded as non-interest expense in the Consolidated Statements of Net Income.
- We recognized net interest income of $4.1 million and $11.0 million in purchase accounting adjustments during the three and nine months ended September 30, 2015. Purchase accounting adjustments for the three and nine months ended September 30, 2014 were $3.8 million and $8.8 million, respectively, as the Merger was completed on April 30, 2014.
- We recognized $115.3 million in Goodwill as a result of the Merger.

The following discussion provides a summary and comparison of the Company's operating results for the three and nine months ended September 30, 2015 and 2014.

Net Interest Income

Net interest income is the amount that interest and fees on earning assets (loans and investments) exceeds the cost of funds, interest paid to the Company's depositors and interest on external borrowings. Net interest margin is the difference between the income on earning assets and the cost of interest-bearing funds as a percentage of average earning assets. Growth in net interest income has resulted mainly from the merger with Legacy United combined with organic growth in interest-earning assets and liabilities.

As shown in the tables, tax-equivalent net interest income decreased $270,000 to $42.8 million for the three months ended September 30, 2015 compared to the three months ended September 30, 2014. This was mainly due to the increase in average earning assets of $514.8 million and increase of $557.6 million in interest bearing liabilities during the three months ended September 30, 2015 due to the increases in loan growth which was funded primarily by borrowings as well as the Merger that closed April 30, 2014. In addition, there was a benefit of $4.1 million recognized during the three months ended September 30, 2015 in net interest income related to the fair value adjustments associated with the Merger. The increase in interest and dividends of $2.7 million was offset by the increase in interest bearing liabilities of $3.0 million. Additionally, the net interest margin decreased 36 basis points, the yield on average earning assets decreased 18 basis points, and the cost of interest-bearing liabilities increased 20 basis point for the three months ended September 30, 2015 compared to the same periods in the prior year.

For the nine months ended September 30, 2015, tax-equivalent net interest income increased $29.6 million from the comparative prior 2014 period. This was mainly due to the significant increase in average earning assets of $1.5 billion and an increase of $1.4 billion in interest liabilities due to loan growth which was primarily funded by borrowings and deposits. The Merger that closed in the second quarter was also a large contributor of the increases in average balances. In addition, there was a benefit of $11.0 million recognized during the nine months ended September 30, 2015 in net interest income related to fair value adjustments as a result of the Merger. The net interest margin decreased 30 basis points, the yield on average earnings assets decreased 14 basis points, and the cost of interest-bearing liabilities increased 17 basis points from the comparative nine month period in 2014.

Excluding the benefit of the fair value adjustments of $4.1 million, the net interest margin and the yield on average interest-earning assets would have declined 67 basis points and 39 basis points, respectively, and the cost of interest-bearing liabilities would have increased 32 basis points for the quarter ended September 30, 2015 compared to the quarter ended September 30, 2014. For the nine months ended September 30, 2015, excluding the benefit of the fair value adjustments of $11.0 million, the net interest margin and the yield on average earning assets would have declined 59 basis points and 32 basis points, respectively, and the cost of interest of interest-bearing liabilities would have increased 30 basis points compared to the nine months ended September 30, 2014.

Primarily reflecting the Merger, average interest-earning assets increased $514.8 million and $1.53 billion, respectively, for the three and nine months ended September 30, 2015 compared to the same periods in 2014, while average interest-bearing liabilities increased $557.6 million and $1.40 billion, respectively.

Primarily reflecting the merger, the average balance of total loans for the three and nine months ended September 30, 2015 was $4.15 billion and $4.00 billion, and had an average yield of 4.02% and 4.12%, respectively. On an operating basis, the average yield on total loans was 3.74% and 3.89% for the three and nine months ended September 30, 2015, respectively. The largest increases in the average balances for loans were recorded in commercial real estate loans and residential real estate loans. For the three and nine months ended September 30, 2015 the average balance of commercial real estate loans totaled $1.82 billion and $1.71 billion, respectively, an increase of $183.9 million and $449.8 million from the prior year periods, respectively. For the three and nine months ended September 30, 2015, residential real estate loans totaled $1.54 billion and $1.49 billion, respectively, an increase of $174.4 million and $447.8 million, compared to the prior year periods, respectively.

The average balance of investment securities increased $105.4 million and $375.4 million, respectively, and the average yield earned on these securities increased 4 and 8 basis points, respectively, for the three and nine months ended September 30, 2015, compared to the prior year period. Upon the acquisition of Legacy United's investment securities portfolio, the Company took action to re-characterize the acquired portfolio to a position that was more closely aligned with the composition of the Rockville portfolio. The re-characterization involved the sale of longer dated investments, and the purchase of investments which will incrementally shorten the duration of the investment portfolio and that show favorable price movement to changes in rising interest rates.

The average balance of interest-bearing liabilities increased $557.6 million to $4.46 billion for the three months ended September 30, 2015 compared to the three months ended September 30, 2014, and the average balance of interest bearing liabilities increased $1.40 billion to $4.33 billion for the nine months ended September 30, 2015 compared to the prior year period. For the quarter, the average cost of interest-bearing liabilities was 0.71%, an increase of 20 basis points from the comparable prior year period. On an operating basis, which excludes the benefit of fair value adjustments, the average cost would have increased to 0.83%. For the nine months ended September 30, 2015, the average cost of interest-bearing liabilities was 0.70%, an increase of 17 basis points, from the comparable prior year period. On an operating basis, which excludes the benefit of fair value adjustments, the average cost would have increased to 0.83%.

For the three and nine months ended September 30, 2015, the average balance of total interest-bearing deposits increased $281.2 million and $1.02 billion, and the average cost increased 10 basis points and 10 basis points, FHLBB advances increased $295.0 million and $317.8 million, while the average cost increased 15 basis points and decreased 14 basis points, average other borrowings decreased $18.6 million and increased $60.7 million, and the average cost increased 270 basis points and 256 basis points, respectively. These changes were primarily due to balances acquired from Legacy United. The increase in FHLBB advances was additionally due to funding new loan growth.

Net interest income is affected by changes in interest rates, loan and deposit pricing strategies, competitive conditions, the volume and mix of interest-earning assets and interest-bearing liabilities as well as the level of non-performing assets, the Company manages the risk of changes in interest rates on its net interest income through an Asset/Liability Management Committee and through related interest rate risk monitoring and management policies.

Provision for Loan Losses

The provision for loan losses is a charge to earnings in an amount sufficient to maintain the allowance for loan losses at a level deemed adequate by the Company. The level of the allowance is a critical accounting estimate, which is subject to uncertainty. The loans purchased from Legacy United were recorded at fair value at the time of the Merger, with no carryover of the allowance for loan losses, and included adjustments for market interest rates and expected credit losses. Increases in the probable loss related to the Legacy United loans plus all new loans are included in the calculation of the required allowance for loan losses at September 30, 2015.

Management evaluates the adequacy of the allowance for loan losses on a quarterly basis. The adequacy of the loan loss allowance is based on such interrelated factors as the composition of the loan portfolio and its inherent risk characteristics, the level of non-performing loans and charge-offs, both current and historic, local economic and credit conditions, the direction of real estate values, and regulatory guidelines. The provision is charged against earnings in order to maintain an allowance for loan losses that reflects management's best estimate of probable losses inherent in the loan portfolio at the balance sheet date.

Management recorded a provision of $3.3 million for the three months ended September 30, 2015 compared to $2.6 million for the same period of 2014. The primary factors that influenced management's decision to record these provision expenses were organic growth during the period, the ongoing assessment of estimated exposure on impaired loans, level of delinquencies, and general economic conditions. Impaired loans totaled $48.3 million at September 30, 2015 compared to $44.0 million at December 31, 2014, an increase of $4.3 million, or 9.7%, reflecting increases in nonaccrual loans of $4.5 million, inclusive of troubled debt restructured ("TDR") loans of $0.4 million. At September 30, 2015, the allowance for loan losses totaled $30.8 million, representing 0.73% of total loans and 83.68% of non-performing loans compared to an allowance for loan losses of $24.8 million, which represented 0.64% of total loans and 76.67% of non-performing loans as of December 31, 2014. These ratios are lower than the Company's historic coverage ratios and directly resulted from the effect of purchase accounting adjustments as there is no carryover of the allowance for loan losses on acquired loans. The repayment of these impaired loans is largely dependent upon the sale and value of collateral that may be impacted by current real estate conditions.

Non-interest Income

Total non-interest income was $7.8 million and $24.0 million for the three and nine months ended September 30, 2015, with non-interest income representing 15.8% and 16.2% of total net revenues, respectively. The Merger with Legacy United on April 30, 2014 continued to have an impact on operating results as the nine months ended September 30, 2015 had four more months of activity as compared to the prior year period. The following is a summary of non-interest income by major category for the three and nine months ended September 30, 2015 and 2014:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
(Dollars in thousands)	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
Service charges and fees	$ 5,960	$ 3,657	$ 2,303	63.0 %	$ 15,434	$ 9,179	$ 6,255	68.1 %
Gains (loss) on sale of securities, net	(59)	430	(489)	(113.7)	639	1,287	(648)	(50.3)
Income from mortgage banking activities	2,257	978	1,279	130.8	7,618	2,769	4,849	175.1
Bank-owned life insurance income	893	873	20	2.3	2,557	2,145	412	19.2
Net loss on limited partnership investments	(991)	(2,176)	1,185	(54.5)	(2,337)	(2,176)	(161)	7.4
Other, net	(242)	314	(556)	(177.1)	113	400	(287)	71.8
Total non-interest income	$ 7,818	$ 4,076	$ 3,742	91.8 %	$ 24,024	$ 13,604	$ 10,420	76.6 %

As displayed in the above table, non-interest income increased $3.7 million and $10.4 million for the three and nine months ended September 30, 2015, respectively. The increases from the prior year periods are mainly due to increases in service charges and fees and income from mortgage banking activities. The three months ended September 30, 2015 also increased due to the Bank recording lower impairment charges on its partnership investments.

Service Charges and Fees: Service charges and fees were $6.0 million and $15.4 million for the three and nine months ended September 30, 2015, respectively, an increase of $2.3 million and $6.3 million from the comparable 2014 periods. The most significant increases were recorded in loan swap fee income, loan account analysis fees as well as debit card and ATM fees. These increases were a direct result of greater transactional volumes. The Loan swap fee income is generated as part of the Company's loan level hedge program that is offered to certain commercial banking customers to facilitate their respective risk management strategies.

The increases in both the three and nine months ended September 30, 2015 were partially offset by a decrease in merchant discount fees. The Company also recorded a decrease in NSF fees when comparing the quarters, however the nine months ended September 30, 2015 resulted in an increase in that category.

Gains (Loss) on Sales of Securities, Net: For the three and nine months ended September 30, 2015, the Company recorded a $59,000 net loss and $639,000 in net gains on security sales compared to $430,000 and $1.3 million of net gains in the same periods in the prior year, respectively.

The Company recorded a minimal net loss of $59,000 in the three months ended September 30, 2015, primarily upon the sale of certain municipal securities. The gains recorded in the nine months ended September 30, 2015 are a result of (a) the Company repositioning certain securities as these securities became punitive to capital to hold on a go forward basis due to regulatory changes on holding these type of securities, (b) sales on certain 15 year pass thru mortgage-backed securities due to a change in the yield curve, (c) sales of municipal bonds that were expected to be called in 2015, 2016 or 2017, and (d) the result of odd lot clean-ups targeted at making the portfolio more efficient to manage from an operational perspective. The gains recorded in 2014 reflect the Company evaluating the portfolio for prepayment risk and acting to reduce this exposure following the Merger.

Income From Mortgage Banking Activities: The Company recorded an increase of $1.3 million and $4.8 million in income from mortgage banking activities for the three and nine months ended September 30, 2015, respectively, compared to the prior year period. The increase for the three months ended September 30, 2015 was primarily due to gains on the sale of loans as the Company continued to record strong residential mortgage origination volume during the quarter and a net increase in derivative rate lock commitments. These increases were partially offset by a change in the fair value recognized in net income for mortgage servicing rights. The $4.8 million increase for the nine months ended was due to gains on sales of loans, as well as an increase in the mortgage servicing rights valuation and to a net increase in fair value derivative rate lock commitments and forward loan sale contracts.

BOLI Income: For the three and nine months ended September 30, 2015, the Company recorded BOLI income of $893,000 and $2.6 million, compared to $873,000 and $2.1 million in the same periods in the prior year, an increase of $20,000 and $412,000, respectively. The year to date increase was predominantly attributable to the Merger as the Company recorded four more months of income of $479,000 from policies associated with Legacy United, compared to the prior year period. The increases were partially offset by a decline in the average yield earned on the BOLI policies as a result of current market interest rates.

Net loss on limited partnership investments: In conjunction with its merger with Legacy United, the Company acquired investments in partnerships, including low income housing tax credit and new markets housing tax credit partnerships. In September 2014 and March 2015, the Company invested in alternative energy tax credit partnerships, which allows the Company to receive cash flows and qualify for federal renewable energy tax benefits.

For the three and nine months ended September 30, 2015, the Company recorded a net loss of $991,000 and $2.3 million, respectively, on limited partnership investments. Approximately $303,000 of the $991,000 loss is related to the tax credit partnerships for alternative energy and $688,000 is related to acquired investments in other partnerships. Of the $2.3 million loss, approximately $1.2 million is related to the tax credit partnerships for alternative energy and $1.1 million is related to acquired investments in other partnerships. In conjunction with the loss realized on the new tax credit partnership, the Company recorded an offsetting benefit of $2.1 million as reflected in the tax provision for the quarter, and $6.3 million for the nine months ended September 30, 2015.

Other income: The Company recorded a decease in other income of $556,000 for the three months ended September 30, 2015 compared to the prior year period. The decrease is primarily due to the decrease in the credit value adjustments on borrower facing loan level hedges and a decrease in miscellaneous income due to a settlement on other real estate owned with a title insurance company recorded in 2014.

The Company recorded a decrease in other income of $287,000 for the nine months ended September 30, 2015 as compared to the prior year period. The decrease is mainly due to the decrease in miscellaneous income due to a settlement on other real estate owned with a title insurance company recorded in 2014 and a loss on the sale of fixed assets, partially offset by an increase in the credit value adjustments on borrower facing loan level hedges.

Non-interest Expense

Non-interest expense decreased $3.0 million to $31.9 million for the three months ended September 30, 2015, and $6.5 million to $92.9 million for the nine months ended September 30, 2015.

For the three month period the major categories driving the change from the prior year period were decreases incurred for salaries and employee benefits, service bureau fees and merger related expenses, partially offset by increases in professional fees and other expenses.

The Company experienced increases in all categories except for services bureau fees, other real estate owned and merger related expenses for the nine month period. Merger related expenses were not incurred subsequent to December 31, 2014. The largest increases were recorded in salaries and employee benefits, occupancy and equipment and other expenses. All of the changes from the prior period were impacted by the Merger with Legacy United on April 30, 2014 as the nine months ended September 30, 2015 consisted of four more months of activity as compared to the prior year period. Additionally, certain expenses such as service bureau fees were elevated in 2014 as dual systems were in operation prior to system conversion in the the fourth quarter of 2014.

For the three months ended September 30, 2015 and 2014, annualized non-interest expense represented 2.22% and 2.66% of average assets, respectively, while annualized non-interest expense represented 2.21% and 3.38% of average assets for the nine months ended September 30, 2015 and 2014, respectively. The following table summarizes non-interest expense for the three and nine months ended September 30, 2015 and 2014:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
(Dollars in thousands)	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
Salaries and employee benefits	$ 16,994	$ 17,791	$ (797)	(4.5)%	$ 50,161	$ 42,574	$ 7,587	17.8 %
Service bureau fees	1,828	3,016	(1,188)	(39.4)	5,114	5,875	(761)	(13.0)
Occupancy and equipment	3,343	3,278	65	2.0	11,600	7,586	4,014	52.9
Professional fees	1,581	1,081	500	46.3	3,280	2,365	915	38.7
Marketing and promotions	587	367	220	59.9	1,843	876	967	110.4
FDIC insurance assessments	750	785	(35)	(4.5)	2,651	1,735	916	52.8
Other real estate owned	25	136	(111)	(81.6)	202	569	(367)	(64.5)
Core deposit intangible amortization	433	481	(48)	(10.0)	1,363	802	561	70.0
Merger related expense	—	4,008	(4,008)	(100.0)	—	26,782	(26,782)	(100.0)
Other	6,335	3,979	2,356	59.2	16,676	10,192	6,484	63.6
Total non-interest expense	$ 31,876	$ 34,922	$ (3,046)	(8.7)%	$ 92,890	$ 99,356	$ (6,466)	(6.5)%

Salaries and Employee Benefits: Salaries and employee benefits was $17.0 million for the three months ended September 30, 2015, a decrease of $797,000 from the comparable 2014 period. Salaries and employee benefits was $50.2 million for the nine months ended September 30, 2015, an increase of $7.6 million from the comparable 2014 period.

For the three months ended September 30, 2015 the $797,000 decrease in salaries and benefits was primarily due to a decrease in (a) salaries and (b) ESOP expense, partially offset by (c) an increase in deferred compensation expense reflecting an increase in the average cost of originating a loan based on an annual cost study and an increase in originations (d) an increase in pension costs and (e) commissions and incentives on mortgage originations and product sales.

For nine months ended September 30, 2015 salaries and employee benefits increased $7.6 million as additional employees from Legacy United were added to the payroll upon completion of the Merger. Other factors driving the increase included (a) new hires that were part of the restructured management team including enhanced business line teams and the addition of new revenue producing commission-based mortgage and commercial loan officers; (b) increased employee incentives for product sales; (c) increased pension expenses; and (d) increased health care costs related to the Company’s self-insurance plan. These increases were partially offset by (a) decreases to various other employee benefits expenses and (b) increases in deferred expenses from originating loans, the average cost of which increased based on a cost study analysis and an increase in originations. In the fourth quarter of 2015 we expect to incur elevated salaries and employee benefit expenses due to the separation of a senior level executive.

Service Bureau Fees: Service bureau fees decreased $1.2 million and $761,000 for the three and nine months ended September 30, 2015, respectively compared to the 2014 period. The decreases were directly related to the Merger as the Company had not converted core operating systems as of quarter end and was operating under two platforms until the system conversion date in October 2014. The decreases were partially offset by expenses associated with the planned fourth quarter deployment of EMV compliant debit and credit cards, which are more costly than the previous magstrip cards. It is anticipated that EMV cards will assist in mitigating potential fraud expenses.

Occupancy and Equipment: For the three months ended September 30, 2015 occupancy and equipment expense increased $65,000 to $3.3 million compared to the three months ended September 30, 2014. For the nine months ended September 30, 2015, occupancy and equipment expense increased $4.0 million to $11.6 million from the same period in the prior year. Occupancy and equipment expense increased as the Company added over 30 branches to our branch network with the Merger.

Professional Fees: For the three and nine months ended September 30, 2015, the Company recorded professional fees of $1.6 million and $3.3 million, respectively, an increase of $500,000 and $915,000 from the comparable 2014 periods. The increases reflect (a) engagement of information technology consulting services early in the third quarter to assist in the identification and implementation of best industry practices to keep our products and services competitive, as well as to improve efficiencies and operating leverage and (b) outsourced internal audit expenses.

Marketing and Promotions: Marketing and promotion expense was $587,000 and $367,000 for the three months ended September 30, 2015 and 2014, respectively, an increase of $220,000. For the nine months ended September 30, 2015, marketing and promotions increased $967,000 to $1.8 million from the same period in the prior year. These increases were attributable to increased print and billboard advertising for targeted promotional campaigns during the period, as well as contracting with a marketing research company which began in the fourth quarter of 2014.

FDIC Insurance Assessments: The expense for FDIC insurance assessments decreased $35,000 to $750,000 for the three months ended September 30, 2015 compared to the 2014 period, while the expense increased $916,000 to $2.7 million for the nine months ended September 30, 2015 compared to the prior year period. The increase for the nine months ended was primarily attributable to the Merger as the Company's assessment base increased approximately $2.97 billion and to a lesser extent is due to an increase in the assessment rate.

Core Deposit Intangible Amortization: For the three and nine months ended September 30, 2015, core deposit intangible amortization recorded by the Company was $433,000 and $1.4 million, respectively, a decrease of $48,000 and a $561,000 increase, from the comparable prior year periods. The core deposit intangible and subsequent amortization is directly attributable to the Merger. The Company is amortizing the core deposit intangible, initially recorded at $10.6 million, over 10 years using the sum-of-the-years-digits method.

Merger Related Expense: The Company did not record any merger related expenses during the first nine months of 2015 as these expenses were not incurred after December 31, 2014. This represents the most significant change to non-interest expense compared to the prior periods in 2014. Merger related expense was $4.0 million and $26.8 million for the three and nine months ended September 30, 2014.

Other Expenses: For the three and nine months ended September 30, 2015, other expenses recorded by the Company were $6.3 million and $16.7 million, respectively, an increase of $2.4 million and $6.5 million from the comparable 2014 periods. The increases were primarily due to increased transactions resulting from the Merger which impacted several accounts in this category including: (a) postage; (b) telephone; (c) software maintenance expense; (d) collection expense; (e) debit card and ATM losses; (f) mortgage appraisal and credit reports; and (g) printing and forms. Loan swap fees also contributed to the increase, as the Company entered into more of these types of agreements in the three and nine months ended September 30, 2015 as compared to the prior year periods. Also, see the discussion under Non-Interest Income for the corresponding income earned on Loan Swap agreements. Debit card losses also increased across both periods as the Company experienced increases in debit card related fraud. These increases were partially offset by a decrease in human resources expense, travel, office equipment as well as a decrease in website expenses compared to the prior periods.

Income Tax Provision

The provision (benefit) for income taxes was $952,000 and $(1.3) million for the three months ended September 30, 2015 and 2014, respectively. The Company's effective tax rate for the three months ended September 30, 2015 was 6.6% as compared to (14.6)% for the same period in 2014. The provision for income taxes was $6.1 million and a benefit of $296,000 for the nine months ended September 30, 2015 and 2014, respectively. The Company's effective tax rate for this period was 13.2% in 2015 as compared to (5.8)% for the same period in 2014. The increase in the tax expense and the effective tax rate over the prior year linked nine months ended September 30, 2014 is primarily due to the lower pretax income in the third quarter of 2014 due to the Merger. In addition, the Company realized additional tax credit benefits in the third quarter of 2014 which decreased the effective tax rate, however this was partially offset by unfavorable permanent differences related to non-deductible acquisition costs and compensation associated with the Merger. The effective tax rate for September 30, 2015 differs from combined statutory rates as a result of favorable permanent differences for tax exempt income, BOLI, and investment tax credits, as well as reduced state tax expense due to tax planning. The effective tax rate for the nine months ended September 30, 2015 approximates the projected 2015 estimated annual effective tax rate.

The Company continually monitors and evaluates the potential impact of current events and circumstances on the estimates used in the analysis of its income tax positions, and accordingly, the Company's effective tax rate may fluctuate in the future. The Company evaluates its income tax positions based on tax laws and appropriate regulations and financial reporting considerations, and records adjustments as appropriate. This evaluation takes into consideration the status of current taxing authorities' examinations of the Company's tax returns and recent positions taken by the taxing authorities on similar transactions, if any. Accordingly, the results of these examinations may alter the timing or amount of taxable income or deductions taken by the Company.

Financial Condition, Liquidity and Capital Resources

Summary

The Company had total assets of $5.84 billion at September 30, 2015 and $5.48 billion at December 31, 2014, an increase of $366.2 million, or 6.7%, primarily due to the increase in net loans of $308.0 million, or 7.9%, available-for-sale securities of $27.4 million, and loans held for sale of $5.3 million. The Company utilized deposit growth to fund the growth in securities and loans.

Total net loans of $4.19 billion, with allowance for loan and lease losses of $30.8 million at September 30, 2015, increased $308.0 million, or 7.9%, when compared to total net loans of $3.88 billion, with allowance for loan losses of $24.8 million at December 31, 2014. Net loans increased primarily due to growth in residential mortgage balances, commercial real estate loans and commercial business loans, partially offset by declines in commercial construction loans.

Total deposits of $4.26 billion at September 30, 2015 increased $227.7 million, or 5.6%, when compared to total deposits of $4.04 billion at December 31, 2014. The increase in deposits is mainly due to growth in money market deposits, NOW accounts and certificates of deposit and is reflective of the Company's new product specials, the opening of new branches and a continued focus on building commercial relationships. The Bank's net loan-to-deposit ratio was 98.2% at September 30, 2015, compared to 96.1% at December 31, 2014.

At September 30, 2015, total equity of $621.5 million increased $19.0 million when compared to total equity of $602.4 million at December 31, 2014. The change in equity for the period-ended September 30, 2015 consisted primarily of year to date net income offset by dividends paid to common shareholders and share repurchases completed during the first quarter of 2015. At September 30, 2015, the tangible common equity ratio was 8.71% compared to 8.93% at December 31, 2014.

See Note 11, "Regulatory Matters" in Notes to Unaudited Consolidated Financial Statements contained elsewhere in this report for information on the Bank and the Company's regulatory capital levels and ratios.

Securities

The Company maintains a securities portfolio that is primarily structured to generate interest income, manage interest-rate sensitivity, and provide a source of liquidity for operating needs. The securities portfolio is managed in accordance with regulatory guidelines and established internal corporate investment policies.

The following table sets forth information regarding the amortized cost and fair value of the Company's investment portfolio at the dates indicated:

Securities

(In thousands)	September 30, 2015 Amortized Cost	September 30, 2015 Fair Value	December 31, 2014 Amortized Cost	December 31, 2014 Fair Value
Available for sale:				
Debt securities:				
U.S. Government and government-sponsored enterprise obligations	$ 10,156	$ 10,070	$ 6,965	$ 6,822
Government-sponsored residential mortgage-backed securities	109,138	110,122	165,199	167,419
Government-sponsored residential collateralized debt obligations	297,566	301,292	237,128	238,133
Government-sponsored commercial mortgage-backed securities	53,825	55,351	67,470	68,298
Government-sponsored commercial collateralized debt obligations	130,740	132,724	129,547	129,686
Asset-backed securities	164,764	164,005	181,198	178,755
Corporate debt securities	66,947	64,894	43,907	42,245
Obligations of states and political subdivisions	201,447	199,265	194,857	195,772
Total debt securities	1,034,583	1,037,723	1,026,271	1,027,130
Marketable equity securities, by sector:				
Banks	39,612	39,453	22,645	22,582
Industrial	109	133	109	185
Mutual funds	2,847	2,931	2,824	2,910
Oil and gas	131	153	131	204
Total marketable equity securities	42,699	42,670	25,709	25,881
Total available-for-sale securities	$ 1,077,282	$ 1,080,393	$ 1,051,980	$ 1,053,011
Held to maturity:				
Debt securities:				
Obligations of states and political subdivisions	$ 12,369	$ 13,192	$ 12,397	$ 13,403
Government-sponsored residential mortgage-backed securities	2,346	2,604	2,971	3,310
	$ 14,715	$ 15,796	$ 15,368	$ 16,713

During the first nine months of 2015, the available-for-sale securities portfolio increased by $27.4 million to $1.08 billion, representing 18.5% of total assets at September 30, 2015, from $1.05 billion and 19.2% of total assets at December 31, 2014. The increase is largely reflective of continued execution of the Company's barbell management strategy, with bond purchases focused on maintaining investment portfolio duration while adding diversification to the portfolio holdings. Portfolio activity during the first quarter included bond repositioning with the Federal Family Education Loan Program ("FFELP") portfolio in order to obtain better risk adjusted returns, a reduction of shorter dated pass-throughs given anticipated prepays, and the purchases of cash flowing government sponsored collateralized mortgage backed obligations. Portfolio activity in the second quarter primarily included bond repositioning within several smaller odd-lots in order to make portfolio management more efficient. Portfolio activity in the third quarter primarily included municipal bond call date concentration repositioning with the intent of spreading out some preexisting call date concentrations. The Company limits purchases in the municipal bonds, collateralized loan obligations and corporate bonds sectors to investment grade or better rating prior to purchase. Furthermore, the Company limits its exposure to position parameters and will review the impact on the portfolio from periodic issuer disclosures, as well as developing market trends.

Accounting guidance requires the Company to designate its securities as held to maturity, available for sale, or trading depending on the Company's intent regarding its investments at the time of purchase. The Company does not currently maintain a portfolio of trading securities. As of September 30, 2015, $1.08 billion, or 98.7% of the portfolio, was classified as available for sale, and $14.7 million of the portfolio was classified as held to maturity.

During the three and nine months ended September 30, 2015, the Company recorded no write-downs for other-than-temporary impairments of its available-for-sale securities. The Company held $402.6 million in securities that are in an unrealized loss position at September 30, 2015; $315.3 million of this total had been in an unrealized loss position for less than twelve months with the remaining $87.4 million in an unrealized loss position for twelve months or longer. These securities were evaluated by management and were determined not to be other-than-temporarily impaired. The Company does not have the intent to sell these securities, and it is more-likely-than-not that it will not have to sell the securities before the recovery of their cost basis. To the extent that changes in interest rates, credit movements and other factors that influence the fair value of securities continue, the Company may be required to record additional impairment charges for other-than-temporary impairment in future periods. For additional information on the securities portfolio, see Note 3, “Securities” in the Notes to Unaudited Consolidated Financial Statements contained elsewhere in this report.

The Company monitors investment exposures continually, performs credit assessments based on market data available at the time of purchase, and performs ongoing credit due diligence for all collateralized loan obligations, corporate bonds, and municipal securities. The Company’s investment portfolio is regularly monitored for performance enhancements and interest rate risk profiles, with dynamic strategies implemented accordingly.

The Company has the ability to use the investment portfolio, as well as interest-rate financial instruments within internal policy guidelines, to hedge and manage interest-rate risk as part of its asset/liability strategy. See Note 8, “Derivatives and Hedging Activities,” in the Notes to Unaudited Consolidated Financial Statements contained elsewhere in this report for additional information concerning derivative financial instruments.

Lending Activities

The Company makes commercial real estate loans, residential real estate loans secured by one-to-four family residences, residential and commercial construction loans, commercial business loans, multi-family loans, home equity loans and lines of credit and other consumer loans. The table below displays the balances of the Company’s loan portfolio as of September 30, 2015 and December 31, 2014:

Loan Portfolio Analysis

	September 30, 2015		December 31, 2014	
(Dollars in thousands)	Amount	Percent	Amount	Percent
Real estate loans:				
Residential	$ 1,525,966	36.2%	$ 1,413,739	36.3%
Commercial	1,878,231	44.7	1,678,936	43.1
Construction	180,622	4.3	185,843	4.8
Total real estate loans	3,584,819	85.2	3,278,518	84.2
Commercial business loans	619,563	14.7	613,596	15.7
Installment and collateral loans	5,236	0.1	5,752	0.1
Total loans	4,209,618	100.0%	3,897,866	100.0%
Net deferred loan costs and premiums	6,246		4,006	
Allowance for loan losses	(30,832)		(24,809)	
Loans - net	$ 4,185,032		$ 3,877,063	

As shown above, gross loans were $4.21 billion, an increase of $311.8 million, or 8.0%, at September 30, 2015 from year-end 2014.

Commercial real estate loans represent the largest segment of our loan portfolio at 44.7% of total loans and increased $199.3 million to $1.88 billion from December 31, 2014, reflecting increased production from the Company’s recently expanded commercial banking division. This division continues to experience momentum in origination activity and has a strong loan pipeline. Mid-sized businesses continue to look to community banks for relationship banking and personalized lending services.

Residential real estate loans continue to represent a major segment of the Company’s loan portfolio as of September 30, 2015, comprising 36.2% of total loans. The increase of $112.2 million from December 31, 2014 reflects net organic growth during the quarter. The Company had originations of both adjustable and fixed rate mortgages of $559.4 million during the first nine months of the year, reflecting both refinancing activity and loans for new home purchases.

The Company opportunistically sells a majority of its originated fixed rate residential real estate loans with terms of 15 to 30 years. The strong mortgage origination activity was driven by our increased number of loan officers, the quality of referrals they receive from centers of influence in the real estate market, the responsiveness we have to prospective mortgage customers and the interest rate environment.

Construction real estate loans totaled $180.6 million at September 30, 2015, a decrease of $5.2 million from December 31, 2014. Construction real estate loans consist of residential construction and commercial construction. Residential real estate construction loans are made to individuals for home construction whereby the borrower owns the parcel of land and the funds are advanced in stages until completion. Residential real estate construction loans totaled $33.6 million at September 30, 2015 compared to $13.2 million at December 31, 2014.

Commercial real estate construction loans are made for developing commercial real estate properties such as office complexes, apartment buildings and residential subdivisions. Total commercial real estate construction loans totaled $147.0 million at September 30, 2015, approximately $45.3 million of which is residential use and $101.7 million is commercial use, compared to total commercial real estate construction loans of $172.6 million at December 31, 2014, $50.2 million of which was residential use and $122.4 million was commercial use.

Commercial business loans increased to $619.6 million at September 30, 2015 from $613.6 million at year-end. This category includes production from the Shared National Credit program. These loans generate earning assets to increase profitability of the Bank and diversify commercial loan portfolios by providing opportunities to participate in loans to borrowers in other regions or industries the Bank might otherwise have no access.

The Bank has employed specific parameters taking into account: geographical considerations; exposure hold levels; qualifying financial partners; and most importantly sound credit quality with strong metrics. A thorough independent analysis of the credit quality of each borrower is made for every transaction whether it is an assignment or participation.

Asset Quality

United's lending strategy focuses on direct relationship lending within its primary market area as the quality of assets underwritten is an important factor in the successful operation of a financial institution. Non-performing assets, loan delinquency and credit loss levels are considered to be key measures of asset quality. Management strives to maintain asset quality through its underwriting standards, servicing of loans and management of non-performing assets since asset quality is a key factor in the determination of the level of the allowance for loan losses ("ALL"). See Note 4, "Loans Receivable and Allowance for Loan Losses" contained elsewhere in this report for further information concerning the Allowance for Loan Losses.

The following table details asset quality ratios for the following periods:

Asset Quality Ratios

	At September 30, 2015	At December 31, 2014
Non-performing loans as a percentage of total loans	0.88%	0.83%
Non-performing assets as a percentage of total assets	0.63%	0.63%
Net charge-offs as a percentage of average loans (1)	0.11%	0.12%
Allowance for loan losses as a percentage of total loans	0.73%	0.64%
Allowance for loan losses to non-performing loans	83.68%	76.67%

(1) Calculated based on year to date net charge-offs annualized

Non-performing Assets

Generally loans are placed on non-accrual if collection of principal or interest in full is in doubt, if the loan has been restructured, or if any payment of principal or interest is past due 90 days or more. A loan may be returned to accrual status if it has demonstrated sustained contractual performance for six continuous months or if all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period. There are, on occasion, circumstances that cause commercial loans to be placed in the 90 days delinquent and accruing category, for example, loans that are considered to be well secured and in the process of collection or renewal. As of September 30, 2015 and December 31, 2014, loans totaling $1.9 million and $4.8 million, respectively, were greater than 90 days past due and accruing, which represent purchased credit impaired loans from Legacy United for which an accretable fair value interest mark is being recognized and certain loans which management has evaluated and maintained on accrual status based on an evaluation of the borrower. At December 31, 2014, there was also a loan fully guaranteed by the U.S. Government past due 90 days or more and still accruing.

The following table details non-performing assets for the periods presented:

(Dollars in thousands)	At September 30, 2015 Amount	%	At December 31, 2014 Amount	%
Non-accrual loans:				
Real estate loans:				
Residential	$ 14,577	39.29%	$ 12,018	34.74%
Commercial	11,581	31.21	10,663	30.82
Construction	1,604	4.32	611	1.77
Commercial business loans	4,475	12.06	4,872	14.08
Installment and collateral loans	3	0.01	25	0.07
Total non-accrual loans, excluding troubled debt restructured loans	32,240	86.89	28,189	81.48
Troubled debt restructurings - non-accruing	4,605	12.41	4,169	12.05
Total non-performing loans	36,845	99.30	32,358	93.53
Other real estate owned	258	0.70	2,239	6.47
Total non-performing assets	$ 37,103	100.00%	$ 34,597	100.00%

As displayed in the table above, non-performing assets at September 30, 2015 increased to $37.1 million compared to $34.6 million at December 31, 2014.

Non-accruing troubled debt restructured loans increased by $436,000 since December 31, 2014, primarily due to an increase of $2.3 million for residential real estate troubled debt restructured loans, partially offset by a decrease in commercial real estate troubled debt restructured loans of $2.1 million. The increase in the residential real estate category reflects, in part, an increase in the number of home equity line of credit loans that have reached maturity and converted from interest only to principal and interest payments. Difficulty making these larger payments combined with a decline in home values related to these loans, is a driver of this increase. There has also been a slight shift from accrual to non-accrual status in residential real estate TDR loans. The decrease in commercial real estate loans reflects work-out efforts and charge-offs.

Residential real estate non-accrual loans increased $2.6 million to $14.6 million at September 30, 2015. The Company continues to originate loans with strong credit characteristics and routinely updates non-performing loans in terms of FICO scores and LTV ratios. Through continued heightened account monitoring, collections and workout efforts, the Bank is committed to mortgage solution programs designed to assist homeowners to remain in their homes. As has been its practice historically, the Company does not originate subprime loans.

Commercial real estate non-accrual loans increased $918,000 and commercial business non-accrual loans decreased $397,000.

Non-accrual construction loans increased $993,000, primarily reflecting four commercial relationships totaling $1.3 million, of which $974,000 relates to construction for residential subdivisions.

Troubled Debt Restructuring

Loans are considered restructured in a troubled debt restructuring when the Company has granted concessions to a borrower due to the borrower’s financial condition that it otherwise would not have considered. These concessions include modifications of the terms of the debt such as reduction of the stated interest rate other than normal market rate adjustments, extension of maturity dates, or reduction of principal balance or accrued interest. The decision to restructure a loan, versus aggressively enforcing the collection of the loan, may benefit the Company by increasing the ultimate probability of collection.

Restructured loans are classified as accruing or non-accruing based on management’s assessment of the collectability of the loan. Loans which are already on non-accrual status at the time of the restructuring generally remain on non-accrual status for a minimum of six months before management considers such loans for return to accruing TDR status. Accruing restructured loans are placed into non-accrual status if and when the borrower fails to comply with the restructured terms and management deems it unlikely that the borrower will return to a status of compliance in the near term**.** Once a loan is classified as a TDR it retains that classification for the life of the loan; however, some TDRs may demonstrate acceptable performance allowing the TDR loan to be placed on accruing TDR status. The increase in TDRs is primarily attributable to the addition of two loans restructured during the nine months ended September 30, 2015, partially offset by paydowns and payoffs.

The following table provides detail of TDR balances for the periods presented:

(In thousands)	At September 30, 2015	At December 31, 2014
Recorded investment in TDRs:		
Accrual status	$ 11,407	$ 11,638
Non-accrual status	4,605	4,169
Total recorded investment	$ 16,012	$ 15,807
Accruing TDRs performing under modified terms for more than one year	$ 4,386	$ 1,919
TDR allocated reserves included in the balance of allowance for loan losses	95	380
Additional funds committed to borrowers in TDR status	—	210

The following table provides detail of TDR activity for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2015	2014	2015	2014
TDRs, beginning of period	$ 16,330	$ 14,164	$ 15,807	$ 10,216
New TDR status	768	392	5,523	5,939
Paydowns/draws on existing TDRs, net	(1,074)	(546)	(4,822)	(2,145)
Charge-offs post modification	(12)	(750)	(496)	(750)
TDRs, end of period	$ 16,012	$ 13,260	$ 16,012	$ 13,260

Allowance for Loan Losses

The allowance for loan losses (“ALL”) and the reserve for unfunded credit commitments are maintained at a level estimated by management to provide for probable losses inherent within the loan portfolio. Probable losses are estimated based upon a quarterly review of the loan portfolio, which includes historic default and loss experience, specific problem loans, risk rating profile, economic conditions and other pertinent factors which, in management’s judgment, warrant current recognition in the loss estimation process. The Company’s Risk Management Committee meets quarterly to review and conclude on the adequacy of the reserves and to present their recommendation to executive management and the Board of Directors.

Management considers the adequacy of the ALL a critical accounting estimate. The adequacy of the ALL is subject to considerable assumptions and judgment used in its determination. Therefore, actual losses could differ materially from management’s estimate if actual conditions differ significantly from the assumptions utilized. These conditions include economic factors in the Company’s market and nationally, industry trends and concentrations, real estate values and trends, and the financial condition and performance of individual borrowers. While management believes the ALL is adequate as of September 30, 2015, actual results may prove different and the differences could be significant.

The Company’s general practice is to identify problem credits early and recognize full or partial charge-offs as promptly as practicable when it is determined that the collection of loan principal is unlikely. The Company recognized full or partial charge-offs on collateral dependent impaired loans when the collateral is deemed to be insufficient to support the carrying value of the loan. The Company does not recognize a recovery when an updated appraisal indicates a subsequent increase in value.

The Company had a loan loss allowance of $30.8 million, or 0.73%, of total loans at September 30, 2015 as compared to a loan loss allowance of $24.8 million, or 0.64%, of total loans at December 31, 2014. Management believes that the allowance for loan losses is adequate and consistent with asset quality indicators and that it represents the best estimate of probable losses inherent in the loan portfolio.

The unallocated portion of the ALL represents general valuation allowances that are not allocated to a specific loan portfolio. The unallocated component is maintained to cover uncertainties that could affect management’s estimate of probable losses and reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio. The unallocated portion of the ALL at September 30, 2015 increased $539,000 to $650,000 compared to December 31, 2014. See Note 4, “Loans Receivable and Allowance for Loan Losses” in the Notes to the Unaudited Consolidated Financial Statements contained elsewhere in this report for a table providing the activity in the Company’s allowance for loan losses for the three and nine months ended September 30, 2015 and 2014.

In addition to the ALL, the Company maintains a reserve for unfunded credit commitments in other liabilities on the Consolidated Statements of Condition. The allowance for credit losses analysis includes consideration of the risks associated with unfunded loan commitments. The reserve calculation includes factors that are consistent with ALL methodology for funded loans. The combination of ALL and unfunded reserves is calculated in a manner to capture the entirety of the underlying business relationship of the customer. The amounts of unfunded commitments and the associated reserves may be subject to fluctuations due to originations, the timing and volume of loan funding, as well as changes in risk ratings. At September 30, 2015, the reserve for unfunded credit commitments was $1.2 million compared to a reserve for unfunded credit commitments of $1.3 million at December 31, 2014.

Sources of Funds

The primary source of the Company's cash flows, for use in lending and meeting its general operational needs, is deposits. Additional sources of funds are from Federal Home Loan Bank of Boston advances, reverse repurchase agreements, federal funds lines, loan and mortgage-backed securities repayments, securities sales proceeds and maturities, subordinated debt, and earnings. While scheduled loan and securities repayments are a relatively stable source of funds, loan and investment security prepayments and deposit inflows are influenced by prevailing interest rates and local economic conditions and are inherently uncertain.

Deposits

The Company offers a wide variety of deposit products to consumer, business and municipal customers. Deposit customers can access their accounts in a variety of ways including branch banking, ATM's, online banking, mobile banking and telephone banking. Effective advertising, direct mail, well-designed product offerings, customer service and competitive pricing policies have been successful in attracting and retaining deposits. A key strategic objective is to grow the base of checking customers by retaining existing relationships while attracting new customers.

Deposits provide an important source of funding for the Bank as well as an ongoing stream of fee revenue. The Company attempts to control the flow of funds in its deposit accounts according to its need for funds and the cost of alternative sources of funding. A Retail Pricing Committee meets weekly and a Management ALCO Committee meets monthly, to determine pricing and marketing initiatives. Actions of these committees influence the flow of funds primarily by the pricing of deposits, which is affected to a large extent by competitive factors in its market area and asset/liability management strategies.

The following table presents deposits by category as of the dates indicated:

(In thousands)	September 30, 2015	December 31, 2014
Demand deposits	$ 622,535	$ 602,359
NOW accounts	336,166	300,101
Regular savings and club accounts	511,582	528,614
Money market and investment savings	1,215,012	1,047,302
Total core deposits	2,685,295	2,478,376
Time deposits	1,577,676	1,556,935
Total deposits	$ 4,262,971	$ 4,035,311

Deposits totaled $4.26 billion at September 30, 2015, up $227.7 million from the balance at December 31, 2014. Core deposits increased $206.9 million, or 8.3%, from year end reflecting the promotion of retail and commercial money market products offered in a select market area and, to a lesser degree, promotional certificate of deposit specials.

Time deposits included brokered certificate of deposits of $271.8 million and $241.9 million at September 30, 2015 and December 31, 2014, respectively. The Company utilizes out-of-market brokered time deposits as part of its overall funding program along with other sources. Excluding out-of-market brokered certificates of deposits, in-market time deposits totaled $1.31 billion at September 30, 2015. United Bank is a member of the Certificate Deposit Account Registry Service network.

Borrowings

The Company also uses various types of short-term and long-term borrowings in meeting funding needs. While customer deposits remain the primary source for funding loan originations, management uses short-term and long-term borrowings as a supplementary funding source for loan growth and other liquidity needs when the cost of these funds are favorable compared to alternative funding, including deposits.

The following table presents borrowings by category as of the dates indicated:

(In thousands)	September 30, 2015		December 3
FHLBB advances (1)	$	746,549	$
Subordinated debt (2)		79,437	
Wholesale repurchase agreements		35,000	
Customer repurchase agreements		26,572	
Other		6,307	
Total borrowings	$	893,865	$

(1) FHLBB advances include $4.0 million and $5.4 million of purchase accounting discounts at September 30, 2015 and December 31, 2014, respectively.

(2) Subordinated debt includes $7.7 million of acquired junior subordinated debt, net of mark to market discounts of $2.2 million, and $75.0 million Subordinated Notes, net of associated deferred costs of $1.1 and $1.2 million at September 30, 2015 and December 31, 2014, respectively.

United Bank is a member of the Federal Home Loan Bank System, which consists of twelve district Federal Home Loan Banks, each subject to the supervision and regulation of the Federal Housing Finance Agency. Members are required to own capital stock in the FHLBB in order for the Bank to access advances and borrowings which are collateralized by certain home mortgages or securities of the U.S. Government and its agencies. The capital stock investment is restricted in that there is no market for it, and it can only be redeemed by the FHLBB.

Total FHLBB advances increased $167.0 million to $742.6 million at September 30, 2015, exclusive of the purchase accounting mark adjustment on the advances, compared to $575.6 million at December 31, 2014. This increase is a result of the Company funding new loan growth.At September 30, 2015, $692.6 million of the Company’s $742.6 million outstanding FHLB advances were at fixed coupons ranging from 0.32% to 7.15%, with an average cost of 0.93%. Additionally, the Company has a $50.0 million advance with FHLBB effective July 1, 2015 that is an underlying hedge instrument. The interest is based on the three 3-month LIBOR plus eight basis points and adjusts quarterly. The average cost of funds including this adjustable advance is 0.83%. FHLBB borrowings represented 12.8% and 10.5% of assets at September 30, 2015 and December 31, 2014, respectively.

Borrowings under reverse purchase agreements totaled $35.0 million and $69.2 million as of September 30, 2015 and December 31, 2014, respectively. The outstanding borrowings consisted of three individual agreements with remaining terms of four years or less and a weighted-average cost of 1.75%. Retail repurchase agreements, which have a term of one day and are backed by the purchasers’ interest in certain U.S. Government or government-sponsored securities, totaled $26.6 million and $41.3 million at September 30, 2015 and December 31, 2014, respectively.

Subordinated debentures totaled $79.4 million and $79.3 million at September 30, 2015 and December 31, 2014, respectively.

Liquidity and Capital Resources

Liquidity is the ability to meet cash needs at all times with available cash or by conversion of other assets to cash at a reasonable price and in a timely manner. The Company maintains liquid assets at levels the Company considers adequate to meet its liquidity needs. The Company adjusts its liquidity levels to fund loan commitments, repay its borrowings, fund deposit outflows, pay escrow obligations on all items in the loan portfolio and to fund operations. The Company also adjusts liquidity as appropriate to meet asset and liability management objectives.

The Company’s primary sources of liquidity are deposits, amortization 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 competition. The Company sets the interest rates on our deposits to maintain a desired level of total deposits. In addition, the Company invests excess funds in short-term interest-earning assets, which provide liquidity to meet lending requirements.

A portion of the Company’s liquidity consists of cash and cash equivalents, which are a product of our operating, investing and financing activities. At September 30, 2015, $98.3 million of the Company’s assets were held in cash and cash equivalents compared to $87.0 million at December 31, 2014. The Company’s primary sources of cash are principal repayments on loans, proceeds from the calls and maturities of investment securities, increases in deposit accounts, proceeds from residential loan sales and advances from the FHLBB.

Liquidity management is both a daily and longer-term function of business management. If the Company requires funds beyond its ability to generate them internally, borrowing agreements exist with the FHLBB, which provide an additional source of funds. At September 30, 2015, the Company had $742.6 million in advances from the FHLBB and an additional available borrowing limit of $220.9 million based on collateral requirements of the FHLBB inclusive of the line of credit. In addition, the Bank has relationships with brokered sweep deposit providers with outstanding balances of $113.2 million at September 30, 2015. Internal policies limit wholesale borrowings to 30% of total assets, or $1.75 billion, at September 30, 2015. In addition, the Company has uncommitted federal funds line of credit with five counterparties totaling $137.5 million at September 30, 2015. No federal funds purchased were outstanding at September 30, 2015.

The Company has established access to the Federal Reserve Bank of Boston’s discount window through a borrower in custody agreement. As of September 30, 2015, the Bank had pledged 28 commercial loans, with outstanding balances totaling $195.3 million. Based on the amount of pledged collateral, the Bank had available liquidity of $151.9 million.

At September 30, 2015, the Company had outstanding commitments to originate loans of $248.1 million and unfunded commitments under construction loans, lines of credit and stand-by letters of credit of $737.0 million. At September 30, 2015, time deposits scheduled to mature in less than one year totaled $1.00 billion. Based on prior experience, management believes that a significant portion of such deposits will remain with the Company, although there can be no assurance that this will be the case. In the event a significant portion of its deposits are not retained by the Company, it will have to utilize other funding sources, such as FHLBB advances in order to maintain its 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 there is an increased amount of competition for deposits in our market area at the time of renewal.

The main sources of liquidity at the parent company level are dividends from United Bank and proceeds received from the Company’s issuance of $75.0 million of subordinated notes in September 2014. The main uses of liquidity are payments of dividends to common stockholders, repurchase of United Financial’s common stock, and corporate operating expenses. There are certain restrictions on the payment of dividends. See Note 17, “Regulatory Matters” in the Company’s 2014 Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 for further information on dividend restrictions.

The Company and the Bank are subject to various regulatory capital requirements. As of September 30, 2015, the Company and the Bank are categorized as “well-capitalized” under the regulatory framework for prompt corrective action. See Note 11, “Regulatory Matters” in the Notes to the Unaudited Consolidated Financial Statements contained elsewhere in this report for discussion of capital requirements.

The liquidity position of the Company is continuously monitored and adjustments are made to balance between sources and uses of funds as deemed appropriate. Management is not aware of any events that are reasonably likely to have a material adverse effect on the Company’s liquidity, capital resources or operations. In addition, management is not aware of any regulatory recommendations regarding liquidity, which if implemented would have a material adverse effect on the Company. The Company has a detailed liquidity contingency plan which is designed to respond to liquidity concerns in a prompt and comprehensive manner. It is designed to provide early detection of potential problems and details specific actions required to address liquidity stress scenarios.

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 mortgage loans, in general 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 a Risk Committee which is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors. Management monitors the level of interest rate risk on a regular basis and the Risk 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 loans including, adjustable rate one-to-four family, commercial and consumer loans, (ii) selling longer-term 1-4 family fixed rate mortgage loans in the secondary market, (iii) reducing and shortening the expected average life of the investment portfolio and (iv) a forward starting hedge strategy for future dated wholesale funding and (v) a loan level hedging program. These measures should serve to reduce the volatility of our future net interest income in different interest rate environments.

Quantitative Analysis

Income Simulation: Simulation analysis is used to estimate our interest rate risk exposure at a particular point in time. The Company models a stable balance sheet (both size and mix) is projected throughout the modeling horizon. This adoption was made in a continued effort to align with regulatory best practices and to highlight the current level of risk in the Company's positions without the effects of growth assumptions. We utilize the income simulation method to analyze our interest rate sensitivity position to manage the risk associated with interest rate movements. At least quarterly, our Risk Committee of the Board of Directors reviews the potential effect changes in interest rates could have on the repayment or repricing of rate sensitive assets and funding requirements of rate sensitive liabilities. Our most recent simulation uses projected repricing of assets and liabilities at September 30, 2015 on the basis of contractual maturities, anticipated repayments and scheduled rate adjustments. Prepayment rate assumptions as well as deposit characterization assumptions can have a significant impact on interest income simulation results. Because of the large percentage of loans and mortgage-backed assets 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 therefore would most likely result in a decrease to our asset sensitive position.

	Percentage Decrease in Estimated Net Interest Income	
	Over 12 Months	Over 12 -24 Months
300 basis point increase in rates	2.30%	3.30%
50 basis point decrease in rates	3.49%	5.84%

United Bank's Asset/Liability policy currently limits projected changes in net interest income based on a matrix of projected total risk-based capital relative to the interest rate change for each twelve month period measured compared to the flat rate scenario. As a result, the higher a level of projected risk-based capital, the higher the limit of projected net interest income volatility the Company will accept. As the level of projected risk-based capital is reduced, the policy requires that net interest income volatility also is reduced, making the limit dynamic relative to the capital level needed to support it. These policy limits are re-evaluated on a periodic basis (not less than annually) and may be modified, as appropriate. Because of the liability-sensitivity of our balance sheet, income is projected to decrease if interest rates rise. Also included in the decreasing rate scenario is the assumption that further declines are reflective of a deeper recession as well as narrower credit spreads from Federal Open Market Committee actions. At September 30, 2015, income at risk over the next twelve months (i.e., the change in net interest income) decreased 2.30% and decreased 3.49% based on a 300 basis point average increase or a 50 basis point average decrease, respectively. While we believe the assumptions used are reasonable, there can be no assurance that assumed prepayment rates will approximate actual future mortgage-backed security and loan repayment activity.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures: Our disclosure controls and procedures are designed to ensure that information the Company must disclose in its reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported on a timely basis. Our management has evaluated, with the participation and under the supervision of our chief executive officer ("CEO") and chief financial officer ("CFO"), the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our CEO and CFO have concluded that, as of such date, the Company's disclosure controls and procedures are effective in ensuring that information relating to the Company, including its consolidated subsidiaries, required to be disclosed in reports that it files under the Exchange Act is (1) recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls: During the quarter under report, there was no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various legal proceedings that have arisen in the normal course of business. The Company is not involved in any legal proceedings deemed to be material as of September 30, 2015.

Item 1A. Risk Factors

There have been no material changes in the Risk Factors previously disclosed in Item 1A of the Company's annual report on Form 10-K for the period ended December 31, 2014.

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

The following table provides information with respect to net purchases made by United Financial Bancorp's, Inc. of its common stock during the period ended September 30, 2015:

Period	Total number of shares purchased	Average(1) price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plan
July 1 - 31, 2015	—	$ —	5,041,915	254,394
August 1 - 31, 2015	—	—	5,041,915	254,394
September 1 - 30, 2015	—	—	5,041,915	254,394
Total	—	$ —	5,041,915	254,394

(1) Includes dealer commission expense to purchase the securities.

In October 2014, the Company announced that it had adopted a third share repurchase program which commenced upon the completion of the second authorization. The third repurchase program allows for the purchase of an additional 2,566,283 shares, or approximately 5% of outstanding shares. The Company has no intentions at this time to terminate this plan. As of September 30, 2015, there were 254,394 maximum shares that may yet be purchased under this publicly announced plan.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

2.1 Amended and Restated Plan of Conversion and Reorganization (incorporated herein by reference to Exhibit 2.1 to the Registration Statement filed on the Form S-1 for Rockville Financial New, Inc. on September 16, 2010)

2.2 Agreement and Plan of Merger by and between Rockville Financial, Inc. and United Financial Bancorp, Inc. (incorporated herein by reference to Exhibit 99.1 to the Current Report on the Company's Form 8-K filed on November 15, 2013)

3.1 Certificate of Incorporation of United Financial Bancorp, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on May 01, 2014)

3.2 The Bylaws, as amended and restated, (incorporated herein by reference to Exhibit 3.2 to the Current Report on the Company's Form 8-K filed on May 01, 2014)

10.5 Supplemental Savings and Retirement Plan of United Bank as amended and restated effective December 31, 2007 (incorporated herein by reference to Exhibit 10.5 to the Current Report on Form 8-K filed for Rockville Financial, Inc. (now United Financial Bancorp, Inc.) filed on December 18, 2007)

10.6 United Bank Officer Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.2.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005 filed on March 31, 2006 (File No. 000-52139))

10.9 United Bank Supplemental Executive Retirement Plan as amended and restated effective December 31, 2007 (incorporated herein by reference to Exhibit 10.9 to the Current Report on Form 8-K filed for Rockville Financial, Inc. (now United Financial Bancorp, Inc.) filed on December 18, 2007)

10.10	United Financial Bancorp, Inc. 2006 Stock Incentive Award Plan (incorporated herein by reference to Appendix B in the Definitive Proxy Statement on Form 14A for Rockville Financial, Inc. (now United Financial Bancorp, Inc.) filed on July 3, 2006 (File No. 000-51239))
10.11.2	Supplemental Executive Retirement Agreement of United Bank for William H.W. Crawford, IV effective December 26, 2012 (incorporated by reference to Exhibit 10.11.2 to the Current Report on the Company's Form 8-K filed on January 2, 2013)
10.11.4	On November 14, 2013, United Financial Bancorp, Inc. and its subsidiary United Bank entered into an Employment Agreement with William H.W. Crawford, IV effective on the date of the consummation of the Merger (incorporated by reference herein to Exhibit 10.11.4 to the Company's Form 8-K filed on November 20, 2013)
10.12	Supplemental Executive Retirement Agreement of United Bank for Mark A. Kucia effective December 6, 2010 (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed on March 10, 2011)
10.12.1	Employment Agreement as amended and restated by and among United Financial Bancorp, Inc., United Bank and Mark A. Kucia, effective January 9, 2012 (replaces former Exhibit 10.12.1) (incorporated herein by reference to Exhibit 10.12.1 to the Current Report on the Company's Form 8-K filed on January 13, 2012)
10.13	Employment Agreement by and among United Financial Bancorp, Inc., United Bank and Marino J. Santarelli effective January 9, 2012 (replaces former Exhibits 10.2 and 10.2.2) (incorporated herein by reference to Exhibit 10.2 to the Current Report on the Company's Form 8-K filed on January 13, 2012)
10.14	United Financial Bancorp, Inc. 2012 Stock Incentive Award Plan (incorporated herein by reference to Appendix A in the Definitive Proxy Statement on Form 14A for Rockville Financial, Inc. (now United Financial Bancorp, Inc.) filed on April 4, 2012 (File No. 0001193125-12-149948))
10.17	Employment Agreement by and among United Financial Bancorp, Inc., United Bank and Eric R. Newell effective January 1, 2013 (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed on March 14, 2014)
10.18	Employment Agreement by and among United Financial Bancorp, Inc., United Bank and David Paulson effective February 19, 2014 (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed on March 14, 2014)
10.19	Form of United Financial Bancorp, Inc. Executive Change in Control Severance Plan, effective January 21, 2015 (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed on March 9, 2015)
14.	United Financial Bancorp, Inc., United Bank, Standards of Conduct Policy - Employees (incorporated by reference to Exhibit 14. to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed on March 9, 2015)
21.	Subsidiaries of United Financial Bancorp, Inc. and United Bank (incorporated by reference to Exhibit 21. to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed on March 9, 2015)
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer filed herewith
32.0	Section 1350 Certification of the Chief Executive Officer and Chief Financial Officer attached hereto
101.	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Net Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Unaudited Consolidated Financial Statements filed herewith

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SIGNATURES

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

United Financial Bancorp, Inc.

By:	/s/ Eric R. Newell
	Eric R. Newell
	EVP, Chief Financial Officer and Treasurer

Date: November 6, 2015

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Section 2: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Certification

I, William H.W. Crawford, IV, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Financial Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation;
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 6, 2015	/s/ William H.W. Crawford, IV
	William H.W. Crawford, IV
	Chief Executive Officer

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Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certification

I, Eric R. Newell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Financial Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation;
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 6, 2015

/s/ Eric R. Newell

Eric R. Newell
EVP, Chief Financial Officer and Treasurer

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Section 4: EX-32.0 (EXHIBIT 32.0)

Exhibit 32.0

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADDED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of United Financial Bancorp, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2015, as filed with the Securities and Exchange Commission (the "Report"), I hereby certify pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in this Report fairly presents, in all material respects, the consolidated financial condition and results of the Company as of and for the period covered by this Report.

By: /s/ William H.W. Crawford, IV

William H.W. Crawford, IV
Chief Executive Officer
November 6, 2015

By: /s/ Eric R. Newell

Eric R. Newell
EVP, Chief Financial Officer and Treasurer
November 6, 2015

The forgoing certification is being furnished solely pursuant to 12 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Note: A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to United Financial Bancorp, Inc. and will be retained by United Financial Bancorp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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