BROOKLINE BANCORP INC
Form 10-Q
August 04, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

Commission file number 0-23695

Brookline Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Delaware	04-3402944
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
131 Clarendon Street, Boston, MA	02116
(Address of principal executive offices)	(Zip Code)

(617) 425-4600
(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 x NO o

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

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller Reporting Company	o
		Emerging growth company	o

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

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

At August 4, 2017, the number of shares of common stock, par value $0.01 per share, outstanding was 76,607,315.

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PART I — FINANCIAL INFORMATION
Item 1. Unaudited Consolidated Financial Statements
BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Balance Sheets

	At June 30, 2017	At December 31, 2016
	(In Thousands Except Share Data)	
ASSETS		
Cash and due from banks	$40,599	$ 36,055
Short-term investments	72,996	31,602
Total cash and cash equivalents	113,595	67,657
Investment securities available-for-sale	540,976	523,634
Investment securities held-to-maturity (fair value of $108,470 and $85,271, respectively)	108,963	87,120
Total investment securities	649,939	610,754
Loans held-for-sale	593	13,078
Loans and leases:		
Commercial real estate loans	2,936,187	2,918,567
Commercial loans and leases	1,589,132	1,495,408
Consumer loans	1,012,087	984,889
Total loans and leases	5,537,406	5,398,864
Allowance for loan and lease losses	(64,521)	(53,666)
Net loans and leases	5,472,885	5,345,198
Restricted equity securities	66,988	64,511
Premises and equipment, net of accumulated depreciation of $61,831 and $58,790, respectively	81,052	76,176
Deferred tax asset	26,982	25,247
Goodwill	137,890	137,890
Identified intangible assets, net of accumulated amortization of $32,700 and $31,649, respectively	7,082	8,133
Other real estate owned ("OREO") and repossessed assets, net	4,873	1,399
Other assets	96,188	88,086
Total assets	$6,658,067	$ 6,438,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing deposits:		
Demand checking accounts	$920,035	$ 900,474
Interest-bearing deposits:		
NOW accounts	321,982	323,160
Savings accounts	584,408	613,061
Money market accounts	1,763,443	1,733,359
Certificate of deposit accounts	1,119,551	1,041,022
Total interest-bearing deposits	3,789,384	3,710,602
Total deposits	4,709,419	4,611,076
Borrowed funds:		
Advances from the Federal Home Loan Bank of Boston ("FHLBB")	930,028	910,774
Subordinated debentures and notes	83,188	83,105
Other borrowed funds	53,427	50,207

Total borrowed funds	1,066,643	1,044,086
Mortgagors' escrow accounts	7,714	7,645
Accrued expenses and other liabilities	71,232	72,573
Total liabilities	5,855,008	5,735,380
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Brookline Bancorp, Inc. stockholders' equity:		
Common stock, $0.01 par value; 200,000,000 shares authorized; 81,695,695 shares issued and 75,744,445 shares issued, respectively	817	757
Additional paid-in capital	699,923	616,734
Retained earnings, partially restricted	151,759	136,671
Accumulated other comprehensive loss	(2,175)	(3,818)
Treasury stock, at cost; 4,717,775 shares and 4,707,096 shares, respectively	(53,837)	(53,837)
Unallocated common stock held by Employee Stock Ownership Plan ("ESOP"); 159,510 shares and 176,688 shares, respectively	(869)	(963)
Total Brookline Bancorp, Inc. stockholders' equity	795,618	695,544
Noncontrolling interest in subsidiary	7,441	7,205
Total stockholders' equity	803,059	702,749
Total liabilities and stockholders' equity	$6,658,067	$6,438,129

See accompanying notes to unaudited consolidated financial statements.
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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In Thousands Except Share Data)			
Interest and dividend income:				
Loans and leases	$61,138	$ 55,369	$119,696	$ 109,616
Debt securities	3,156	3,075	6,156	6,007
Marketable and restricted equity securities	797	729	1,523	1,409
Short-term investments	95	63	162	102
Total interest and dividend income	65,186	59,236	127,537	117,134
Interest expense:				
Deposits	5,543	5,018	10,623	9,763
Borrowed funds	4,060	3,961	8,233	7,911
Total interest expense	9,603	8,979	18,856	17,674
Net interest income	55,583	50,257	108,681	99,460
Provision for credit losses	873	2,545	14,275	4,923
Net interest income after provision for credit losses	54,710	47,712	94,406	94,537
Non-interest income:				
Deposit fees	2,552	2,216	4,961	4,361
Loan fees	229	287	490	593
Loan level derivative income, net	186	1,210	588	2,839
Gain on sales of investment securities, net	—	—	11,393	—
Gain on sales of loans and leases held-for-sale	307	345	660	1,250
Other	1,203	1,317	2,293	2,777
Total non-interest income	4,477	5,375	20,385	11,820
Non-interest expense:				
Compensation and employee benefits	20,910	19,083	40,694	37,810
Occupancy	3,657	3,391	7,302	6,917
Equipment and data processing	4,164	3,898	8,227	7,588
Professional services	1,036	962	2,142	1,928
FDIC insurance	951	843	1,806	1,721
Advertising and marketing	857	853	1,674	1,714
Amortization of identified intangible assets	519	621	1,051	1,256
Other	2,701	2,599	5,655	5,345
Total non-interest expense	34,795	32,250	68,551	64,279
Income before provision for income taxes	24,392	20,837	46,240	42,078
Provision for income taxes	8,759	7,465	16,594	15,064
Net income before noncontrolling interest in subsidiary	15,633	13,372	29,646	27,014
Less net income attributable to noncontrolling interest in subsidiary	753	718	1,321	1,548
Net income attributable to Brookline Bancorp, Inc.	$14,880	$ 12,654	$28,325	$ 25,466
Earnings per common share:				
Basic	$0.20	$ 0.18	$0.39	$ 0.36
Diluted	0.20	0.18	0.39	0.36
Weighted average common shares outstanding during the year:				
Basic	74,325,017	70,196,950	72,366,769	70,191,935
Diluted	74,810,088	70,388,438	72,837,971	70,365,923
Dividends declared per common share	$0.090	$ 0.090	$0.18	$ 0.18

See accompanying notes to unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In Thousands)			
Net income before noncontrolling interest in subsidiary	$15,633	$13,372	$29,646	$27,014
Other comprehensive income, net of taxes:				
Investment securities available-for-sale:				
Unrealized securities holding gains	1,693	4,084	2,563	13,160
Income tax expense	(607)	(1,467)	(920)	(4,715)
Net unrealized securities holding gains before reclassification adjustments	1,086	2,617	1,643	8,445
Postretirement benefits:				
Adjustment of accumulated obligation for postretirement benefits	—	—	—	—
Income tax expense	—	—	—	—
Net adjustment of accumulated obligation for postretirement benefits	—	—	—	—
Other comprehensive income, net of taxes	1,086	2,617	1,643	8,445
Comprehensive income	16,719	15,989	31,289	35,459
Net income attributable to noncontrolling interest in subsidiary	753	718	1,321	1,548
Comprehensive income attributable to Brookline Bancorp, Inc.	$15,966	$15,271	$29,968	$33,911

See accompanying notes to unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Changes in Stockholders' Equity
Six Months Ended June 30, 2017 and 2016

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity	Noncontrolling Interest in Subsidiary	Total Stockholders' Equity
	(In Thousands)								
Balance at December 31, 2016	$757	$616,734	$136,671	$(3,818)	$(53,837)	$(963)	$695,544	$7,205	$702,749
Net income attributable to Brookline Bancorp, Inc.	—	—	28,325	—	—	—	28,325	—	28,325
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	1,321	1,321
Issuance of common stock	60	81,949	—	—	—	—	82,009	—	82,009
Issuance of noncontrolling units	—	—	—	—	—	—	—	118	118
Other comprehensive income	—	—		1,643	—	—	1,643	—	1,643
Common stock dividends of $0.18 per share	—	—	(13,237)	—	—	—	(13,237)	—	(13,237)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,203)	(1,203)
Compensation under recognition and retention plan	—	1,091	—	—	—	—	1,091	—	1,091
Common stock held by ESOP committed to be released (17,178 shares)	—	149	—	—	—	94	243	—	243
Balance at June 30, 2017	$817	$699,923	$151,759	$(2,175)	$(53,837)	$(869)	$795,618	$7,441	$803,059

See accompanying notes to unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Changes in Stockholders' Equity (Continued)
Six Months Ended June 30, 2017 and 2016

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity	Noncontrolling Interest in Subsidiary	Total Stockholders' Equity
	(In Thousands)								
Balance at December 31, 2015	$757	$616,899	$109,675	$(2,476)	$(56,208)	$(1,162)	$667,485	$6,001	$673,486
Net income attributable to Brookline Bancorp, Inc.	—	—	25,466	—	—	—	25,466	—	25,466
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	1,548	1,548
Issuance of noncontrolling interest	—	—	—	—	—	—	—	76	76
Other comprehensive income	—	—		8,445	—	—	8,445	—	8,445
Common stock dividends of $0.18 per share	—	—	(12,672)	—	—	—	(12,672)	—	(12,672)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,332)	(1,332)
Compensation under recognition and retention plans	—	739	—	—	(7)	—	732	—	732
Common stock held by ESOP committed to be released (18,186 shares)	—	100	—	—	—	100	200	—	200
Balance at June 30, 2016	$757	$617,738	$122,469	$5,969	$(56,215)	$(1,062)	$689,656	$6,293	$695,949

See accompanying notes to unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Cash Flows

	Six Months Ended June 30,	
	2017	2016
	(In Thousands)	
Cash flows from operating activities:		
Net income attributable to Brookline Bancorp, Inc.	$28,325	$ 25,466
Adjustments to reconcile net income to net cash provided from operating activities:		
Net income attributable to noncontrolling interest in subsidiary	1,321	1,548
Provision for credit losses	14,275	4,923
Origination of loans and leases held-for-sale	(12,860)	(19,803)
Proceeds from sales of loans and leases held-for-sale, net	18,427	22,127
Deferred income tax benefit	(2,655)	(199)
Depreciation of premises and equipment	3,615	3,565
Amortization of investment securities premiums and discounts, net	746	1,222
Amortization of deferred loan and lease origination costs, net	3,265	2,929
Amortization of identified intangible assets	1,051	1,256
Amortization of debt issuance costs	50	51
Accretion of acquisition fair value adjustments, net	(1,353)	(1,624)
Gain on sales of investment securities, net	(11,393)	—
Gain on sales of loans and leases held-for-sale	(660)	(1,250)
Gain on sales of OREO and other repossessed assets, net	25	(7)
Write-down of OREO and other repossessed assets	193	50
Compensation under recognition and retention plans	1,147	776
ESOP shares committed to be released	243	200
Net change in:		
Cash surrender value of bank-owned life insurance	(517)	(532)
Other assets	(7,541)	(22,228)
Accrued expenses and other liabilities	(1,420)	6,765
Net cash provided from operating activities	34,284	25,235
Cash flows from investing activities:		
Proceeds from maturities, calls, and principal repayments of investment securities available-for-sale	36,881	51,747
Purchases of investment securities available-for-sale	(52,448)	(59,306)
Proceeds from maturities, calls, and principal repayments of investment securities held to maturity	2,083	37,210
Purchases of investment securities held-to-maturity	(23,884)	(13,312)
Proceeds from redemption/sales of restricted equity securities	13,258	1,440
Purchase of restricted equity securities	(4,342)	—
Proceeds from sales of loans and leases held-for-investment, net	4,643	23,116
Net increase in loans and leases	(146,895)	(283,904)
Purchase of premises and equipment, net	(8,617)	(1,622)
Proceeds from sales of OREO and other repossessed assets	1,374	2,072
Net cash used for investing activities	(177,947)	(242,559)

(Continued)

See accompanying notes to unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Cash Flows (Continued)

	Six Months Ended June 30,	
	2017	2016
	(In Thousands)	
Cash flows from financing activities:		
Increase in demand checking, NOW, savings and money market accounts	19,814	116,006
Increase in certificates of deposit	78,529	63,179
Proceeds from FHLBB advances	2,419,299	3,604,238
Repayment of FHLBB advances	(2,399,017)	(3,560,127)
Increase in other borrowed funds, net	3,220	2,506
Increase (decrease) in mortgagors' escrow accounts, net	69	(97)
Proceeds from issuance of common stock	82,009	—
Payment of dividends on common stock	(13,237)	(12,672)
Proceeds from issuance of noncontrolling units	118	76
Payment of dividends to owners of noncontrolling interest in subsidiary	(1,203)	(1,332)
Net cash provided from financing activities	189,601	211,777
Net decrease in cash and cash equivalents	45,938	(5,547)
Cash and cash equivalents at beginning of period	67,657	75,489
Cash and cash equivalents at end of period	$113,595	$ 69,942
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on deposits, borrowed funds and subordinated debt	$20,049	$ 18,999
Income taxes	21,878	17,342
Non-cash investing activities:		
Transfer from loans and leases to loan and leases held-for-sale	$7,500	$ 10,000
Transfer from loans to other real estate owned	5,066	1,523

See accompanying notes to unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
At and for the Six Months Ended June 30, 2017 and 2016
(1) Basis of Presentation
Overview
Brookline Bancorp, Inc. (the "Company") is a bank holding company (within the meaning of the Bank Holding Company Act of 1956, as amended) and the parent of Brookline Bank, a Massachusetts-chartered savings bank; Bank Rhode Island ("BankRI"), a Rhode Island-chartered financial institution; and First Ipswich Bank ("First Ipswich"), a Massachusetts-chartered trust company (collectively referred to as the "Banks"). The Banks are all members of the Federal Reserve System. The Company is also the parent of Brookline Securities Corp. ("BSC"). The Company's primary business is to provide commercial, business and retail banking services to its corporate, municipal and retail customers through the Banks and its non-bank subsidiaries.
Brookline Bank, which includes its wholly-owned subsidiaries BBS Investment Corp., Longwood Securities Corp. and its 84.2%-owned subsidiary, Eastern Funding LLC ("Eastern Funding"), operates 25 full-service banking offices in the greater Boston metropolitan area. BankRI, which includes its wholly-owned subsidiaries, Acorn Insurance Agency, BRI Realty Corp., Macrolease Corporation ("Macrolease"), BRI Investment Corp. and its wholly-owned subsidiary, BRI MSC Corp., operates 20 full-service banking offices in the greater Providence, Rhode Island area. First Ipswich, which includes its wholly-owned subsidiaries, First Ipswich Insurance Agency and First Ipswich Securities II Corp., operates six full-service banking offices on the north shore of eastern Massachusetts.
The Company's activities include acceptance of commercial, municipal and retail deposits, origination of mortgage loans on commercial and residential real estate located principally in Massachusetts and Rhode Island, origination of commercial loans and leases to small- and mid-sized businesses, investment in debt and equity securities, and the offering of cash management and investment advisory services. The Company also provides specialty equipment financing through its subsidiaries Eastern Funding, which is based in New York City, New York, and Macrolease, which is based in Plainview, New York.
The Company and the Banks are supervised, examined and regulated by the Board of Governors of the Federal Reserve System ("FRB"). As Massachusetts-chartered savings bank and trust companies, Brookline Bank and First Ipswich, respectively, are also subject to regulation under the laws of the Commonwealth of Massachusetts and the jurisdiction of the Massachusetts Division of Banks. As a Rhode Island-chartered financial institution, BankRI is subject to regulation under the laws of the State of Rhode Island and the jurisdiction of the Banking Division of the Rhode Island Department of Business Regulation.
The Federal Deposit Insurance Corporation ("FDIC") offers insurance coverage on all deposits up to $250,000 per depositor at each of the Banks. As FDIC-insured depository institutions, the Banks are also secondarily subject to supervision, examination and regulation by the FDIC. Additionally, as a Massachusetts-chartered savings bank, Brookline Bank is also insured by the Depositors Insurance Fund ("DIF"), a private industry-sponsored insurance company. The DIF insures savings bank deposits in excess of the FDIC insurance limits. As such, Brookline Bank offers 100% insurance on all deposits as a result of a combination of insurance from the FDIC and the DIF. Brookline Bank is required to file reports with the DIF.
Basis of Financial Statement Presentation
The unaudited consolidated financial statements of the Company presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles (“GAAP”). In the opinion of Management, all adjustments (consisting of normal recurring adjustments) and disclosures considered necessary for the fair presentation of the accompanying consolidated financial statements have been included. Interim results are not necessarily reflective of the results of the entire year. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

The unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

In preparing these consolidated financial statements, Management is required to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates based upon changing conditions, including economic conditions and future events. Material estimates that are particularly susceptible to significant change in the near-term include the determination of the allowance for loan and lease losses, the determination of fair market values of assets and liabilities, including acquired loans and leases, the review of goodwill and intangibles for impairment and the review of deferred tax assets for valuation allowances.

The judgments used by Management in applying these critical accounting policies may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. For example, subsequent evaluations of the loan and lease portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan and lease losses in future periods, and the inability to collect outstanding principal may result in increased loan and lease losses.

Reclassification

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

(2) Recent Accounting Pronouncements

In July 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interest with a Scope Exception. For public entities, this ASU is effective for annual reporting periods beginning after December 15, 2018. Management is currently assessing the applicability of ASU 2017-11 and has not determined the impact of the adoption, if any, as of June 30, 2017.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting. FASB issued this Update to address the diversity in practice as well as the cost and complexity when applying the guidance in Topic 718, Compensation - Stock Compensation, to a change to the terms or conditions of a share-based payment award. For public entities, this ASU is effective for annual reporting periods beginning after December 15, 2017. Management is currently assessing the applicability of ASU 2017-09 and has not determined the impact of the adoption, if any, as of June 30, 2017.

In March 2017, the FASB issued Accounting Standards Update ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715). This ASU was issued primarily to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. This ASU is effective for annual reporting periods beginning after December 15, 2017. Management has determined that ASU 2017-07 does apply, but has not determined the impact, if any, as of June 30, 2017. Management will meet to discuss and will put together a project team to assess steps to adoption prior to implementation of the standard in 2018.

In February 2017, the FASB issued ASU 2017-05, Other Income Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20). This ASU was issued to clarify the scope of Subtopic 610-20, and to add guidance for partial sales of nonfinancial assets. For public entities, this ASU is effective for annual reporting periods beginning after December 15, 2017. Management believes that this ASU applies and is assessing the impact, if any, as of June 30, 2017. Management will form a project team to determine the impact and if the Company will early adopt the ASU.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350). This ASU was issued to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. For public entities, this ASU is effective for the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted and application should be on a prospective basis. Management has evaluated this ASU and believes that ASU 2017-04 does apply. Management will form a project team to determine the impact and if the Company will early adopt the ASU.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230). This ASU was issued to provide clarification and uniformity on the presentation and classification of certain cash receipts and cash payments in the statement of cash flows under Topic 230. This amendments presented in this ASU are effective for fiscal years beginning after December 15, 2017. As of June 30, 2017, management believes that ASU 2016-15 does apply, and after completing an internal analysis has determined the impact of adoption of this ASU in 2018 will be related to financial statement presentation.

In June 2016, the FASB issued ASU 2016-13, Financial instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The intent of this ASU is to replace the current GAAP method of calculating credit losses. Current GAAP uses a higher threshold at which likely losses can be calculated and recorded. The new process will require institutions to account for likely losses that originally would not have been part of the calculation. The calculation will incorporate future forecasting in addition to historical and current measures. For public entities that file with the SEC, this ASU is effective for the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This ASU must be applied prospectively to debt securities marked as other than temporarily impaired. A retrospective approach will be applied cumulatively to retained earnings. Early adoption is permitted as of the fiscal years beginning after December 15, 2018. Management has determined that ASU 2016-13 does apply, but has not determined the impact, if any, as of June 30, 2017. In preparation for the adoption in 2019 of this ASU, management formed a steering committee which has developed an approach for implementation which includes the selection of a third party software service provider.

In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. The intention of this ASU is to provide additional clarification on specific issues brought forth by the FASB and the International Accounting Standards Board Joint Transition Resource Group for Revenue Recognition in relation to Topic 606 and revenue recognition. This ASU is to have the same effective date as ASU 2015-14 which deferred the effective date of ASU 2014-09 to December 15, 2017. Management has determined that ASU 2016-12 does apply, but has not determined the impact, if any, as of June 30, 2017. Management assembled a project team to address the changes pursuant to Topic 606. The project team has made an initial scope assessment and additional progress over the topic is expected to be made in the third quarter of 2017.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). This ASU was issued to clarify how to recognize revenue depending on an entities position, in relation to another entity involved, on contracts with customers. The entity can either be a principal party or an agent, and must record revenue accordingly. This ASU is not yet effective. Since this ASU affects ASU 2014-09, and that effective date was deferred, this ASU remains suspended too. Management believes that this ASU applies and is assessing the impact, if any, as of June 30, 2017. Management assembled a project team to address the changes pursuant to Topic 606. The project team has made an initial scope assessment and additional progress over the topic is expected to be made in the third quarter of 2017.

In February 2016, FASB issued ASU 2016-02, Leases. This ASU requires lessees to put most leases on their balance sheet but recognize expenses on their income statements in a manner similar to current accounting. This ASU also eliminates current real estate-specific provisions for all companies. For lessors, this ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods therein. Early adoption is permitted. Management believes that this ASU applies and is assessing the impact, if any, as of June 30, 2017. Management has met to discuss the impact and will assemble a project team to assess steps required for adoption prior to implementation of the standard in 2019.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments. This ASU significantly revises an entity’s accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods therein. Management believes that this ASU applies and is assessing the impact, if any, as of June 30, 2017. Management has put together a steering committee which has made progress identifying the additional data requirements necessary to implement the ASU and has determined an approach for implementation which includes the selection of a third party software service provider.

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. This ASU was issued to defer the effective date of ASU 2014-09 for all entities by one year. In effect, public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods (including interim reporting periods within those period) beginning after December 15, 2017. Management believes that this ASU applies and is assessing the impact, if any, as of June 30, 2017. Management assembled a project team to address the changes pursuant to Topic 606. The project team has made an initial scope assessment and additional progress over the topic is expected to be made in the third quarter of 2017.

(3) Investment Securities

The following tables set forth investment securities available-for-sale and held-to-maturity at the dates indicated:

	At June 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
GSE debentures	$139,928	$ 496	$ 641	$139,783
GSE CMOs	145,673	42	2,976	142,739
GSE MBSs	193,391	601	1,669	192,323
SBA commercial loan asset-backed securities	81	—	—	81
Corporate debt obligations	58,651	371	145	58,877
U.S. Treasury bonds	4,815	—	11	4,804
Trust preferred securities	1,470	—	83	1,387
Marketable equity securities	971	16	5	982
Total investment securities available-for-sale	$544,980	$ 1,526	$ 5,530	$540,976
Investment securities held-to-maturity:				
GSE debentures	$38,620	$ 15	$ 547	$38,088
GSEs MBSs	15,883	—	130	15,753
Municipal obligations	53,960	379	200	54,139
Foreign government obligations	500	—	10	490
Total investment securities held-to-maturity	$108,963	$ 394	$ 887	$108,470

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
GSE debentures	$98,122	$ 188	$ 1,290	$97,020
GSE CMOs	161,483	37	3,480	158,040
GSE MBSs	214,946	794	2,825	212,915
SBA commercial loan asset-backed securities	107	—	—	107
Corporate debt obligations	48,308	360	183	48,485
U.S. Treasury bonds	4,801	—	64	4,737
Trust preferred securities	1,469	—	111	1,358
Marketable equity securities	966	15	9	972
Total investment securities available-for-sale	$530,202	$ 1,394	$ 7,962	$523,634
Investment securities held-to-maturity:				
GSE debentures	$14,735	$ —	$ 634	$14,101
GSEs MBSs	17,666	—	187	17,479
Municipal obligations	54,219	5	1,020	53,204
Foreign government obligations	500	—	13	487

Total investment securities held-to-maturity	$87,120	$ 5	$ 1,854	$85,271

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As of June 30, 2017, the fair value of all investment securities available-for-sale was $541.0 million, with net unrealized losses of $4.0 million, compared to a fair value of $523.6 million and net unrealized losses of $6.6 million as of December 31, 2016. As of June 30, 2017, $381.8 million, or 70.6% of the portfolio, had gross unrealized losses of $5.5 million, compared to $389.0 million, or 74.3% of the portfolio, with gross unrealized losses of $8.0 million as of December 31, 2016.

As of June 30, 2017, the fair value of all investment securities held-to-maturity was $108.5 million, with net unrealized losses of $0.5 million, compared to a fair value of $85.3 million with net unrealized losses of $1.8 million as of December 31, 2016. As of June 30, 2017, $63.9 million, or 58.9% of the portfolio, had gross unrealized losses of $0.9 million. There were $82.0 million, or 96.1% of the portfolio, with net unrealized losses $1.9 million as of December 31, 2016.

Investment Securities as Collateral

As of June 30, 2017 and December 31, 2016, respectively, $458.6 million and $429.1 million of investment securities were pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits; swap agreements; FRB borrowings; and FHLBB borrowings. The Banks did not have any outstanding FRB borrowings as of June 30, 2017 and December 31, 2016.

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Other-Than-Temporary Impairment ("OTTI")
Investment securities as of June 30, 2017 and December 31, 2016 that have been in a continuous unrealized loss position for less than twelve months or twelve months or longer are as follows:

	At June 30, 2017					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(In Thousands)					
Investment securities available-for-sale:						
GSE debentures	$75,801	$ 641	$—	$ —	$75,801	$ 641
GSE CMOs	103,380	1,811	35,257	1,165	138,637	2,976
GSE MBSs	145,136	1,666	190	3	145,326	1,669
SBA commercial loan asset-backed securities	38	—	36	—	74	—
Corporate debt obligations	15,306	145	—	—	15,306	145
U.S. Treasury bonds	4,804	11	—	—	4,804	11
Trust preferred securities	—	—	1,387	83	1,387	83
Marketable equity securities	506	5	—	—	506	5
Temporarily impaired investment securities available-for-sale	344,971	4,279	36,870	1,251	381,841	5,530
Investment securities held-to-maturity:						
GSE debentures	26,180	547	—	—	26,180	547
GSEs MBSs	15,555	130	—	—	15,555	130
Municipal obligations	21,695	200	—	—	21,695	200
Foreign government obligations	490	10	—	—	490	10
Temporarily impaired investment securities held-to-maturity	63,920	887	—	—	63,920	887
Total temporarily impaired investment securities	$408,891	$ 5,166	$36,870	$ 1,251	$445,761	$ 6,417

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	December 31, 2016					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(In Thousands)					
Investment securities available-for-sale:						
GSE debentures	$67,216	$ 1,291	$—	$ —	$67,216	$ 1,291
GSE CMOs	118,450	2,162	38,852	1,318	157,302	3,480
GSE MBSs	149,687	2,821	198	3	149,885	2,824
SBA commercial loan asset-backed securities	—	—	72	—	72	—
Corporate debt obligations	7,953	183	—	—	7,953	183
U.S. Treasury bonds	4,737	64	—	—	4,737	64
Trust preferred securities	—	—	1,358	111	1,358	111
Marketable equity securities	503	9	—	—	503	9
Temporarily impaired investment securities available-for-sale	348,546	6,530	40,480	1,432	389,026	7,962
Investment securities held-to-maturity:						
GSE debentures	14,101	634	—	—	14,101	634
GSEs MBSs	17,289	187	—	—	17,289	187
Municipal obligations	50,098	1,020	—	—	50,098	1,020
Foreign government obligations	487	13	—	—	487	13
Temporarily impaired investment securities held-to-maturity	81,975	1,854	—	—	81,975	1,854
Total temporarily impaired investment securities	$430,521	$ 8,384	$40,480	$ 1,432	$471,001	$ 9,816

The Company performs regular analysis on the investment securities available-for-sale portfolio to determine whether a decline in fair value indicates that an investment security is OTTI. In making these OTTI determinations, management considers, among other factors, the length of time and extent to which the fair value has been less than amortized cost; projected future cash flows; credit subordination and the creditworthiness; capital adequacy and near-term prospects of the issuers.

Management also considers the Company's capital adequacy, interest-rate risk, liquidity and business plans in assessing whether it is more likely than not that the Company will sell or be required to sell the investment securities before recovery. If the Company determines that a decline in fair value is OTTI and that it is more likely than not that the Company will not sell or be required to sell the investment security before recovery of its amortized cost, the credit portion of the impairment loss is recognized in the Company's unaudited consolidated statement of income and the noncredit portion is recognized in accumulated other comprehensive income. The credit portion of the OTTI impairment represents the difference between the amortized cost and the present value of the expected future cash flows of the investment security. If the Company determines that a decline in fair value is OTTI and it is more likely than not that it will sell or be required to sell the investment security before recovery of its amortized cost, the entire difference between the amortized cost and the fair value of the security will be recognized in the Company's unaudited consolidated statement of income.

Investment Securities Available-For-Sale Impairment Analysis

The following discussion summarizes, by investment security type, the basis for evaluating if the applicable investment securities within the Company’s available-for-sale portfolio were OTTI as of June 30, 2017. Based on the analysis below and the determination that, it is more likely than not that the Company will not sell or be required to sell the investment securities before recovery of its amortized cost. The Company's ability and intent to hold these investment securities until recovery is supported by the Company's strong capital and liquidity positions as well as its historically low portfolio turnover. As such, management has determined that the investment securities are not OTTI as of June 30, 2017. If market conditions for investment securities worsen or the creditworthiness of the underlying issuers deteriorates, it is possible that the Company may recognize additional OTTI in future periods.

U.S. Government-Sponsored Enterprises

The Company invests in securities issued by U.S. Government-sponsored enterprises ("GSEs"), including GSE debentures, mortgage-backed securities ("MBSs"), and collateralized mortgage obligations ("CMOs"). GSE securities include obligations issued by the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), the Government National Mortgage Association ("GNMA"), the Federal Home Loan Banks ("FHLB") and the Federal Farm Credit Bank. As of June 30, 2017, only GNMA MBSs and CMOs, and Small Business Administration ("SBA") commercial loan asset-backed securities in our available-for-sale portfolio with an estimated fair value of $26.3 million were backed explicitly by the full faith and credit of the U.S. Government, compared to $26.2 million as of December 31, 2016.

As of June 30, 2017, the Company owned 44 GSE debentures with a total fair value of $139.8 million, and a net unrealized loss of $0.1 million. As of December 31, 2016, the Company held 29 GSE debentures with a total fair value of $97.0 million, and a net unrealized loss of $1.1 million. As of June 30, 2017, 25 of the 44 securities in this portfolio were in an unrealized loss position. As of December 31, 2016, 21 of the 29 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA/SBA) guarantee of the U.S Government. During the six months ended June 30, 2017, the Company purchased a total of $42.1 million GSE debentures. This compares to $26.1 million purchased during the same period in 2016.

As of June 30, 2017, the Company owned 62 GSE CMOs with a total fair value of $142.7 million and a net unrealized loss of $2.9 million. As of December 31, 2016, the Company held 62 GSE CMOs with a total fair value of $158.0 million with a net unrealized loss of $3.4 million. As of June 30, 2017, 46 of the 62 securities in this portfolio were in an unrealized loss position. As of December 31, 2016, 47 of the 62 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the six months ended June 30, 2017 and 2016, the Company did not purchase any GSE CMOs.

As of June 30, 2017, the Company owned 192 GSE MBSs with a total fair value of $192.3 million and a net unrealized loss of $1.1 million. As of December 31, 2016, the Company held 195 GSE MBSs with a total fair value of $212.9 million with a net unrealized loss of $2.0 million. As of June 30, 2017, 66 of the 192 securities in this portfolio were in an unrealized loss position. As of December 31, 2016, 60 of the 195 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the six months ended June 30, 2017, the Company did not purchase any GSE MBSs, as compared to the same period in 2016, when the Company purchased a total of $30.6 million of GSE MBSs.

SBA Commercial Loan Asset-Backed

As of June 30, 2017 and December 31, 2016, the Company owned six SBA securities with a total fair value of $0.1 million, which approximated amortized cost. As of June 30, 2017, four of the six securities in this portfolio were in an unrealized loss position. As of December 31, 2016, four of the six securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the explicit guarantee of the U.S Government. During the six months ended June 30, 2017 and 2016, the Company did not purchase any SBA securities.

Corporate Obligations

From time to time, the Company may invest in high-quality corporate obligations to provide portfolio diversification and improve the overall yield on the portfolio. As of June 30, 2017, the Company held 18 corporate obligation securities with a total fair value of $58.9 million and a net unrealized gain of $0.2 million. As of December 31, 2016, the Company held 16 corporate obligation securities with a total fair value of $48.5 million and a net unrealized gain of $0.2 million. As of June 30, 2017, four of the eighteen securities in this portfolio were in an unrealized loss position. As of December 31, 2016, three of the sixteen securities in this portfolio were in an unrealized loss position. Full collection of the obligations is expected because the financial condition of the issuers is sound, they have not defaulted on scheduled payments, the obligations are rated investment grade, and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost. During the six months ended June 30, 2017 and 2016, the Company purchased a total of $10.3 million and $2.6 million of corporate obligations, respectively.

U.S. Treasury Bonds

The Company invests in securities issued by the U.S. government. As of June 30, 2017, the Company owned one U.S. Treasury bond with a total fair value of $4.8 million and an unrealized loss of $11.0 thousand. This compares to one U.S. Treasury bond with a total fair value of $4.7 million and an unrealized loss of $0.1 million as of December 31, 2016. During the six months ended June 30, 2017 and 2016, the Company did not purchase any U.S. Treasury bonds.

Trust Preferred Securities

Trust preferred securities represent subordinated debt issued by financial institutions. As of June 30, 2017, the Company owned two trust preferred securities with a total fair value of $1.4 million and an unrealized loss of $0.1 million. This compares to two trust preferred securities with a total fair value of $1.4 million and an unrealized loss of $0.1 million as of December 31, 2016. As of June 30, 2017 and December 31, 2016, both of the securities in this portfolio were in unrealized loss positions. Full collection of the obligations is expected because the financial condition of the issuers is sound, neither of the issuers has defaulted on scheduled payments, the obligations are rated investment grade, and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost.

Marketable Equity Securities

From time to time, the Company will invest in mutual funds for community reinvestment purposes. As of June 30, 2017 and December 31, 2016, the Company owned marketable equity securities with a fair value of $1.0 million, which approximated amortized cost. As of June 30, 2017 and December 31, 2016, one of the two securities in this portfolio was in an unrealized loss position. During the six months ended June 30, 2017 and 2016, the Company did not purchase any marketable equity securities.

Investment Securities Held-to-Maturity Impairment Analysis

The following discussion summarizes by investment security type, the basis for evaluating if the applicable investment securities within the Company's held-to-maturity portfolio were OTTI at June 30, 2017. Management has the ability and the intent to hold the securities until maturity.

U.S. Government-Sponsored Enterprises

As of June 30, 2017, the Company owned 13 GSE debentures with a total fair value of $38.1 million and a net unrealized loss of $0.5 million. As of December 31, 2016, the Company owned five GSE debentures with a total fair value of $14.1 million and an unrealized loss of $0.6 million. As of June 30, 2017, nine of the thirteen securities in this portfolio were in an unrealized loss position. At December 31, 2016, all five of the securities in this portfolio were in unrealized loss positions. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the six months ended June 30, 2017 and 2016, the Company purchased a total of $23.9 million and $6.0 million in GSE debentures, respectively.

As of June 30, 2017, the Company owned 11 GSE MBSs with a total fair value of $15.8 million and an unrealized loss of $0.1 million. As of December 31, 2016, the Company owned 11 GSE MBSs with a total fair value of $17.5 million and an unrealized loss of $0.2 million. As of June 30, 2017 and December 31, 2016, eight of the eleven securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the six months ended June 30, 2017, the Company did not purchase any GSE MBSs, as compared to the same period in 2016, when the Company purchased a total of $2.4 million of GSE MBSs.

Municipal Obligations

The Company invests in certain state and municipal securities with high credit ratings for portfolio diversification and tax planning purposes. As of June 30, 2017, the Company owned 100 municipal obligation securities with a total fair value of $54.1 million and and a net unrealized gain of $0.1 million. As of December 31, 2016, the Company owned 100 municipal obligation securities with a total fair value of $53.2 million and an unrealized loss of $1.0 million. As of June 30, 2017, 40 of the 100 securities in this portfolio were in an unrealized loss position as compared to December 31, 2016, when 93 of the 100 securities were in an unrealized loss position. During the six months ended

June 30, 2017, the Company did not purchase any municipal obligations, as compared to the same period in 2016, when the Company purchased a total of $4.4 million of municipal obligations.

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Foreign Government Obligations
The Company holds an investment in foreign government bonds. As of June 30, 2017 and December 31, 2016, the Company owned one foreign government obligation security with a fair value of $0.5 million, which approximated cost. As of June 30, 2017 and December 31, 2016 respectively, the security was in an unrealized loss position. During the six months ended June 30, 2017, the Company did not purchase any foreign government obligations, as compared to the same period in 2016, when the Company repurchased the foreign government obligation security that matured.
Portfolio Maturities
The final stated maturities of the debt securities are as follows for the periods indicated:

	At June 30, 2017			At December 31, 2016		
	Amortized Cost	Estimated Fair Value	Weighted Average Rate	Amortized Cost	Estimated Fair Value	Weighted Average Rate
	(Dollars in Thousands)					
Investment securities available-for-sale:						
Within 1 year	$9,406	$9,472	2.44%	$13	$13	0.17%
After 1 year through 5 years	132,556	133,162	2.04%	81,524	81,833	2.14%
After 5 years through 10 years	120,257	119,760	2.07%	128,956	127,952	2.03%
Over 10 years	281,790	277,600	1.99%	318,743	312,864	2.03%
	$544,009	$539,994	2.03%	$529,236	$522,662	2.04%
Investment securities held-to-maturity:						
Within 1 year	$791	$791	1.00%	$190	$190	1.00%
After 1 year through 5 years	47,513	47,575	1.69%	23,012	22,750	1.30%
After 5 years through 10 years	44,974	44,549	1.81%	46,442	45,042	1.75%
Over 10 years	15,685	15,555	1.89%	17,476	17,289	2.11%
	$108,963	$108,470	1.76%	$87,120	$85,271	1.70%

Actual maturities of debt securities will differ from those presented above since certain obligations amortize and may also provide the issuer the right to call or prepay the obligation prior to scheduled maturity without penalty. MBSs and CMOs are included above based on their final stated maturities; the actual maturities, however, may occur earlier due to anticipated prepayments and stated amortization of cash flows.
As of June 30, 2017, issuers of debt securities with an estimated fair value of $30.0 million had the right to call or prepay the obligations. Of the $30.0 million, approximately $14.9 million matures in 1 - 5 years, $15.1 million matures in 6 - 10 years, and none mature after ten years. As of December 31, 2016, issuers of debt securities with an estimated fair value of approximately $27.9 million had the right to call or prepay the obligations. Of the $27.9 million, $3.0 million matures in 1-5 years, $23.5 million matures in 6-10 years, and $1.4 million matures after ten years.

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Security Sales

On February 3, 2017, the Company, through its wholly owned subsidiary, Brookline Securities Corp., received $319.04 in cash and 14.876 shares of Community Bank Systems, Inc. (“CBU”) common stock in exchange for each of the 9,721 shares of Northeast Retirement Services, Inc. (“NRS”) stock held by Brookline Securities Corp. The exchange was completed in accordance with the merger agreement entered into between NRS and CBU. As part of the merger agreement, the Company was restricted to selling 5,071 shares of CBU per day in the open market. During the quarter ended March 31, 2017, the Company completed the sale of all the CBU shares. When securities are sold, the adjusted cost of the specific security sold is used to compute the gain or loss on the sale. The table below summarizes the activity with respect to the sale of the CBU shares.

	Six Months Ended June 30, 2017 (In Thousands)
Sales of marketable and restricted equity securities	11,393
Gross gains from sales	11,612
Gross losses from sales	(219)
Gain on sales of securities, net	$ 11,393

There were no security sales during the three month periods ended June 30, 2017 and 2016 and the six month period ended June 30, 2016.

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(4) Loans and Leases
The following tables present loan and lease balances and weighted average coupon rates for the originated and acquired loan and lease portfolios at the dates indicated:

	At June 30, 2017					
	Originated		Acquired		Total	
	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon
	(Dollars In Thousands)					
Commercial real estate loans:						
Commercial real estate	$1,941,619	4.10%	$121,027	4.31%	$2,062,646	4.11%
Multi-family mortgage	694,544	3.96%	25,940	4.50%	720,484	3.98%
Construction	153,057	4.28%	—	—%	153,057	4.28%
Total commercial real estate loans	2,789,220	4.08%	146,967	4.34%	2,936,187	4.09%
Commercial loans and leases:						
Commercial	681,677	4.24%	9,393	5.69%	691,070	4.26%
Equipment financing	834,771	7.18%	5,161	5.89%	839,932	7.17%
Condominium association	58,130	4.37%	—	—%	58,130	4.37%
Total commercial loans and leases	1,574,578	5.80%	14,554	5.76%	1,589,132	5.80%
Consumer loans:						
Residential mortgage	585,092	3.74%	61,587	4.06%	646,679	3.77%
Home equity	303,186	3.94%	47,938	4.49%	351,124	4.02%
Other consumer	14,173	5.35%	111	17.99%	14,284	5.45%
Total consumer loans	902,451	3.83%	109,636	4.26%	1,012,087	3.88%
Total loans and leases	$5,266,249	4.55%	$271,157	4.38%	$5,537,406	4.54%

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	At December 31, 2016					
	Originated		Acquired		Total	
	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon
	(Dollars In Thousands)					
Commercial real estate loans:						
Commercial real estate	$1,907,254	3.95%	$143,128	4.24 %	$2,050,382	3.97%
Multi-family mortgage	701,450	3.79%	29,736	4.53 %	731,186	3.82%
Construction	136,785	3.79%	214	3.67 %	136,999	3.79%
Total commercial real estate loans	2,745,489	3.90%	173,078	4.29 %	2,918,567	3.92%
Commercial loans and leases:						
Commercial	621,285	4.11%	14,141	5.44 %	635,426	4.14%
Equipment financing	793,702	7.06%	6,158	5.86 %	799,860	7.05%
Condominium association	60,122	4.39%	—	— %	60,122	4.39%
Total commercial loans and leases	1,475,109	5.71%	20,299	5.57 %	1,495,408	5.71%
Consumer loans:						
Residential mortgage	555,430	3.67%	68,919	3.98 %	624,349	3.70%
Home equity	289,361	3.50%	52,880	4.26 %	342,241	3.62%
Other consumer	18,171	5.48%	128	17.92 %	18,299	5.57%
Total consumer loans	862,962	3.65%	121,927	4.12 %	984,889	3.71%
Total loans and leases	$5,083,560	4.38%	$315,304	4.31 %	$5,398,864	4.38%

The net unamortized deferred loan origination fees and costs included in total loans and leases were $15 million and $14.2 million as of June 30, 2017 and December 31, 2016, respectively.

The Company's Banks and subsidiaries lend primarily in eastern Massachusetts, southern New Hampshire and Rhode Island, with the exception of equipment financing, 28.2% of which is in the greater New York and New Jersey metropolitan area and 71.8% of which is in other areas in the United States of America as of June 30, 2017.

Accretable Yield for the Acquired Loan Portfolio

The following table summarizes activity in the accretable yield for the acquired loan portfolio for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In Thousands)			
Balance at beginning of period	$13,072	$19,800	$14,353	$20,796
Accretion	(2,325)	(1,251)	(3,732)	(2,435)
Reclassification from (to) nonaccretable difference as a result of changes in expected cash flows	2,955	(511)	3,081	(323)
Balance at end of period	$13,702	$18,038	$13,702	$18,038

On a quarterly basis, subsequent to acquisition, management reforecasts the expected cash flows for acquired ASC 310-30 loans, taking into account prepayment speeds, probability of default and loss given defaults. Management compares cash flow projections per the reforecast to the original cash flow projections and determines whether any reduction in cash flow expectations are due to deterioration, or if the change in cash flow expectation is related to noncredit events. This cash flow analysis is used to evaluate the need for a provision for loan and lease losses and/or prospective yield adjustments. During the three months ended June 30, 2017 and 2016, accretable yield adjustments totaling $3.0 million and $0.5 million, respectively, were made for certain loan pools. During the six months ended

June 30, 2017 and 2016, accretable yield adjustments totaling

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$3.1 million and $0.3 million, respectively, were made for certain loan pools. These accretable yield adjustments, which are subject to continued re-assessment, will be recognized over the remaining lives of those pools.

Loans and Leases Pledged as Collateral

As of June 30, 2017 and December 31, 2016, there were $1.9 billion and $2.1 billion, respectively, of loans and leases pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits; swap agreements; FRB borrowings; and FHLBB borrowings. The Banks did not have any outstanding FRB borrowings as of June 30, 2017 and December 31, 2016.

(5) Allowance for Loan and Lease Losses

The following tables present the changes in the allowance for loan and lease losses and the recorded investment in loans and leases by portfolio segment for the periods indicated:

	Three Months Ended June 30, 2017			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at March 31, 2017	$27,988	$ 33,283	$ 4,862	$66,133
Charge-offs	(205)	(3,095)	(65)	(3,365)
Recoveries	336	549	78	963
(Credit) provision for loan and lease losses	(165)	362	593	790
Balance at June 30, 2017	$27,954	$ 31,099	$ 5,468	$64,521

	Three Months Ended June 30, 2016			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at March 31, 2016	$30,984	$ 22,978	$ 4,644	$58,606
Charge-offs	(1,153)	(2,417)	(754)	(4,324)
Recoveries	—	101	205	306
Provision for loan and lease losses	30	2,254	386	2,670
Balance at June 30, 2016	$29,861	$ 22,916	$ 4,481	$57,258

	Six Months Ended June 30, 2017			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at December 31, 2016	$27,645	$ 20,906	$ 5,115	$53,666
Charge-offs	(229)	(4,302)	(216)	(4,747)
Recoveries	476	691	183	1,350
Provision for loan and lease losses	62	13,804	386	14,252
Balance at June 30, 2017	$27,954	$ 31,099	$ 5,468	$64,521

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	Six Months Ended June 30, 2016			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at December 31, 2015	$30,151	$ 22,018	$ 4,570	$56,739
Charge-offs	(1,484)	(2,705)	(1,010)	(5,199)
Recoveries	—	325	456	781
Provision for loan and lease losses	1,194	3,278	465	4,937
Balance at June 30, 2016	$29,861	$ 22,916	$ 4,481	$57,258

The liability for unfunded credit commitments, which is included in other liabilities, was $1.5 million, $1.5 million, and $1.3 million at June 30, 2017, December 31, 2016, and June 30, 2016, respectively. The changes in the liability for unfunded credit commitments reflect changes in the estimate of loss exposure associated with certain unfunded credit commitments. No credit commitments were charged off against the liability account in the six-month periods ended June 30, 2017 and 2016.

Provision for Credit Losses

The provisions for credit losses are set forth below for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In Thousands)			
(Credit) provision for loan and lease losses:				
Commercial real estate	$(165)	$30	$62	$1,194
Commercial	362	2,254	13,804	3,278
Consumer	593	386	386	465
Total provision for loan and lease losses	790	2,670	14,252	4,937
Unfunded credit commitments	83	(125)	23	(14)
Total provision for credit losses	$873	$2,545	$14,275	$4,923

Allowance for Loan and Lease Losses Methodology

Management has established a methodology to determine the adequacy of the allowance for loan and lease losses that assesses the risks and losses inherent in the loan and lease portfolio. Additions to the allowance for loan and lease losses are made by charges to the provision for credit losses. Losses on loans and leases are charged off against the allowance when all or a portion of a loan or lease is considered uncollectible. Subsequent recoveries on loans previously charged off, if any, are credited to the allowance when realized.

Management uses a consistent and systematic process and methodology to evaluate the adequacy of the allowance for loan and lease losses on a quarterly basis. For purposes of determining the allowance for loan and lease losses, the Company has segmented certain loans and leases in the portfolio by product type into the following segments: (1) commercial real estate loans, (2) commercial loans and leases, and (3) consumer loans. Portfolio segments are further disaggregated into classes based on the associated risks within the segments. Commercial real estate loans are divided into three classes: commercial real estate loans, multi-family mortgage loans, and construction loans. Commercial loans and leases are divided into three classes: commercial loans which include taxi medallion loans, equipment financing, and loans to condominium associations. Consumer loans are divided into three classes: residential mortgage loans, home equity loans, and other consumer loans. A formula-based credit evaluation approach is applied to each group, coupled with an analysis of certain loans for impairment. For each class of loan, management makes significant judgments in selecting the estimation method that fits the credit characteristics of its class and portfolio segment as set forth below.

The general allowance related to loans collectively evaluated for impairment is determined using a formula-based approach utilizing the risk ratings of individual credits and loss factors derived from historic portfolio loss rates, which include estimates of incurred losses over an estimated loss emergence period (“LEP”). The LEP was generated utilizing a charge-off look-back analysis which studied the time from the first indication of elevated risk of repayment (or other early event indicating a problem) to eventual charge-off to support the LEP considered in the allowance calculation. This reserving methodology established the approximate number of months of LEP that represents incurred losses for each portfolio. In addition to quantitative measures, relevant qualitative factors include, but are not limited to: (1) levels and trends in past due and impaired loans, (2) levels and trends in charge-offs, (3) changes in underwriting standards, policy exceptions, and credit policy, (4) experience of lending management and staff, (5) economic trends, (6) industry conditions, (7) effects of changes in credit concentrations, (8) interest rate environment, and (9) regulatory and other changes. The general allowance related to the acquired loans collectively evaluated for impairment is determined based upon the degree, if any, of deterioration in the pooled loans subsequent to acquisition. The qualitative factors used in the determination are the same as those used for originated loans.

Specific valuation allowances are established for impaired originated loans with book values greater than the discounted present value of expected future cash flows or, in the case of collateral-dependent impaired loans, for any excess of a loan's book balance and the fair value of its underlying collateral. Specific valuation allowances are established for acquired loans with deterioration in the discounted present value of expected future cash flows since acquisitions or, in the case of collateral dependent impaired loans, for any increase in the excess of a loan's book balance greater than the fair value of its underlying collateral. A specific valuation allowance for losses on troubled debt restructured ("TDR") loans is determined by comparing the net carrying amount of the troubled debt restructured loan with the restructured loan's cash flows discounted at the original effective rate. Impaired loans are reviewed quarterly with adjustments made to the calculated reserve as necessary.

As of June 30, 2017, management believes that the methodology for calculating the allowance is sound and that the allowance provides a reasonable basis for determining and reporting on probable losses in the Company’s loan portfolios.

As of June 30, 2017, the Company had a portfolio of approximately $30.4 million in loans secured by taxi medallions issued by the cities of Boston and Cambridge. As of December 31, 2016, this portfolio was approximately $31.1 million. Application-based mobile ride services, such as Uber and Lyft, have generated increased competition in the transportation sector, resulting in a reduction in taxi utilization and, as a result, a reduction in the collateral value and credit quality of taxi medallion loans. This has increased the likelihood that loans secured by taxi medallions may default, or that the borrowers may be unable to repay these loans at maturity, potentially resulting in an increase in past due loans, troubled debt restructurings, and charge-offs. The Company’s allowance calculation included a further segmentation of the commercial loans and leases to reflect the increased risk in the Company’s taxi medallion portfolio. This allowance calculation segmentation represents management’s estimations of the current risks associated with the portfolio.

As of June 30, 2017, the Company had an allowance for loan and lease losses associated with taxi medallion loans of $7.9 million of which $6.1 million were specific reserves and $1.8 million was a general reserve. As of December 31, 2016, the Company had an allowance for loan and lease losses associated with taxi medallion loans of $1.3 million of which $0.1 million were specific reserves and $1.2 million was a general reserve. The increase in the allowance for loan and leases associated with taxi medallion loans was primarily driven by the increase in specific reserves due to changes in the underlying collateral value of taxi medallions and the increase in general reserve due to the increase in the historical loss factor applied to the taxi medallion loans. The total troubled debt restructured loans and leases secured by taxi medallions increased by $1.6 million from $6.1 million at December 31, 2016 to $7.7 million at June 30, 2017 due to five taxi medallion relationships which were restructured during the period. The total loans and leases secured by taxi medallions that were placed on nonaccrual increased to $15.7 million at June 30, 2017 from

$13.4 million at December 31, 2016 due to the five restructured taxi medallion relationships mentioned above which were placed on nonaccrual status in. In addition, further declines in demand for taxi services or further deterioration in the value of taxi medallions may result in higher delinquencies and losses beyond that provided for in the allowance for loan and lease losses.

The general allowance for loan and lease losses was $56.0 million as of June 30, 2017, compared to $53.5 million as of December 31, 2016. The general portion of the allowance for loan and lease losses increased by $2.5 million during the six months ended June 30, 2017, as a result of the continued growth in the Company's loan portfolios and the increase in historical loss factors applied to taxi medallion and commercial real estate loan portfolios.

The specific allowance for loan and lease losses was $8.5 million as of June 30, 2017, compared to $0.2 million as of December 31, 2016. The specific allowance increased by $8.4 million during the six months ended June 30, 2017, primarily due to the reduction in collateral values for taxi medallion loans and the increase in specific reserves for two commercial loans.

Credit Quality Assessment

At the time of loan origination, a rating is assigned based on the capacity to pay and general financial strength of the borrower, the value of assets pledged as collateral, and the evaluation of third party support such as a guarantor. The Company continually monitors the quality of the loan portfolio using all available information. The officer responsible for handling each loan is required to initiate changes to risk ratings when changes in facts and circumstances occur that warrant an upgrade or downgrade in a loan rating. Based on this information, loans demonstrating certain payment issues or other weaknesses may be categorized as delinquent, impaired, nonperforming and/or put on nonaccrual status. Additionally, in the course of resolving such loans, the Company may choose to restructure the contractual terms of certain loans to match the borrower's ability to repay the loan based on their current financial condition. If a restructured loan meets certain criteria, it may be categorized as a troubled debt restructuring.

The Company reviews numerous credit quality indicators when assessing the risk in its loan portfolio. For all loans, the Company utilizes an eight-grade loan rating system, which assigns a risk rating to each borrower based on a number of quantitative and qualitative factors associated with a loan transaction. Factors considered include industry and market conditions; position within the industry; earnings trends; operating cash flow; asset/liability values; debt capacity; guarantor strength; management and controls; financial reporting; collateral; and other considerations. In addition, the Company's independent loan review group evaluates the credit quality and related risk ratings in all loan portfolios. The results of these reviews are reported to the Risk Committee of the Board of Directors on a periodic basis and annually to the Board of Directors. For the consumer loans, the Company heavily relies on payment status for calibrating credit risk.

The ratings categories used for assessing credit risk in the commercial real estate, multi-family mortgage, construction, commercial, equipment financing, condominium association and other consumer loan and lease classes are defined as follows:

1 -4 Rating—Pass

Loan rating grades "1" through "4" are classified as "Pass," which indicates borrowers are performing in accordance with the terms of the loan and are less likely to result in loss due to the capacity of the borrower to pay and the adequacy of the value of assets pledged as collateral.

5 Rating—Other Assets Especially Mentioned ("OAEM")

Borrowers exhibit potential credit weaknesses or downward trends deserving management's attention. If not checked or corrected, these trends will weaken the Company's asset and position. While potentially weak, currently these borrowers are marginally acceptable; no loss of principal or interest is envisioned.

6 Rating—Substandard

Borrowers exhibit well defined weaknesses that jeopardize the orderly liquidation of debt. Substandard loans may be inadequately protected by the current net worth and paying capacity of the obligors or by the collateral pledged, if any. Normal repayment from the borrower is in jeopardy. Although no loss of principal is envisioned, there is a distinct possibility that a partial loss of interest and/or principal will occur if the deficiencies are not corrected. Collateral coverage may be inadequate to cover the principal obligation.

7 Rating—Doubtful

Borrowers exhibit well-defined weaknesses that jeopardize the orderly liquidation of debt with the added provision that the weaknesses make collection of the debt in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Serious problems exist to the point where partial loss of principal is likely.

8 Rating—Definite Loss

Borrowers deemed incapable of repayment. Loans to such borrowers are considered uncollectible and of such little value that continuation as active assets of the Company is not warranted.

Assets rated as "OAEM," "substandard" or "doubtful" based on criteria established under banking regulations are collectively referred to as "criticized" assets.

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Credit Quality Information
The following tables present the recorded investment in loans in each class as of June 30, 2017, by credit quality indicator.

	At June 30, 2017						
	Commercial Real Estate	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer
	(In Thousands)						
Originated:							
Loan rating:							
Pass	$ 1,929,364	$ 693,469	$ 153,057	$ 643,636	$ 823,994	$ 58,130	$ 14,130
OAEM	5,201	—	—	12,489	782	—	—
Substandard	6,788	1,075	—	22,139	7,237	—	43
Doubtful	266	—	—	3,413	2,758	—	—
Total originated	1,941,619	694,544	153,057	681,677	834,771	58,130	14,173
Acquired:							
Loan rating:							
Pass	117,770	25,371	—	7,163	5,146	—	109
OAEM	1,262	267	—	278	—	—	—
Substandard	1,893	302	—	1,952	15	—	2
Doubtful	102	—	—	—	—	—	—
Total acquired	121,027	25,940	—	9,393	5,161	—	111
Total loans	$ 2,062,646	$ 720,484	$ 153,057	$ 691,070	$ 839,932	$ 58,130	$ 14,284

As of June 30, 2017, there were no loans categorized as definite loss.

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	At June 30, 2017					
	Residential Mortgage			Home Equity		
	($ In Thousands)					
Originated:						
Loan-to-value ratio:						
Less than 50%	$143,443	22.2	%	$147,860	42.1	%
50% - 69%	246,057	38.0	%	72,015	20.5	%
70% - 79%	169,578	26.2	%	59,328	16.9	%
80% and over	24,770	3.8	%	23,939	6.8	%
Data not available*	1,244	0.2	%	44	—	%
Total originated	585,092	90.4	%	303,186	86.3	%
Acquired:						
Loan-to-value ratio:						
Less than 50%	17,483	2.7	%	29,466	8.6	%
50%—69%	21,252	3.3	%	14,835	4.2	%
70%—79%	13,100	2.0	%	2,242	0.6	%
80% and over	8,775	1.4	%	873	0.2	%
Data not available*	977	0.2	%	522	0.1	%
Total acquired	61,587	9.6	%	47,938	13.7	%
Total loans	$646,679	100.0	%	$351,124	100.0	%

* Represents in process general ledger accounts for which data are not available.

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The following tables present the recorded investment in loans in each class as of December 31, 2016, by credit quality indicator.

	At December 31, 2016						
	Commercial Real Estate	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer
	(In Thousands)						
Originated:							
Loan rating:							
Pass	$1,899,162	$700,046	$ 136,607	$ 583,940	$786,050	$ 60,122	$ 12,018
OAEM	1,538	—	178	8,675	824	—	—
Substandard	6,288	1,404	—	28,595	4,848	—	12
Doubtful	266	—	—	75	1,980	—	—
Total originated	1,907,254	701,450	136,785	621,285	793,702	60,122	12,030
Acquired:							
Loan rating:							
Pass	131,850	29,153	214	10,312	6,158	—	128
OAEM	1,408	270	—	249	—	—	—
Substandard	9,768	313	—	3,017	—	—	—
Doubtful	102	—	—	563	—	—	—
Total acquired	143,128	29,736	214	14,141	6,158	—	128
Total loans	$2,050,382	$731,186	$ 136,999	$ 635,426	$799,860	$ 60,122	$ 12,158

As of December 31, 2016, there were no loans categorized as definite loss.

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	At December 31, 2016			
	Residential Mortgage		Home Equity	
	($ In Thousands)			
Originated:				
Loan-to-value ratio:				
Less than 50%	$138,030	22.1 %	$153,679	44.9 %
50%—69%	229,799	36.9 %	61,553	18.1 %
70%—79%	162,614	26.0 %	49,987	14.6 %
80% and over	21,859	3.5 %	23,317	6.8 %
Data not available*	3,128	0.5 %	825	0.2 %
Total originated	555,430	89.0 %	289,361	84.6 %
Acquired:				
Loan-to-value ratio:				
Less than 50%	17,809	2.9 %	32,334	9.4 %
50%—69%	24,027	3.8 %	15,059	4.4 %
70%—79%	14,030	2.2 %	3,069	0.9 %
80% and over	10,069	1.6 %	1,016	0.3 %
Data not available*	2,984	0.5 %	1,402	0.4 %
Total acquired	68,919	11.0 %	52,880	15.4 %
Total loans	$624,349	100.0%	$342,241	100.0%

* Represents in process general ledger accounts for which data are not available.

The following table presents information regarding foreclosed residential real estate property for the periods indicated:

	At June 30, 2017	At December 31, 2016
	(In Thousands)	
Foreclosed residential real estate property held by the creditor	$ 149	$ 251
Recorded investment in mortgage loans collateralized by residential real estate property that are in the process of foreclosure	1,536	1,213

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Age Analysis of Past Due Loans and Leases
The following tables present an age analysis of the recorded investment in total loans and leases as of June 30, 2017 and December 31, 2016.

	At June 30, 2017							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Originated:								
Commercial real estate loans:								
Commercial real estate	$1,326	$874	$1,081	$3,281	$1,938,338	$1,941,619	$—	$ 2,626
Multi-family mortgage	—	682	—	682	693,862	694,544	—	1,075
Construction	1,202	—	—	1,202	151,855	153,057	—	—
Total commercial real estate loans	2,528	1,556	1,081	5,165	2,784,055	2,789,220	—	3,701
Commercial loans and leases:								
Commercial	2,884	3,631	15,036	21,551	660,126	681,677	50	22,608
Equipment financing	2,013	3,576	4,825	10,414	824,357	834,771	206	9,702
Condominium association	1,289	—	—	1,289	56,841	58,130	—	—
Total commercial loans and leases	6,186	7,207	19,861	33,254	1,541,324	1,574,578	256	32,310
Consumer loans:								
Residential mortgage	—	—	3,189	3,189	581,903	585,092	—	3,189
Home equity	994	104	486	1,584	301,602	303,186	1	606
Other consumer	357	32	25	414	13,759	14,173	—	43
Total consumer loans	1,351	136	3,700	5,187	897,264	902,451	1	3,838
Total originated loans and leases	$10,065	$8,899	$24,642	$43,606	$5,222,643	$5,266,249	$257	$ 39,849

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	At June 30, 2017							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Acquired:								
Commercial real estate loans:								
Commercial real estate	$149	$499	$295	$943	$120,084	$121,027	$ 225	$ 140
Multi-family mortgage	—	—	3	3	25,937	25,940	3	—
Total commercial real estate loans	149	499	298	946	146,021	146,967	228	140
Commercial loans and leases:								
Commercial	113	256	1,446	1,815	7,578	9,393	167	1,279
Equipment financing	—	—	15	15	5,146	5,161	15	—
Total commercial loans and leases	113	256	1,461	1,830	12,724	14,554	182	1,279
Consumer loans:								
Residential mortgage	161	74	2,134	2,369	59,218	61,587	1,895	239
Home equity	268	382	247	897	47,041	47,938	142	760
Other consumer		—	2	2	109	111	2	—
Total consumer loans	429	456	2,383	3,268	106,368	109,636	2,039	999
Total acquired loans and leases	$691	$1,211	$4,142	$6,044	$265,113	$271,157	$ 2,449	$ 2,418
Total loans and leases	$10,756	$10,110	$28,784	$49,650	$5,487,756	$5,537,406	$ 2,706	$ 42,267

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	At December 31, 2016							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Originated:								
Commercial real estate loans:								
Commercial real estate	$1,525	$2,075	$429	$4,029	$1,903,225	$1,907,254	$2	$ 5,035
Multi-family mortgage	2,296	—	291	2,587	698,863	701,450	—	1,404
Construction	547	—	—	547	136,238	136,785	—	—
Total commercial real estate loans	4,368	2,075	720	7,163	2,738,326	2,745,489	2	6,439
Commercial loans and leases:								
Commercial	5,396	815	10,014	16,225	605,060	621,285	—	20,587
Equipment financing	2,983	1,444	5,341	9,768	783,934	793,702	—	6,758
Condominium association	266	—	—	266	59,856	60,122	—	—
Total commercial loans and leases	8,645	2,259	15,355	26,259	1,448,850	1,475,109	—	27,345
Consumer loans:								
Residential mortgage	3,745	2,294	163	6,202	549,228	555,430	—	2,455
Home equity	25	219	5	249	289,112	289,361	3	128
Other consumer	549	87	16	652	17,519	18,171	—	149
Total consumer loans	4,319	2,600	184	7,103	855,859	862,962	3	2,732
Total originated loans and leases	$17,332	$6,934	$16,259	$40,525	$5,043,035	$5,083,560	$5	$ 36,516

(Continued)

	At December 31, 2016							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Acquired:								
Commercial real estate loans:								
Commercial real estate	$925	$—	$4,011	$4,936	$138,192	$143,128	$ 3,786	$ 305
Multi-family mortgage	—	—	—	—	29,736	29,736	—	—
Construction	—	—	—	—	214	214	—	—
Total commercial real estate loans	925	—	4,011	4,936	168,142	173,078	3,786	305
Commercial loans and leases:								
Commercial	306	—	2,651	2,957	11,184	14,141	264	2,387
Equipment financing	—	—	—	—	6,158	6,158	—	—
Total commercial loans and leases	306	—	2,651	2,957	17,342	20,299	264	2,387
Consumer loans:								
Residential mortgage	—	318	2,865	3,183	65,736	68,919	2,820	46
Home equity	288	97	339	724	52,156	52,880	202	823
Other consumer	—	1	—	1	127	128	—	—
Total consumer loans	288	416	3,204	3,908	118,019	121,927	3,022	869
Total acquired loans and leases	$1,519	$416	$9,866	$11,801	$303,503	$315,304	$ 7,072	$ 3,561
Total loans and leases	$18,851	$7,350	$26,125	$52,326	$5,346,538	$5,398,864	$ 7,077	$ 40,077

Commercial Real Estate Loans—As of June 30, 2017, loans outstanding in the three classes within this segment expressed as a percentage of total loans and leases outstanding were as follows: commercial real estate loans -- 37.2%; multi-family mortgage loans -- 13.0%; and construction loans -- 2.8%.

Loans in this portfolio that are on nonaccrual status and/or risk-rated "substandard" or worse are evaluated on an individual loan basis for impairment. For non-impaired commercial real estate loans, loss factors are applied to outstanding loans by risk rating for each of the three classes in the portfolio. The factors applied are based primarily on historic loan loss experience and an assessment of internal and external factors and other relevant information.

Commercial Loans and Leases—As of June 30, 2017, loans and leases outstanding in the three classes within this segment expressed as a percent of total loans and leases outstanding were as follows: commercial loans and leases -- 12.5%; equipment financing loans -- 15.2%; and loans to condominium associations -- 1.0%.

Loans and leases in this portfolio that are on nonaccrual status and/or risk-rated "substandard" or worse are evaluated on an individual basis for impairment. For non-impaired commercial loans and leases, loss factors are applied to outstanding loans by risk rating for each of the three classes in the portfolio.

Consumer Loans—As of June 30, 2017, loans outstanding within the four classes within this segment expressed as a percent of total loans and leases outstanding were as follows: residential mortgage loans -- 11.7%, home equity loans -- 6.3%, and other consumer loans -- 0.3%.

Significant risk characteristics related to the residential mortgage and home equity loan portfolios are the geographic concentration of the properties financed within selected communities in the greater Boston and Providence metropolitan areas. The payment status and loan-to-value ratio are the primary credit quality indicator used for residential mortgage loans and home equity loans. Generally, loans are not made when the loan-to-value ratio exceeds 80% unless private mortgage insurance is obtained and/or there is a financially strong guarantor. Consumer loans that become 90 days or more past due, or are placed on nonaccrual regardless of past due status, are reviewed on an individual basis for impairment by assessing the net realizable value of underlying collateral and the economic condition of the borrower.

Impaired Loans and Leases

A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due (both interest and principal) according to the contractual terms of the loan agreement. The Company has defined the population of impaired loans to include nonaccrual loans and troubled debt restructured loans.

When the ultimate collectability of the total principal of an impaired loan or lease is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan or lease is not in doubt and the loan or lease is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

The following tables include the recorded investment and unpaid principal balances of impaired loans and leases with the related allowance amount, if applicable, for the originated and acquired loan and lease portfolios at the dates indicated. Also presented are the average recorded investments in the impaired loans and leases and the related amount of interest recognized during the period that the impaired loans were impaired.

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	At June 30, 2017			At December 31, 2016		
	Recorded Investment (1)	Unpaid Principal Balance	Related Allowance	Recorded Investment (2)	Unpaid Principal Balance	Related Allowance
	(In Thousands)					
Originated:						
With no related allowance recorded:						
Commercial real estate	$9,449	$9,441	$ —	$9,113	$9,104	$ —
Commercial	23,469	23,463	—	39,269	39,210	—
Consumer	5,217	5,207	—	4,823	4,815	—
Total originated with no related allowance recorded	38,135	38,111	—	53,205	53,129	—
With an allowance recorded:						
Commercial real estate	3,065	3,065	1	3,984	3,984	28
Commercial	20,731	20,680	8,482	605	605	97
Total originated with an allowance recorded	23,796	23,745	8,483	4,589	4,589	125
Total originated impaired loans and leases	61,931	61,856	8,483	57,794	57,718	125
Acquired:						
With no related allowance recorded:						
Commercial real estate	2,515	2,515	—	10,400	10,400	—
Commercial	2,292	2,292	—	3,948	3,948	—
Consumer	5,668	5,668	—	6,384	6,399	—
Total acquired with no related allowance recorded	10,475	10,475	—	20,732	20,747	—
With an allowance recorded:						
Consumer	171	171	20	253	253	27
Total acquired with an allowance recorded	171	171	20	253	253	27
Total acquired impaired loans and leases	10,646	10,646	20	20,985	21,000	27
Total impaired loans and leases	$72,577	$72,502	$ 8,503	$78,779	$78,718	$ 152

(1) Includes originated and acquired nonaccrual loans of $38.8 million and $2.5 million, respectively as of June 30, 2017.

(2) Includes originated and acquired nonaccrual loans of $34.1 million and $3.6 million, respectively as of December 31, 2016.

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	Three Months Ended			
	June 30, 2017		June 30, 2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In Thousands)			
Originated:				
With no related allowance recorded:				
Commercial real estate	$11,395	$ 90	$7,203	$ 49
Commercial	25,230	185	14,557	115
Consumer	5,272	14	3,625	17
Total originated with no related allowance recorded	41,897	289	25,385	181
With an allowance recorded:				
Commercial real estate	3,071	38	4,200	49
Commercial	21,782	—	13,376	1
Total originated with an allowance recorded	24,853	38	17,824	50
Total originated impaired loans and leases	66,750	327	43,209	231
Acquired:				
With no related allowance recorded:				
Commercial real estate	3,494	27	9,035	49
Commercial	2,691	8	4,357	19
Consumer	5,683	18	7,743	18
Total acquired with no related allowance recorded	11,868	53	21,135	86
With an allowance recorded:				
Commercial real estate	—	—	1,767	—
Commercial	—	—	486	—
Consumer	169	1	523	2
Total acquired with an allowance recorded	169	1	2,776	2
Total acquired impaired loans and leases	12,037	54	23,911	88
Total impaired loans and leases	$78,787	$ 381	$67,120	$ 319

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	Six Months Ended June 30, 2017		June 30, 2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In Thousands)			
Originated:				
With no related allowance recorded:				
Commercial real estate	$10,379	$ 122	$5,164	$ 56
Commercial	23,144	349	14,166	265
Consumer	5,289	30	4,057	37
Total originated with no related allowance recorded	38,812	501	23,387	358
With an allowance recorded:				
Commercial real estate	3,535	86	5,161	98
Commercial	22,052	1	12,330	2
Consumer	—	—	124	—
Total originated with an allowance recorded	25,587	87	17,615	100
Total originated impaired loans and leases	64,399	588	41,002	458
Acquired:				
With no related allowance recorded:				
Commercial real estate	6,456	46	7,535	59
Commercial	2,813	18	4,317	37
Consumer	5,908	34	7,455	35
Total acquired with no related allowance recorded	15,177	98	19,307	131
With an allowance recorded:				
Commercial real estate	—	—	2,187	—
Commercial	—	—	486	—
Consumer	168	2	524	4
Total acquired with an allowance recorded	168	2	3,197	4
Total acquired impaired loans and leases	15,345	100	22,504	135
Total impaired loans and leases	$79,744	$ 688	$63,506	$ 593

The following tables present information regarding impaired and non-impaired loans and leases at the dates indicated:

	At June 30, 2017			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Allowance for Loan and Lease Losses:				
Originated:				
Individually evaluated for impairment	$1	$8,482	$—	$8,483
Collectively evaluated for impairment	27,063	22,528	5,259	54,850
Total originated loans and leases	27,064	31,010	5,259	63,333
Acquired:				
Individually evaluated for impairment	—	—	20	20
Collectively evaluated for impairment	170	15	30	215
Acquired with deteriorated credit quality	720	74	159	953
Total acquired loans and leases	890	89	209	1,188
Total allowance for loan and lease losses	$27,954	$31,099	$5,468	$64,521
Loans and Leases:				
Originated:				
Individually evaluated for impairment	$12,511	$38,902	$5,098	$56,511
Collectively evaluated for impairment	2,776,709	1,535,676	897,353	5,209,738
Total originated loans and leases	2,789,220	1,574,578	902,451	5,266,249
Acquired:				
Individually evaluated for impairment	—	1,778	1,934	3,712
Collectively evaluated for impairment	38,008	6,794	63,603	108,405
Acquired with deteriorated credit quality	108,959	5,982	44,099	159,040
Total acquired loans and leases	146,967	14,554	109,636	271,157
Total loans and leases	$2,936,187	$1,589,132	$1,012,087	$5,537,406

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	At December 31, 2016			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Allowance for Loan and Lease Losses:				
Originated:				
Individually evaluated for impairment	$28	$97	$—	$125
Collectively evaluated for impairment	26,830	20,682	4,776	52,288
Total originated loans and leases	26,858	20,779	4,776	52,413
Acquired:				
Individually evaluated for impairment	—	—	27	27
Collectively evaluated for impairment	221	13	34	268
Acquired with deteriorated credit quality	566	114	278	958
Total acquired loans and leases	787	127	339	1,253
Total allowance for loan and lease losses	$27,645	$20,906	$5,115	$53,666
Loans and Leases:				
Originated:				
Individually evaluated for impairment	$13,097	$37,637	$4,711	$55,445
Collectively evaluated for impairment	2,732,392	1,437,472	858,251	5,028,115
Total originated loans and leases	2,745,489	1,475,109	862,962	5,083,560
Acquired:				
Individually evaluated for impairment	690	3,047	2,028	5,765
Collectively evaluated for impairment	47,599	10,863	70,115	128,577
Acquired with deteriorated credit quality	124,789	6,389	49,784	180,962
Total acquired loans and leases	173,078	20,299	121,927	315,304
Total loans and leases	$2,918,567	$1,495,408	$984,889	$5,398,864

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Troubled Debt Restructured Loans and Leases

A specific valuation allowance for losses on troubled debt restructured loans is determined by comparing the net carrying amount of the troubled debt restructured loan with the restructured loan's cash flows discounted at the original effective rate.

The following table sets forth information regarding troubled debt restructured loans and leases at the dates indicated:

	At June 30, 2017	At December 31, 2016
	(In Thousands)	
Troubled debt restructurings:		
On accrual	$14,732	$ 13,883
On nonaccrual	16,146	11,919
Total troubled debt restructurings	$30,878	$ 25,802

Total troubled debt restructuring loans and leases increased by $5.1 million to $30.9 million at June 30, 2017 from $25.8 million at December 31, 2016, primarily driven by the restructuring of five commercial loans, offset by the repayment of other troubled debt restructured loans.

The recorded investment in troubled debt restructurings and the associated specific allowances for loan and lease losses, in the originated and acquired loan and lease portfolios, that were modified during the periods indicated, are as follows.

	At and for the Three Months Ended June 30, 2017							
		Recorded Investment					Defaulted (1)	
	Number of Loans/Leases	At Modification	At End of Period	Specific Allowance for Loan and Lease Losses	Nonaccrual Loans and Leases	Additional Commitment	Number of Loans/Leases	Recorded Investment
	(Dollars in Thousands)							
Originated:								
Commercial real estate	1	$190	$190	$ —	$ —	$ —	—	$ —
Commercial	6	6,746	6,746	2,382	4,354	—	3	4,013
Equipment financing	8	1,184	1,184	10	994	—	1	149
Total originated	15	$8,120	$8,120	$ 2,392	$ 5,348	$ —	4	$ 4,162
Acquired:								
Home equity	—	—	—	—	—	—	1	92
Total acquired	—	—	—	—	—	—	1	92
Total loans and leases	15	$8,120	$8,120	$ 2,392	$ 5,348	$ —	5	$ 4,254

(1) Includes loans and leases that have been modified within the past twelve months and subsequently had payment defaults during the period indicated.

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	At and for the Three Months Ended June 30, 2016							
		Recorded Investment					Defaulted (1)	
	Number of Loans/ Leases	At Modification	At End of Period	Specific Allowance for Loan and Lease Losses	Nonaccrual Loans and Leases	Additional Commitment	Number of Loans/ Leases	Recorded Investment
	(Dollars in Thousands)							
Originated:								
Commercial	6	$1,625	$1,603	$ 307	$ 1,575	$ —	1	$ 28
Equipment financing	—	—	—	—	—	—	2	364
Residential mortgage	—	—	—	—	—	—	1	149
Home equity	—	—	—	—	—	—	1	99
Total originated	6	$1,625	$1,603	$ 307	$ 1,575	$ —	5	$ 640
Acquired:								
Commercial	—	—	—	—	—	—	2	694
Home equity	1	50	49	—	—	—	—	—
Total acquired	1	50	49	—	—	—	2	694
Total loans and leases	7	$1,675	$1,652	$ 307	$ 1,575	$ —	7	$ 1,334

(1) Includes loans and leases that have been modified within the past twelve months and subsequently had payment defaults during the period indicated.

	At and for the Six Months Ended June 30, 2017							
		Recorded Investment					Defaulted (1)	
	Number of Loans/ Leases	At Modification	At End of Period	Specific Allowance for Loan and Lease Losses	Nonaccrual Loans and Leases	Additional Commitment	Number of Loans/ Leases	Recorded Investment
	(Dollars in Thousands)							
Originated:								
Commercial real estate	1	$190	$190	$ —	$ —	$ —	—	$ —
Commercial	9	7,511	7,503	2,741	—	—	3	4,013
Equipment financing	9	1,196	1,196	10	—	—	1	149
Total originated	19	8,897	8,889	2,751	—	—	4	4,162
Acquired:								
Home equity	—	—	—	—	—	—	1	92
Total acquired	—	—	—	—	—	—	1	92
Total loans and leases	19	$8,897	$8,889	$ 2,751	$ —	$ —	5	$ 4,254

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	At and for the Six Months Ended June 30, 2016							
		Recorded Investment					Defaulted (1)	
	Number of Loans/ Leases	At Modification	At End of Period	Specific Allowance for Loan and Lease Losses	Nonaccrual Loans and Leases	Additional Commitment	Number of Loans/ Leases	Recorded Investment
	(Dollars in Thousands)							
Originated:								
Commercial real estate	2	$1,156	$1,155	$ —	$ 1,155	$ —	—	$ —
Commercial	20	8,889	8,777	2,388	8,749	—	1	28
Equipment financing	2	364	364	—	364	—	2	364
Residential mortgage	—	—	—	—	—	—	1	149
Home equity	—	—	—	—	—	—	1	99
Total originated	24	10,409	10,296	2,388	10,268	—	5	640
Acquired:								
Commercial	—	—	—	—	—	—	2	694
Residential mortgage	1	50	49	—	—	—	—	—
Total acquired	1	50	49	—	—	—	2	694
Total loans and leases	25	$10,459	$10,345	$ 2,388	$ 10,268	$ —	7	$ 1,334

The following table sets forth the Company's end-of-period balances for troubled debt restructurings that were modified during the periods indicated, by type of modification.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In Thousands)			
Loans with one modification:				
Extended maturity	$7,027	$77	$7,039	$77
Adjusted principal	—	—	372	413
Interest only	—	—	—	2,374
Combination maturity, principal, interest rate	1,093	1,344	1,478	7,250
Total loans with one modification	8,120	1,421	8,889	10,114
Loans with more than one modification:				
Extended maturity	—	231	—	231
Total loans with more than one modification	—	231	—	231
Total loans with modifications	$8,120	$1,652	$8,889	$10,345

The troubled debt restructuring loans and leases that were modified for the six months ended June 30, 2017 and 2016 were $8.9 million and $10.3 million, respectively. The decrease in troubled debt restructuring loans and leases that were modified for the six months ended June 30, 2017 was primarily due to the decrease in the modification of loans and leases secured by taxi medallions.
There were no troubled debt restructuring loans and leases with more than one modification during the three and six months ended June 30, 2017.

The net charge-offs of the performing and nonperforming troubled debt restructuring loans and leases for the three and six months ended June 30, 2017 were $98.7 thousand and $91.9 thousand, respectively. The net charge-offs for performing and

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nonperforming troubled debt restructuring loans and leases for the three and six months ended June 30, 2016 were $97.5 thousand and $81.6 thousand, respectively.

As of June 30, 2017 and 2016, there were no commitments to lend funds to debtors owing receivables whose terms had been modified in troubled debt restructurings.

(6) Goodwill and Other Intangible Assets

The following table sets forth the carrying value of goodwill and other intangible assets at the dates indicated:

	At June 30, 2017	At December 31, 2016
	(In Thousands)	
Goodwill	$137,890	$ 137,890
Other intangible assets:		
Core deposits	5,993	7,044
Trade name	1,089	1,089
Total other intangible assets	7,082	8,133
Total goodwill and other intangible assets	$144,972	$ 146,023

At December 31, 2013, the Company concluded that the BankRI name would continue to be utilized in its marketing strategies; therefore, the trade name with carrying value of $1.1 million, has an indefinite life and ceased to amortize. The weighted-average amortization period for the core deposit intangible is 8.3 years.

The estimated aggregate future amortization expense (in thousands) for other intangible assets for each of the next five years and thereafter is as follows:

Remainder of 2017	$1,038
Year ending:	
2018	1,669
2019	1,295
2020	944
2021	601
2022	299
Thereafter	147
Total	$5,993

(7) Accumulated Other Comprehensive Income (Loss)

For the three and six months ended June 30, 2017 and 2016, the Company's accumulated other comprehensive income (loss) includes the following two components: (i) unrealized holding gains (losses) on investment securities available-for-sale; and (ii) adjustment of accumulated obligation for postretirement benefits.

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Changes in accumulated other comprehensive income (loss) by component, net of tax, were as follows for the periods indicated:

	Three Months Ended June 30, 2017		
	Investment Securities Available-for-Sale	Postretirement Benefits	Accumulated Other Comprehensive Loss
	(In Thousands)		
Balance at March 31, 2017	$(3,656)	$ 395	$ (3,261)
Other comprehensive income	1,086	—	1,086
Balance at June 30, 2017	$(2,570)	$ 395	$ (2,175)

	Three Months Ended June 30, 2016		
	Investment Securities Available-for-Sale	Postretirement Benefits	Accumulated Other Comprehensive Loss
	(In Thousands)		
Balance at March 31, 2016	$3,001	$ 351	$ 3,352
Other comprehensive income	2,617	—	2,617
Balance at June 30, 2016	$5,618	$ 351	$ 5,969

	Six Months Ended June 30, 2017		
	Investment Securities Available-for-Sale	Postretirement Benefits	Accumulated Other Comprehensive Loss
	(In Thousands)		
Balance at December 31, 2016	$(4,213)	$ 395	$ (3,818)
Other comprehensive income	1,643	—	1,643
Balance at June 30, 2017	$(2,570)	$ 395	$ (2,175)

	Six Months Ended June 30, 2016		
	Investment Securities Available-for-Sale	Postretirement Benefits	Accumulated Other Comprehensive Loss
	(In Thousands)		
Balance at December 31, 2015	$(2,827)	$ 351	$ (2,476)
Other comprehensive income	8,445	—	8,445
Balance at June 30, 2016	$5,618	$ 351	$ 5,969

The Company did not reclassify any amounts out of accumulated other comprehensive income (loss) for the three and six months ended June 30, 2017 and 2016.

(8) Derivatives and Hedging Activities

The Company utilizes loan level derivatives which consist of interest-rate contracts (swaps, caps and floors), and risk participation agreements as part of the Company's interest-rate risk management strategy for certain assets and liabilities and not for speculative purposes. Based on the Company's intended use for the loan level derivatives at inception, the Company designates the derivative as either an economic hedge of an asset or liability, or a hedging instrument subject to the hedge accounting provisions of FASB ASC Topic 815, "Derivatives and Hedging".

Interest-rate swap, cap and floor agreements are entered into as hedges against future interest-rate fluctuations on specifically identified assets or liabilities. The Company did not have derivative fair value hedges or derivative cash flow hedges as of June 30, 2017 or December 31, 2016.

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Derivatives not designated as hedges are not speculative but rather result from a service the Company provides to certain customers for a fee. The Company executes loan level derivative products such as interest-rate swap agreements with commercial banking customers to aid them in managing their interest-rate risk. The interest-rate swap contracts allow the commercial banking customers to convert floating-rate loan payments to fixed-rate loan payments. The Company concurrently enters into offsetting swaps with a third party financial institution, effectively minimizing its net risk exposure resulting from such transactions. The third-party financial institution exchanges the customer's fixed-rate loan payments for floating-rate loan payments. As the interest-rate swap agreements associated with this program do not meet hedge accounting requirements, changes in the fair value are recognized directly in earnings.

The Company utilizes risk participation agreements with other banks participating in commercial loan arrangements. Participating banks guarantee the performance on borrower-related interest rate swap contracts. Risk participation agreements are derivative financial instruments and are recorded at fair value. These derivatives are not designated as hedges and therefore, changes in fair value are recorded directly through earnings at each reporting period.

Under a risk participation-out agreement, a derivative asset, the Company participates out a portion of the credit risk associated with the interest rate swap position executed with the commercial borrower, for a fee paid to the participating bank. Under a risk participation-in agreement, a derivative liability, the Company assumes, or participates in, a portion of the credit risk associated with the interest rate swap position with the commercial borrower, for a fee received from the other bank.

The Company offers foreign exchange contracts to commercial borrowers to accommodate their business needs. These foreign exchange contracts do not qualify as hedges for accounting purposes. To mitigate the market and liquidity risk associated with these foreign exchange contracts, the Company enters into similar offsetting positions.

Asset derivatives and liability derivatives are included in other assets and accrued expenses and other liabilities on the unaudited consolidated balance sheets.

The following tables presents the Company's customer related derivative positions for the periods indicated below for those derivatives not designated as hedging.

	Notional Amount Maturing							
	Number of Positions	Less than 1 year	Less than 2 years	Less than 3 years	Less than 4 years	Thereafter	Total	Fair Value
	June 30, 2017 (Dollars In Thousands)							
Loan level derivatives								
Receive fixed, pay variable	59	$—	$6,053	$ —	$28,763	$375,021	$409,837	$9,874
Pay fixed, receive variable	59	—	6,053	—	28,763	375,021	409,837	9,874
Risk participation-out agreements	5	—	—	—	8,850	7,844	16,694	16
Risk participation-in agreements	1	—	—	—	—	3,825	3,825	14
Foreign exchange contracts								
Buys foreign currency, sells U.S. currency	17	$14,786	$—	$ —	$—	$—	$14,786	$43
Sells foreign currency, buys U.S. currency	34	14,786	—	—	—	—	14,786	35

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	Notional Amount Maturing							
	Number of Positions	Less than 1 years	Less than 2 years	Less than 3 years	Less than 4 years	Thereafter	Total	Fair Value
	December 31, 2016							
	(Dollars In Thousands)							
Loan level derivatives								
Receive fixed, pay variable	54	$—	$4,025	$2,141	$29,501	$348,113	$383,780	$9,738
Pay fixed, receive variable	54	—	4,025	2,141	29,501	348,113	383,780	9,738
Risk participation-out agreements	5	—	—	—	9,078	7,883	16,961	20
Foreign exchange contracts								
Buys foreign currency, sells U.S. currency	3	$4,050	$—	$—	$—	$—	$4,050	$—
Sells foreign currency, buys U.S. currency	3	4,050	—	—	—	—	4,050	—

As of December 31, 2016, the Company held no risk participation-in agreements. As of December 31, 2016, the fair value of the foreign exchange contracts was nominal. Refer also to Note 11, "Fair Value of Financial Instruments."
Certain derivative agreements contain provisions that require the Company to post collateral if the derivative exposure exceeds a threshold amount. The Company posted collateral of $28.8 million and $34.5 million in the normal course of business as of June 30, 2017 and December 31, 2016, respectively.
The tables below present the offsetting of derivatives and amounts subject to master netting agreements not offset in the unaudited consolidated balance sheet at the dates indicated.

	At June 30, 2017					
				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments Pledged	Cash Collateral Pledged	Net Amount
	(In Thousands)					
Asset derivatives						
Loan level derivatives	$9,874	$ —	$ 9,874	$ —	$ 590	$ 9,284
Risk participation-out agreements	16	—	16	—	—	16
Foreign exchange contracts	43	—	43	—	—	43
Total	$9,933	$ —	$ 9,933	$ —	$ 590	$ 9,343
Liability derivatives						
Loan level derivatives	$9,874	$ —	$ 9,874	$ 28,031	$ 720	$ —
Risk participation-in agreements	14	—	14	—	—	—
Foreign exchange contracts	35	—	35	—	—	—
Total	$9,923	$ —	$ 9,923	$ 28,031	$ 720	$ —

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	At December 31, 2016					
				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments Pledged	Cash Collateral Pledged	Net Amount
	(In Thousands)					
Asset derivatives						
Loan level derivatives	$9,738	$ —	$ 9,738	$ —	$ —	$ 9,738
Risk participation-out agreements	20	—	20	—	—	20
Total	$9,758	$ —	$ 9,758	$ —	$ —	$ 9,758
Liability derivatives						
Loan level derivatives	$9,738	$ —	$ 9,738	$ 33,744	$ 720	$ —
Total	$9,738	$ —	$ 9,738	$ 33,744	$ 720	$ —

As of December 31, 2016, the Company held no risk participation-in agreements. As of December 31, 2016, the fair value of the foreign exchange contracts was nominal.

The Company has agreements with certain of its derivative counterparties that contain credit-risk-related contingent provisions. These provisions provide the counterparty with the right to terminate its derivative positions and require the Company to settle its obligations under the agreements if the Company defaults on certain of its indebtedness or if the Company fails to maintain its status as a well-capitalized institution.

(9) Stock Based Compensation

As of June 30, 2017, the Company had three active recognition and retention plans: the 2003 Recognition and Retention Plan (the "2003 RRP") with 1,250,000 authorized shares, the 2011 Restricted Stock Award Plan ("2011 RSA") with 500,000 authorized shares and the 2014 Equity Incentive Plan ("2014 Plan") with 1,750,000 authorized shares. The 2003 RRP, the 2011 RSA and the 2014 Plan are collectively referred to as the "Plans". The purpose of the Plans is to promote the long-term financial success of the Company and its subsidiaries by providing a means to attract, retain and reward individuals who contribute to such success and to further align their interests with those of the Company's stockholders.

Of the awarded shares, generally 50% vest ratably over three years with one-third of such shares vesting at each of the first, second and third anniversary dates of the awards. These are referred to as "time-based shares". The remaining 50% of each award has a cliff vesting schedule and will vest three years after the award date based on the level of the Company's achievement of identified performance targets in comparison to the level of achievement of such identified performance targets by a defined peer group comprised of 17 financial institutions. These are referred to as "performance-based shares". The specific performance measure targets relate to return on assets, return on tangible equity, asset quality and total stockholder return (share price appreciation from date of award plus dividends paid as a percent of the Company's common stock share price on the date of award). If a participant leaves the Company prior to the third anniversary date of an award, any unvested shares are forfeited. Dividends declared with respect to shares awarded will be held by the Company and paid to the participant only when the shares vest.

Under all the Plans, shares of the Company's common stock were reserved for issuance as restricted stock awards to officers, employees, and non-employee directors of the Company. Shares issued upon vesting may be either authorized but unissued shares or reacquired shares held by the Company as treasury shares. Any shares not issued because vesting requirements are not met will be retired back to treasury and be made available again for issuance under the Plans.

During the three and six months ended June 30, 2017, 12,121 shares were issued upon satisfaction of required conditions of the Plans. During the three and six months ended June 30, 2016, 1,330 shares were issued upon satisfaction of required conditions of the Plans.
Total expense for the Plans was $0.6 million and $0.2 million for the three months ended June 30, 2017 and 2016, respectively. Total expense for the Plans was $1.1 million and $0.8 million for the six months ended June 30, 2017 and 2016,

respectively. The increase in the total expense for the Plans for the three and six months ended June 30, 2017 is due to the increase in the grant price of the shares which is driven by the Company's stock price.

(10) Earnings per Share ("EPS")

The following table is a reconciliation of basic EPS and diluted EPS:

	Three Months Ended			
	June 30, 2017		June 30, 2016	
	Basic	Fully Diluted	Basic	Fully Diluted
	(Dollars in Thousands, Except Per Share Amounts)			
Numerator:				
Net income	$14,880	$ 14,880	$12,654	$ 12,654
Denominator:				
Weighted average shares outstanding	74,325,013	74,325,013	70,196,950	70,196,950
Effect of dilutive securities	—	485,075	—	191,488
Adjusted weighted average shares outstanding	74,325,013	74,810,088	70,196,950	70,388,438
EPS	$0.20	$ 0.20	$0.18	$ 0.18

	Six Months Ended			
	June 30, 2017		June 30, 2016	
	Basic	Fully Diluted	Basic	Fully Diluted
	(Dollars in Thousands, Except Per Share Amounts)			
Numerator:				
Net income	$28,325	$ 28,325	$25,466	$ 25,466
Denominator:				
Weighted average shares outstanding	72,366,769	72,366,769	70,191,935	70,191,935
Effect of dilutive securities	—	471,202	—	173,988
Adjusted weighted average shares outstanding	72,366,769	72,837,971	70,191,935	70,365,923
EPS	$0.39	$ 0.39	$0.36	$ 0.36

(11) Fair Value of Financial Instruments

A description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring and non-recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. There were no changes in the valuation techniques used during the three and six months ended June 30, 2017 and 2016.

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Assets and Liabilities Recorded at Fair Value on a Recurring Basis
The following tables set forth the carrying value of assets and liabilities measured at fair value on a recurring basis at the dates indicated:

	Carrying Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Investment securities available-for-sale:				
GSE debentures	$—	$139,783	$ —	$139,783
GSE CMOs	—	142,739	—	142,739
GSE MBSs	—	192,323	—	192,323
SBA commercial loan asset-backed securities	—	81	—	81
Corporate debt obligations	—	58,877	—	58,877
U.S. Treasury bonds	—	4,804	—	4,804
Trust preferred securities	—	1,387	—	1,387
Marketable equity securities	982	—	—	982
Total investment securities available-for-sale	$982	$539,994	$ —	$540,976
Loan level derivatives	$—	$9,874	$ —	$9,874
Risk participation-out agreements	—	16	—	16
Foreign exchange contracts	—	43	—	43
Liabilities:				
Loan level derivatives	$—	$9,874	$ —	$9,874
Risk participation-in agreements	—	14	—	14
Foreign exchange contracts	—	35	—	35

	Carrying Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Investment securities available-for-sale:				
GSE debentures	$—	$97,020	$ —	$97,020
GSE CMOs	—	158,040	—	158,040
GSE MBSs	—	212,915	—	212,915
SBA commercial loan asset-backed securities	—	107	—	107
Corporate debt obligations	—	48,485	—	48,485
U.S. Treasury bonds	—	4,737	—	4,737
Trust preferred securities	—	1,358	—	1,358
Marketable equity securities	972	—	—	972
Total investment securities available-for-sale	$972	$522,662	$ —	$523,634
Loan level derivatives	$—	$9,738	$ —	$9,738
Risk participation-out agreements	—	20	—	20
Foreign exchange contracts	—	—	—	—
Liabilities:				
Loan level derivatives	$—	$9,738	$ —	$9,738

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As of December 31, 2016, the fair value of the foreign exchange contracts was nominal. As of December 31, 2016, the Company held no risk participation-in agreements.

Investment Securities Available-for-Sale

The fair value of investment securities is based principally on market prices and dealer quotes received from third-party and nationally-recognized pricing services for identical investment securities such as U.S. Treasury and agency securities. The Company's marketable equity securities are priced this way and are included in Level 1. These prices are validated by comparing the primary pricing source with an alternative pricing source when available. When quoted market prices for identical securities are unavailable, the Company uses market prices provided by independent pricing services based on recent trading activity and other observable information, including but not limited to market interest-rate curves, referenced credit spreads and estimated prepayment speeds where applicable. These investments include GSE debentures, GSE mortgage-related securities, SBA commercial loan asset backed securities, corporate debt securities, and trust preferred securities, all of which are included in Level 2. As of June 30, 2017 and December 31, 2016, no investment securities were valued using pricing models included in Level 3.

Additionally, management reviews changes in fair value from period to period and performs testing to ensure that prices received from the third parties are consistent with management's expectation of the market. Changes in the prices obtained from the pricing service are analyzed from month to month, taking into consideration changes in market conditions including changes in mortgage spreads, changes in U.S. Treasury security yields and changes in generic pricing of 15-year and 30-year securities. Additional analysis may include a review of prices provided by other independent parties, a yield analysis, a review of average life changes using Bloomberg analytics and a review of historical pricing for a particular security.

Loan Level Derivatives

The fair values for the interest-rate swap assets and liabilities represent a Level 2 valuation and are based on settlement values adjusted for credit risks associated with the counterparties and the Company and observable market interest rate curves. Credit risk adjustments consider factors such as the likelihood of default by the Company and its counterparties, its net exposures and remaining contractual life. To date, the Company has not realized any losses due to a counterparty's inability to pay any net uncollateralized position. Refer also to Note 8, "Derivatives and Hedging Activities."

There were no transfers between levels for assets and liabilities recorded at fair value on a recurring basis during the three and six months ended June 30, 2017 and 2016, respectively.

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

Assets and liabilities measured at fair value on a non-recurring basis are summarized below at the dated indicated:

	Carrying Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets measured at fair value on a non-recurring basis:				
Collateral-dependent impaired loans and leases	$—	$—	$32,194	$32,194
OREO	—	—	3,384	3,384
Repossessed assets	—	1,489	—	1,489
Total assets measured at fair value on a non-recurring basis	$—	$1,489	$35,578	$37,067

	Carrying Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets measured at fair value on a non-recurring basis:				
Collateral-dependent impaired loans and leases	$—	$ —	$27,282	$27,282
OREO	—	—	618	618
Repossessed assets	—	781	—	781
Total assets measured at fair value on a non-recurring basis	$—	$ 781	$27,900	$28,681

Collateral-Dependent Impaired Loans and Leases

For nonperforming loans and leases where the credit quality of the borrower has deteriorated significantly, fair values of the underlying collateral were estimated using purchase and sales agreements (Level 2), or comparable sales or recent appraisals (Level 3), adjusted for selling costs and other expenses.

Other Real Estate Owned

The Company records OREO at the lower of cost or fair value. In estimating fair value, the Company utilizes purchase and sales agreements (Level 2) or comparable sales, recent appraisals or cash flows discounted at an interest rate commensurate with the risk associated with these cash flows (Level 3), adjusted for selling costs and other expenses.

Repossessed Assets

Repossessed assets are carried at estimated fair value less costs to sell based on auction pricing (Level 2).

The table below presents quantitative information about significant unobservable inputs (Level 3) for assets measured at fair value on a recurring basis at the dates indicated.

	Fair Value		Valuation Technique
	At June 30, 2017	At December 31, 2016	
	(Dollars in Thousands)		
Collateral-dependent impaired loans and leases	$32,194	$ 27,282	Appraisal of collateral (1)
Other real estate owned	3,384	618	Appraisal of collateral (1)

(1) Fair value is generally determined through independent appraisals of the underlying collateral. The Company may also use another available source of collateral assessment to determine a reasonable estimate of the fair value of the collateral. Appraisals may be adjusted by management for qualitative factors such as economic factors and estimated liquidation expenses. The range of the unobservable inputs used may vary but is generally 0% - 10% on the discount for costs to sell and 0% - 15% on appraisal adjustments.

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Summary of Estimated Fair Values of Financial Instruments

The following table presents the carrying amount, estimated fair value, and placement in the fair value hierarchy of the Company's financial instruments at the dates indicated. This table excludes financial instruments for which the carrying amount approximates fair value. Financial assets for which the fair value approximates carrying value include cash and cash equivalents, restricted equity securities, and accrued interest receivable. Financial liabilities for which the fair value approximates carrying value include non-maturity deposits, short-term borrowings, and accrued interest payable.

			Fair Value Measurements		
	Carrying Value	Estimated Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
	(In Thousands)				
At June 30, 2017					
Financial assets:					
Investment securities held-to-maturity:					
GSE debentures	$38,620	$ 38,088	$ —	$ 38,088	$ —
GSE MBSs	15,883	15,753	—	15,753	—
Municipal obligations	53,960	54,139	—	54,139	—
Foreign government obligations	500	490	—	—	490
Loans held-for-sale	593	593	—	593	—
Loans and leases, net	5,472,885	5,383,183	—	—	5,383,183
Restricted equity securities	66,988	66,988	—	—	66,988
Financial liabilities:					
Certificates of deposit	1,119,551	1,116,813	—	1,116,813	—
Borrowed funds	1,066,643	1,061,016	—	1,061,016	—
At December 31, 2016					
Financial assets:					
Investment securities held-to-maturity:					
GSE debentures	$14,735	$ 14,101	$ —	$ 14,101	$ —
GSE MBSs	17,666	17,479	—	17,479	—
Municipal obligations	54,219	53,204	—	53,204	—
Foreign government obligations	500	487	—	—	487
Loans held-for-sale	13,078	13,078	—	13,078	—
Loans and leases, net	5,345,198	5,195,312	—	—	5,195,312
Restricted equity securities	64,511	75,589	—	—	75,589
Financial liabilities:					
Certificates of deposit	1,041,022	1,042,653	—	1,042,653	—
Borrowed funds	1,044,086	1,030,753	—	1,030,753	—

Investment Securities Held-to-Maturity

The fair values of certain investment securities held-to-maturity are estimated using market prices provided by independent pricing services based on recent trading activity and other observable information, including but not limited to market interest-rate curves, referenced credit spreads and estimated prepayment speeds where applicable. These investments include GSE debentures, GSE MBSs, and municipal obligations, all of which are included in Level 2. Additionally, fair values of foreign government obligations are estimated using pricing models and are considered to be Level 3.

Loans Held-for-Sale

Fair value is measured using quoted market prices when available. These assets are typically categorized as Level 1. If quoted market prices are not available, comparable market values may be utilized. These assets are typically categorized as Level 2.

Loans and Leases

The fair values of performing loans and leases was estimated by segregating the portfolio into its primary loan and lease categories—commercial real estate mortgage, multi-family mortgage, construction, commercial, equipment financing, condominium association, residential mortgage, home equity and other consumer. These categories were further disaggregated based upon significant financial characteristics such as type of interest rate (fixed / variable) and payment status (current / past-due). The Company discounts the contractual cash flows for each loan category using interest rates currently being offered for loans with similar terms to borrowers of similar quality and incorporates estimates of future loan prepayments. This method of estimating fair value does not incorporate the exit price concept of fair value.

Restricted Equity Securities

The fair values of certain restricted equity securities are estimated using observable inputs adjusted for other unobservable information, including but not limited to probability assumptions and similar discounts where applicable. These restricted equity securities are considered to be Level 3.

Deposits

The fair values of deposit liabilities with no stated maturity (demand, NOW, savings and money market savings accounts) are equal to the carrying amounts payable on demand. The fair value of certificates of deposit represents contractual cash flows discounted using interest rates currently offered on deposits with similar characteristics and remaining maturities. The fair value estimates for deposits do not include the benefit that results from the low-cost funding provided by the Company's core deposit relationships (deposit-based intangibles).

Borrowed Funds

The fair value of federal funds purchased is equal to the amount borrowed. The fair value of FHLBB advances and repurchase agreements represents contractual repayments discounted using interest rates currently available for borrowings with similar characteristics and remaining maturities. The fair values reported for retail repurchase agreements are based on the discounted value of contractual cash flows. The discount rates used are representative of approximate rates currently offered on borrowings with similar characteristics and maturities. The fair values reported for subordinated deferrable interest debentures are based on the discounted value of contractual cash flows. The discount rates used are representative of approximate rates currently offered on instruments with similar terms and maturities.

(12) Commitments and Contingencies

Off-Balance Sheet Financial Instruments

The Company is party to off-balance sheet financial instruments in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include loan commitments, standby and commercial letters of credits, and loan level derivatives. According to GAAP, these financial instruments are not recorded in the financial statements until they are funded or related fees are incurred or received.

The contract amounts reflect the extent of the involvement the Company has in particular classes of these instruments. Such commitments involve, to varying degrees, elements of credit risk and interest-rate risk in excess of the amount recognized in the consolidated balance sheets. The Company's exposure to credit loss in the event of non-performance by the counterparty is represented by the fair value of the instruments. The Company uses the same policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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Financial instruments with off-balance-sheet risk at the dates indicated follow:

	At June 30, 2017	At December 31, 2016
	(In Thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to originate loans and leases:		
Commercial real estate	$56,880	$ 27,750
Commercial	97,398	71,716
Residential mortgage	14,192	28,179
Unadvanced portion of loans and leases	536,527	580,416
Unused lines of credit:		
Home equity	372,314	340,682
Other consumer	11,888	13,157
Other commercial	279	208
Unused letters of credit:		
Financial standby letters of credit	10,846	11,720
Performance standby letters of credit	484	516
Commercial and similar letters of credit	840	785
Loan level derivatives (Notional principal amounts):		
Receive fixed, pay variable	409,837	383,780
Pay fixed, receive variable	409,837	383,780
Risk participation-out agreements	16,694	16,961
Risk participation-in agreements	3,825	—
Foreign exchange contracts (Notional amounts):		
Buys foreign currency, sells U.S. currency	14,786	4,050
Sells foreign currency, buys U.S. currency	14,786	4,050

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 the payment of a fee by the customer. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the borrower.

Standby and commercial letters of credits are conditional commitments issued by the Company to guarantee performance of a customer to a third party. These standby and commercial letters of credit are primarily issued to support the financing needs of the Company's commercial customers. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

The liability for unfunded credit commitments, which is included in other liabilities, was $1.5 million as of June 30, 2017 and December 31, 2016.

From time to time, the Company enters into loan level derivatives, risk participation agreements or foreign exchange contracts with commercial customers and third-party financial institutions. These derivatives allow the Company to offer long-term fixed-rate commercial loans while mitigating the interest-rate or foreign exchange risk of holding those loans. In a loan level derivative transaction, the Company lends to a commercial customer on a floating-rate basis and then enters into an loan level derivative with that customer. Concurrently, the Company enters into offsetting swaps with a third-party financial institution, effectively minimizing its net interest-rate risk exposure resulting from such transactions.

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The fair value of derivative assets and liabilities was $9.9 million and $9.9 million, respectively, as of June 30, 2017. The fair value of derivative assets and liabilities was $9.8 million and $9.7 million, respectively, as of December 31, 2016.

The fair value of foreign exchange assets and liabilities was $43.0 thousand and $35.0 thousand, respectively, as of June 30, 2017. The fair value of foreign exchange assets and liabilities was nominal as of December 31, 2016.

Lease Commitments

The Company leases certain office space under various noncancellable operating leases. These leases have original terms ranging from 5 years to over 25 years. Certain leases contain renewal options and escalation clauses which can increase rental expenses based principally on the consumer price index and fair market rental value provisions.

A summary of future minimum rental payments under such leases at the dates indicated follows:

	Minimum Rental Payments (In Thousands)
Remainder of 2017	$ 2,627
Year ending:	
2018	4,866
2019	3,998
2020	3,442
2021	2,933
2022	2,711
Thereafter	10,138
Total	$ 30,715

Certain leases contain escalation clauses for real estate taxes and other expenditures, which are not included above. Total rental expense was $1.4 million and $1.3 million for the three months ended June 30, 2017 and 2016, respectively. Total rental expense was $2.8 million and $2.6 million for the six months ended June 30, 2017 and 2016, respectively. The increase was due to the opening of a new branch in Danvers, Massachusetts for First Ipswich Bank, and the relocation of a branch in Brookline, Massachusetts for Brookline Bank.

Legal Proceedings

In the normal course of business, there are various outstanding legal proceedings. In the opinion of management, after consulting with legal counsel, the consolidated financial position and results of operations of the Company are not expected to be affected materially by the outcome of such proceedings.

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

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties. These statements, which are based on certain assumptions and describe Brookline Bancorp, Inc.'s (the "Company's") future plans, strategies and expectations, can generally be identified by the use of the words "may," "will," "should," "could," "would," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target" and expressions. These statements include, among others, statements regarding the Company's intent, belief or expectations with respect to economic conditions, trends affecting the Company's financial condition or results of operations, and the Company's exposure to market, liquidity, interest-rate and credit risk.

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Forward-looking statements are based on the current assumptions underlying the statements and other information with respect to the beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions of management and the financial condition, results of operations, future performance and business are only expectations of future results. Although the Company believes that the expectations reflected in the Company's forward-looking statements are reasonable, the Company's actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, adverse conditions in the capital and debt markets; changes in interest rates; competitive pressures from other financial institutions; the effects of weakness in general economic conditions on a national basis or in the local markets in which the Company operates, including changes which adversely affect borrowers' ability to service and repay their loans and leases; changes in the value of securities and other assets in the Company's investment portfolio; changes in loan and lease default and charge-off rates; the adequacy of allowances for loan and lease losses; deposit levels necessitating increased borrowing to fund loans and investments; changes in government regulation; the risk that goodwill and intangibles recorded in the Company's financial statements will become impaired; and changes in assumptions used in making such forward-looking statements, as well as the other risks and uncertainties detailed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and other filings submitted to the Securities and Exchange Commission. Forward-looking statements speak only as of the date on which they are made. The Company does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

Introduction

Brookline Bancorp, Inc., a Delaware corporation, operates as a multi-bank holding company for Brookline Bank and its subsidiaries; Bank Rhode Island and its subsidiaries ("BankRI"); First Ipswich Bank and its subsidiaries ("First Ipswich"); and Brookline Securities Corp.

As a commercially-focused financial institution with 51 full-service banking offices throughout greater Boston, the north shore of Massachusetts and Rhode Island, the Company, through Brookline Bank, BankRI and First Ipswich (the "Banks"), offers a wide range of commercial, business and retail banking services, including a full complement of cash management products, on-line and mobile banking services, consumer and residential loans and investment services, designed to meet the financial needs of small- to mid-sized businesses and individuals throughout central New England. Specialty lending activities include equipment financing primarily in the New York and New Jersey metropolitan area.

The Company focuses its business efforts on profitably growing its commercial lending businesses, both organically and through acquisitions. The Company's customer focus, multi-bank structure, and risk management are integral to its organic growth strategy and serve to differentiate the Company from its competitors. As full-service financial institutions, the Banks and their subsidiaries focus their efforts on developing and deepening long-term banking relationships with qualified customers through a full complement of products and excellent customer service, and strong risk management.

The Company manages the Banks under uniform strategic objectives, with one set of uniform policies consistently applied by one executive management team. Within this environment, the Company believes that the ability to make customer decisions locally enhances management's motivation, service levels and, as a consequence, the Company's financial results. As such, while most back-office functions are consolidated at the holding company level, branding and decision-making, including credit decisions and pricing, remain largely local in order to better meet the needs of bank customers and further motivate the Banks' commercial, business and retail bankers.

The competition for loans and leases and deposits remains intense. While the economy has improved in 2017, the Company expects the operating environment to remain challenging. The volume of loan and lease originations and loan and lease losses will depend, to a large extent, on how the economy performs. Loan and lease growth and deposit growth are also greatly influenced by the rate-setting actions of the Board of Governors of the Federal Reserve System ("FRB"). A sustained, low interest rate environment with a flat interest rate curve may negatively impact on the Company's yields and net interest margin. While the company is slightly asset sensitive and should benefit from rising rates, these rate increases could precipitate a change in the mix and volume of the Company's deposits and loans. The future operating results of the Company will depend on its ability to maintain the net interest margin, while minimizing exposure to credit risk, along with increasing sources of non-interest income, while controlling the growth of non-interest expenses.

The Company and the Banks are supervised, examined and regulated by the FRB. As a Massachusetts-chartered savings bank and trust company, respectively, Brookline Bank and First Ipswich are also subject to regulation under the laws of the Commonwealth of Massachusetts and the jurisdiction of the Massachusetts Division of Banks. As a Rhode Island-chartered financial institution, BankRI is also subject to regulation under the laws of the State of Rhode Island and the jurisdiction of the Banking Division of the Rhode Island Department of Business Regulation. The FDIC continues to insure each of the Banks' deposits up to $250,000 per depositor. Additionally, as a Massachusetts-chartered savings bank, Brookline Bank is also insured by the Depositors Insurance Fund ("DIF"), a private industry-sponsored company. The DIF insures savings bank deposits in

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excess of the FDIC insurance limits. As such, Brookline Bank offers 100% insurance on all deposits as a result of a combination of insurance from the FDIC and the DIF.

The Company’s common stock is traded on the Nasdaq Global Select Market[SM] under the symbol “BRKL.”

Selected Financial Data

The following is based in part on, and should be read in conjunction with, the consolidated financial statements and accompanying notes, and other information appearing elsewhere in this Form 10-Q.

	At and for the Three Months Ended									
	June 30, 2017		March 31, 2017		December 31, 2016		September 30, 2016		June 30, 2016	
	(Dollars in Thousands, Except Per Share Data)									
PER COMMON SHARE DATA										
Earnings per share - Basic	$0.20		$0.19		$0.19		$0.19		$0.18	
Earnings per share - Diluted	0.20		0.19		0.19		0.19		0.18	
Book value per share (end of period)	10.42		10.00		9.88		9.90		9.82	
Tangible book value per share (end of period) (1)	8.52		7.93		7.81		7.81		7.73	
Dividends paid per common share	0.09		0.09		0.09		0.09		0.09	
Stock price (end of period)	14.60		15.65		16.40		12.19		11.03	
PERFORMANCE RATIOS (2)										
Net interest margin (taxable equivalent basis)	3.59	%	3.53	%	3.40	%	3.48	%	3.44	%
Return on average assets	0.91	%	0.83	%	0.83	%	0.86	%	0.81	%
Return on average tangible assets (1)	0.93	%	0.85	%	0.85	%	0.88	%	0.83	%
Return on average stockholders' equity	7.76	%	7.58	%	7.59	%	7.83	%	7.38	%
Return on average tangible stockholders' equity (1)	9.58	%	9.55	%	9.60	%	9.94	%	9.40	%
Dividend payout ratio (1)	46.28	%	47.23	%	47.80	%	46.60	%	50.07	%
Efficiency ratio (3)	57.93	%	48.92	%	56.92	%	57.89	%	57.97	%
ASSET QUALITY RATIOS										
Net loan and lease charge-offs as a percentage of average loans and leases (annualized)	0.17	%	0.07	%	0.62	%	0.04	%	0.31	%
Nonperforming loans and leases as a percentage of total loans and leases	0.76	%	0.83	%	0.74	%	0.70	%	0.63	%
Nonperforming assets as a percentage of total assets	0.71	%	0.73	%	0.64	%	0.61	%	0.54	%
Total allowance for loan and lease losses as a percentage of total loans and leases	1.17	%	1.21	%	0.99	%	1.10	%	1.09	%
Allowance for loan and lease losses related to originated loans and leases as a percentage of originated loans and leases (1)	1.20	%	1.25	%	1.03	%	1.15	%	1.13	%
CAPITAL RATIOS										
Stockholders' equity to total assets	11.95	%	10.83	%	10.80	%	10.91	%	10.95	%
Tangible equity ratio (1)	9.99	%	8.79	%	8.73	%	8.82	%	8.82	%

FINANCIAL CONDITION DATA					
Total assets	$6,658,067	$6,497,721	$6,438,129	$6,380,312	$6,296,502
Total loans and leases	5,537,406	5,461,779	5,398,864	5,332,300	5,259,038
Allowance for loan and lease losses	64,521	66,133	53,666	58,892	57,258
Investment securities available-for-sale	540,976	528,433	523,634	524,295	532,967
Investment securities held-to-maturity	108,963	100,691	87,120	77,094	69,590

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	At and for the Three Months Ended				
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
	(Dollars in Thousands, Except Per Share Data)				
					(Continued)
Goodwill and identified intangible assets	144,972	145,491	146,023	146,644	147,267
Total deposits	4,709,419	4,651,903	4,611,076	4,564,906	4,485,154
Total borrowed funds	1,066,643	1,056,785	1,044,086	1,022,653	1,028,439
Stockholders' equity	795,618	703,873	695,544	696,371	689,656
EARNINGS DATA					
Net interest income	$ 55,583	$ 53,098	$ 51,854	$ 52,350	$ 50,257
Provision for credit losses	873	13,402	3,215	2,215	2,545
Non-interest income	4,477	15,908	5,430	5,329	5,375
Non-interest expense	34,795	33,756	32,607	33,388	32,250
Net income	14,880	13,445	13,279	13,617	12,654

(1) Refer to "Non-GAAP Financial Measures and Reconciliations to GAAP".

(2) All performance ratios are annualized and are based on average balance sheet amounts, where applicable.

(3) Efficiency ratio is calculated by dividing non-interest expense by the sum of non-interest income and net interest income.

Executive Overview

Growth

Total assets of $6.7 billion as of June 30, 2017 increased $219.9 million, or 6.8% on an annualized basis, from December 31, 2016. The increase was primarily driven by increases in loans and leases.

Total loans and leases of $5.5 billion as of June 30, 2017 increased $138.5 million, or 5.1% on an annualized basis, from December 31, 2016. The Company's commercial loan portfolios, which are comprised of commercial real estate loans and commercial loans and leases, totaled $4.5 billion, or 81.7% of total loans and leases, as of June 30, 2017, an increase of $111.3 million, or 5.0% on an annualized basis, from $4.4 billion, or 81.8% of total loans and leases, as of December 31, 2016.

Total deposits of $4.7 billion as of June 30, 2017 increased $98.3 million, or 4.3% on an annualized basis, from $4.6 billion as of December 31, 2016. Core deposits, which include demand checking, NOW, money market and savings accounts, totaled $3.6 billion, or 76.2% of total deposits as of June 30, 2017, an increase of $19.8 million, or 1.1% on an annualized basis, from $3.6 billion, or 77.4% of total deposits, as of December 31, 2016.

Asset Quality

Nonperforming assets as of June 30, 2017 totaled $47.1 million, or 0.71% of total assets, compared to $41.5 million, or 0.64% of total assets, as of December 31, 2016. Net charge-offs for the three months ended June 30, 2017 were $2.4 million, or 0.17% of average loans and leases on an annualized basis, compared to $4.0 million, or 0.31% of average loans and leases on an annualized basis, for the three months ended June 30, 2016. The increase in nonperforming loans and leases and nonperforming assets was primarily driven by two taxi medallion loans and two commercial loans that were placed on nonaccrual.

The ratio of the allowance for loan and lease losses to total loans and leases was 1.17% as of June 30, 2017, compared to 0.99% as of December 31, 2016. Excluding the loans acquired from BankRI and First Ipswich, the allowance for loan and lease losses related to originated loans and leases as a percentage of the total originated loan and lease portfolio was 1.20% as of June 30, 2017, compared to 1.03% as of December 31, 2016. The Company continued to

employ its historical underwriting methodology throughout the three month period ended June 30, 2017.
Capital Strength
The Company is a "well-capitalized" bank holding company as defined in the FRB's Regulation Y. The Company's common equity Tier 1 Capital Ratio was 12.07% as of June 30, 2017, compared to 10.48% as of December 31, 2016. The

Company's Tier 1 Leverage Ratio was 10.50% as of June 30, 2017, compared to 9.16% as of December 31, 2016. As of June 30, 2017, the Company's Tier 1 Risk-Based Ratio was 12.38%, compared to 10.79% as of December 31, 2016. The Company's Total Risk-Based Ratio was 14.95% as of June 30, 2017, compared to 13.20% as of December 31, 2016.

The Company's ratio of stockholders' equity to total assets was 11.95% and 10.80% as of June 30, 2017 and December 31, 2016, respectively. The Company's tangible equity ratio was 9.99% and 8.73% as of June 30, 2017 and December 31, 2016, respectively. The increase in the ratio of stockholders' equity to total assets and the tangible equity ratio is due to the Company's new issuance in the amount of 5,951,250 shares of the Company’s common stock at a price to the public of $14.50 per share on May 2, 2017. Refer to “Stockholder's Equity and Dividends" below for further discussion.

Net Income

For the three months ended June 30, 2017, the Company reported net income of $14.9 million, or $0.20 per basic and diluted share, an increase of $2.2 million, or 35.2% on an annualized basis, from $12.7 million, or $0.18 per basic and diluted share for the three months ended June 30, 2016. This increase in net income is primarily the result of an increase in net interest income of $5.3 million and a decrease in the provision for credit losses of $1.7 million, offset by a decrease in non-interest income of $0.9 million, an increase in non-interest expense of $2.5 million, and an increase in provision for income taxes of $1.3 million. Refer to “Results of Operations" below for further discussion.

For the six months ended June 30, 2017, the Company reported net income of $28.3 million, or $0.39 per basic and diluted share, up $2.9 million, or 22.5% on an annualized basis, from $25.5 million, or $0.36 per basic share, for the six months ended June 30, 2016. This increase is the result of an increase in net interest income of $9.2 million and an increase in non-interest income of $8.6 million, offset by an increase in the provision for credit losses of $9.4 million, an increase in non-interest expense of $4.3 million, an increase in provision for income taxes of $1.5 million, and a decrease in net income attributed to noncontrolling interest of $0.2 million. Refer to “Results of Operations" below for further discussion.

The annualized return on average assets was 0.91% for the three months ended June 30, 2017, compared to 0.81% for the three months ended June 30, 2016. The annualized return on average stockholders' equity was 7.76% for the three months ended June 30, 2017, compared to 7.38% for the three months ended June 30, 2016.

The net interest margin was 3.59% for the three months ended June 30, 2017, up from 3.44% for the three months ended June 30, 2016. The increase in the net interest margin is a result of an increase in the yield on interest-earning assets by 16 basis points to 4.19% for the three months ended June 30, 2017 from 4.03% for the three months ended June 30, 2016, and an increase of 2 basis points in the Company's overall cost of funds to 0.80% for the three months ended June 30, 2017 from 0.78% for the three months ended June 30, 2016.

The net interest margin was 3.56% for the six months ended June 30, 2017, compared to 3.44% for the six months ended June 30, 2016. The increase in the net interest margin in a highly competitive interest rate environment is, in part, the result of a increased in the yield on interest-earning assets by 11 basis points to 4.14% for the six months ended June 30, 2017 from 4.03% for the six months ended June 30, 2016 and an increase of 2 basis points in interest-bearing liabilities to 0.79% for the six months ended June 30, 2017 from 0.77% for the six months ended June 30, 2016.

The Company's net interest margin and net interest income has shown improvement from the most recent low interest rate environment. As interest rates rise, the Company's net interest margin and net interest income may continue to be under pressure due to competitive pricing in all loan categories and the Company’s ability to contain its cost of funds.

Critical Accounting Policies

The SEC defines “critical accounting policies” as those involving significant judgments and difficult or complex assumptions by management, often as a result of the need to make estimates about matters that are inherently uncertain or variable, which have, or could have, a material impact on the carrying value of certain assets or net income. The preparation of financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. As discussed in the Company’s 2016 Annual Report on Form 10-K, management has identified the valuation of available-for-sale securities, accounting for assets and liabilities acquired, the determination of the allowance for loan and lease losses, the review of goodwill and intangibles for impairment, and income tax accounting as the Company’s most critical accounting policies.

Non-GAAP Financial Measures and Reconciliation to GAAP

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, such as the return on average tangible assets, return on average tangible equity, the tangible equity ratio, tangible book value per share, dividend payout ratio, and the

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ratio of the allowance for loan and lease losses related to originated loans and leases as a percentage of originated loans and leases. Management believes that these non-GAAP financial measures provide information useful to investors in understanding the Company's underlying operating performance and trends, and facilitates comparisons with the performance assessment of financial performance, including non-interest expense control, while the tangible equity ratio and tangible book value per share are used to analyze the relative strength of the Company's capital position.

The following table summarizes the Company's return on average tangible assets and return on average tangible stockholders' equity for the periods indicated:

	Three Months Ended				
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
	(Dollars in Thousands)				
Net income, as reported	$14,880	$13,445	$13,279	$13,617	$12,654
Average total assets	$6,556,665	$6,461,183	$6,425,983	$6,360,097	$6,237,463
Less: Average goodwill and average identified intangible assets, net	145,269	145,778	146,382	146,997	147,619
Average tangible assets	$6,411,396	$6,315,405	$6,279,601	$6,213,100	$6,089,844
Return on average tangible assets (annualized)	0.93 %	0.85 %	0.85 %	0.88 %	0.83 %
Average total stockholders' equity	$766,529	$709,095	$699,749	$695,205	$685,996
Less: Average goodwill and average identified intangible assets, net	145,269	145,778	146,382	146,997	147,619
Average tangible stockholders' equity	$621,260	$563,317	$553,367	$548,208	$538,377
Return on average tangible stockholders' equity (annualized)	9.58 %	9.55 %	9.60 %	9.94 %	9.40 %

The following tables summarize the Company's tangible equity ratio for the periods indicated:

	Three Months Ended				
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
	(Dollars in Thousands)				
Total stockholders' equity	$795,618	$703,873	$ 695,544	$ 696,371	$689,656
Less: Goodwill and identified intangible assets, net	144,972	145,491	146,023	146,644	147,267
Tangible stockholders' equity	$650,646	$558,382	$ 549,521	$ 549,727	$542,389
Total assets	$6,658,067	$6,497,721	$ 6,438,129	$ 6,380,312	$6,296,502
Less: Goodwill and identified intangible assets, net	144,972	145,491	146,023	146,644	147,267
Tangible assets	$6,513,095	$			