BROOKLINE BANCORP INC
Form 10-Q
November 03, 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 September 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 November 3, 2017, the number of shares of common stock, par value $0.01 per share, outstanding was 76,652,372.

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

	At September 30, 2017	At December 31, 2016
	(In Thousands Except Share Data)	
ASSETS		
Cash and due from banks	$35,392	$ 36,055
Short-term investments	27,971	31,602
Total cash and cash equivalents	63,363	67,657
Investment securities available-for-sale	522,910	523,634
Investment securities held-to-maturity (fair value of $107,220 and $85,271, respectively)	107,738	87,120
Total investment securities	630,648	610,754
Loans held-for-sale	2,973	13,078
Loans and leases:		
Commercial real estate loans	3,029,009	2,918,567
Commercial loans and leases	1,585,296	1,495,408
Consumer loans	1,025,135	984,889
Total loans and leases	5,639,440	5,398,864
Allowance for loan and lease losses	(65,413)	(53,666)
Net loans and leases	5,574,027	5,345,198
Restricted equity securities	62,135	64,511
Premises and equipment, net of accumulated depreciation of $61,716 and $58,790, respectively	81,159	76,176
Deferred tax asset	28,093	25,247
Goodwill	137,890	137,890
Identified intangible assets, net of accumulated amortization of $33,219 and $31,649, respectively	6,563	8,133
Other real estate owned ("OREO") and repossessed assets, net	4,398	1,399
Other assets	95,035	88,086
Total assets	$6,686,284	$ 6,438,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand checking accounts	$905,472	$ 900,474
Interest-bearing deposits:		
NOW accounts	318,284	323,160
Savings accounts	665,558	613,061
Money market accounts	1,749,040	1,733,359
Certificate of deposit accounts	1,167,329	1,041,022
Total interest-bearing deposits	3,900,211	3,710,602
Total deposits	4,805,683	4,611,076
Borrowed funds:		
Advances from the Federal Home Loan Bank of Boston ("FHLBB")	872,579	910,774
Subordinated debentures and notes	83,229	83,105
Other borrowed funds	30,087	50,207
Total borrowed funds	985,895	1,044,086

Mortgagors' escrow accounts	8,151	7,645
Accrued expenses and other liabilities	74,019	72,573
Total liabilities	5,873,748	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	697,888	616,734
Retained earnings, partially restricted	160,225	136,671
Accumulated other comprehensive loss	(1,893)	(3,818)
Treasury stock, at cost; 4,572,954 shares and 4,707,096 shares, respectively	(51,452)	(53,837)
Unallocated common stock held by Employee Stock Ownership Plan ("ESOP"); 150,921 shares and 176,688 shares, respectively	(823)	(963)
Total Brookline Bancorp, Inc. stockholders' equity	804,762	695,544
Noncontrolling interest in subsidiary	7,774	7,205
Total stockholders' equity	812,536	702,749
Total liabilities and stockholders' equity	$6,686,284	$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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In Thousands Except Share Data)			
Interest and dividend income:				
Loans and leases	$63,054	$ 57,858	$182,750	$ 167,474
Debt securities	3,154	2,822	9,310	8,829
Marketable and restricted equity securities	788	804	2,311	2,213
Short-term investments	180	47	342	149
Total interest and dividend income	67,176	61,531	194,713	178,665
Interest expense:				
Deposits	5,984	5,112	16,607	14,875
Borrowed funds	4,349	4,069	12,582	11,980
Total interest expense	10,333	9,181	29,189	26,855
Net interest income	56,843	52,350	165,524	151,810
Provision for credit losses	2,911	2,215	17,186	7,138
Net interest income after provision for credit losses	53,932	50,135	148,338	144,672
Non-interest income:				
Deposit fees	2,547	2,289	7,508	6,650
Loan fees	282	330	772	977
Loan level derivative income, net	844	858	1,432	3,697
Gain on sales of investment securities, net	—	—	11,393	—
Gain on sales of loans and leases held-for-sale	1,049	588	1,709	1,986
Other	1,251	1,264	3,544	3,893
Total non-interest income	5,973	5,329	26,358	17,203
Non-interest expense:				
Compensation and employee benefits	21,067	20,369	61,761	58,179
Occupancy	3,650	3,411	10,952	10,328
Equipment and data processing	4,210	3,826	12,437	11,468
Professional services	973	997	3,115	2,925
FDIC insurance	842	956	2,648	2,677
Advertising and marketing	839	844	2,513	2,558
Amortization of identified intangible assets	519	623	1,570	1,879
Merger and acquisition expense	205	—	205	—
Other	3,103	2,362	8,758	7,707
Total non-interest expense	35,408	33,388	103,959	97,721
Income before provision for income taxes	24,497	22,076	70,737	64,154
Provision for income taxes	8,330	7,804	24,924	22,868
Net income before noncontrolling interest in subsidiary	16,167	14,272	45,813	41,286
Less net income attributable to noncontrolling interest in subsidiary	801	655	2,122	2,203
Net income attributable to Brookline Bancorp, Inc.	$15,366	$ 13,617	$43,691	$ 39,083
Earnings per common share:				
Basic	$0.20	$ 0.19	$0.59	$ 0.56
Diluted	0.20	0.19	0.59	0.56
Weighted average common shares outstanding during the year:				
Basic	76,452,539	70,299,722	73,743,658	70,228,127

Diluted	76,759,430	70,450,760	74,117,180	70,394,465
Dividends declared per common share	$ 0.09	$ 0.09	$ 0.27	$ 0.27

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In Thousands)			
Net income before noncontrolling interest in subsidiary	$16,167	$14,272	$45,813	$41,286
Investment securities available-for-sale:				
Unrealized securities holding gains (losses)	439	(1,672)	3,002	11,486
Income tax (benefit) expense	(157)	599	(1,077)	(4,114)
Net unrealized securities holding gains (losses) before reclassification adjustments, net of taxes	282	(1,073)	1,925	7,372
Comprehensive income	16,449	13,199	47,738	48,658
Net income attributable to noncontrolling interest in subsidiary	801	655	2,122	2,203
Comprehensive income attributable to Brookline Bancorp, Inc.	$15,648	$12,544	$45,616	$46,455

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
Nine Months Ended September 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.	—	—	43,691	—	—	—	43,691	—	43,691
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	2,122	2,122
Issuance of common stock	60	81,943	—	—	—	—	82,003	—	82,003
Issuance of noncontrolling units	—	—	—	—	—	—	—	118	118
Other comprehensive income	—	—		1,925	—	—	1,925	—	1,925
Common stock dividends of $0.27 per share	—	—	(20,137)	—	—	—	(20,137)	—	(20,137)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,671)	(1,671)
Compensation under recognition and retention plan	—	(1,016)	—	—	2,385	—	1,369	—	1,369
Common stock held by ESOP committed to be released (25,767 shares)	—	227	—	—	—	140	367	—	367
Balance at September 30, 2017	$817	$697,888	$160,225	$(1,893)	$(51,452)	$(823)	$804,762	$7,774	$812,536

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)
Nine Months Ended September 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, 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.	—	—	39,083	—	—	—	39,083	—	39,083
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	2,203	2,203
Issuance of noncontrolling interest	—	—	—	—	—	—	—	76	76
Other comprehensive income	—	—		7,372	—	—	7,372	—	7,372
Common stock dividends of $0.27 per share	—	—	(19,018)	—	—	—	(19,018)	—	(19,018)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,734)	(1,734)
Compensation under recognition and retention plans	—	(1,023)	—	—	2,057	—	1,034	—	1,034
Common stock held by ESOP committed to be released (27,279 shares)	—	266	—	—	—	149	415	—	415
Balance at September 30, 2016	$757	$616,142	$129,740	$4,896	$(54,151)	$(1,013)	$696,371	$6,546	$702,917

See accompanying notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30,	
	2017	2016
	(In Thousands)	
Cash flows from operating activities:		
Net income attributable to Brookline Bancorp, Inc.	$43,691	$ 39,083
Adjustments to reconcile net income to net cash provided from operating activities:		
Net income attributable to noncontrolling interest in subsidiary	2,122	2,203
Provision for credit losses	17,186	7,138
Origination of loans and leases held-for-sale	(20,231)	(35,568)
Proceeds from sales of loans and leases held-for-sale, net	23,852	37,516
Deferred income tax benefit	(3,923)	(191)
Depreciation of premises and equipment	5,446	5,320
Amortization of investment securities premiums and discounts, net	1,320	1,787
Amortization of deferred loan and lease origination costs, net	4,909	4,438
Amortization of identified intangible assets	1,570	1,879
Amortization of debt issuance costs	75	56
Accretion of acquisition fair value adjustments, net	(1,467)	(3,105)
Gain on sales of investment securities, net	(11,393)	—
Gain on sales of loans and leases held-for-sale	(1,709)	(1,986)
Gain on sales of OREO and other repossessed assets, net	(79)	(84)
Write-down of OREO and other repossessed assets	430	51
Compensation under recognition and retention plans	1,720	1,250
ESOP shares committed to be released	367	415
Net change in:		
Cash surrender value of bank-owned life insurance	(780)	(782)
Other assets	(6,117)	(20,493)
Accrued expenses and other liabilities	1,301	8,661
Net cash provided from operating activities	58,290	47,588
Cash flows from investing activities:		
Proceeds from maturities, calls, and principal repayments of investment securities available-for-sale	54,966	76,207
Purchases of investment securities available-for-sale	(52,448)	(77,275)
Proceeds from maturities, calls, and principal repayments of investment securities held to maturity	3,154	41,381
Purchases of investment securities held-to-maturity	(23,884)	(25,045)
Proceeds from redemption/sales of restricted equity securities	18,111	2,817
Purchase of restricted equity securities	(4,342)	(2,383)
Proceeds from sales of loans and leases held-for-investment, net	25,445	23,116
Net increase in loans and leases	(273,700)	(377,638)
Purchase of premises and equipment, net	(10,604)	(2,747)
Proceeds from sales of OREO and other repossessed assets	2,873	2,647
Net cash used for investing activities	(260,429)	(338,920)

(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)

	Nine Months Ended September 30,	
	2017	2016
	(In Thousands)	
Cash flows from financing activities:		
Increase in demand checking, NOW, savings and money market accounts	68,300	240,714
Increase in certificates of deposit	126,307	18,247
Proceeds from FHLBB advances	3,158,111	5,137,549
Repayment of FHLBB advances	(3,195,278)	(5,096,506)
(Decrease) increase in other borrowed funds, net	(20,120)	412
Increase in mortgagors' escrow accounts, net	506	650
Proceeds from issuance of common stock	82,003	—
Payment of dividends on common stock	(20,137)	(19,018)
Payment of income taxes for shares withheld in share based activity	(294)	—
Proceeds from issuance of noncontrolling units	118	76
Payment of dividends to owners of noncontrolling interest in subsidiary	(1,671)	(1,734)
Net cash provided from financing activities	197,845	280,390
Net decrease in cash and cash equivalents	(4,294)	(10,942)
Cash and cash equivalents at beginning of period	67,657	75,489
Cash and cash equivalents at end of period	$63,363	$ 64,547
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on deposits, borrowed funds and subordinated debt	$31,411	$ 30,005
Income taxes	26,141	22,949
Non-cash investing activities:		
Transfer from loans and leases held-for-sale to loans and leases	$7,500	$ 8,284
Transfer from loans to other real estate owned	6,223	2,423

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 Nine Months Ended September 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.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Nine Months Ended September 30, 2017 and 2016

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.

Recent Accounting Pronouncements
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 has evaluated this ASU and has determined that ASU 2017-09 does apply. As of September 30, 2017, the Company has adopted the ASU and the adoption did not have a material impact on the Company’s consolidated financial statements.
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 believes that this ASU applies and has determined the impact to be immaterial as of September 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 has determined the impact to be immaterial as of September 30, 2017.
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 has determined that ASU 2017-04 does apply. As of September 30, 2017, the Company has adopted the ASU and determined the impact to be immaterial.
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. The amendments presented in this ASU are effective for fiscal years

beginning after December 15, 2017. As of September 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 to the financial statement presentation to be immaterial.

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 September 30, 2017. In preparation for the adoption in 2019 of this ASU, management formed a steering committee which has developed an approach for implementation and has selected 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 as of September 30, 2017. Management assembled a project team to address the changes pursuant to Topic 606 and the majority of the work was performed on the contracts and management believes there will be no material impact. The standard will be effective on January 1, 2018.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU was issued as part of the FASB Simplification Initiative which intends to reduce the complexity of GAAP while improving usefulness to users. The ASU was effective for annual periods beginning after December 15, 2016, and interim periods within those annual reporting periods with early adoption available. The Company adopted ASU 2016-09 effective January 1, 2017 and the adoption did not have a material impact on the Company’s consolidated financial statements.

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 has determined that this ASU does apply as of September 30, 2017. Management assembled a project team to address the changes pursuant to Topic 606 and the majority of the work was performed on the contracts. The project is substantially complete and Management believes that there is no material impact as a result of the adoption. The standard will be effective on January 1, 2018.

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 has not determined the impact, if any, as of September 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 has determined that this ASU does apply and has not determined the impact, if any, as of September 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. A project team will be formed to ensure the availability of the elements needed for exit price disclosure prior to implementation of the standard in 2018.

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 has determined that this ASU does apply as of September 30, 2017. A significant amount of the Company's revenues are derived from interest income on financial assets, which are excluded from the scope of the amended guidance.

Management assembled a project team to address the changes pursuant to Topic 606 and the project team has completed the scope assessment and contract review for in-scope revenue streams. To date, the Company has not identified any significant changes in the timing of revenue recognition when considering the amended accounting guidance; however, the Company's implementation efforts are ongoing and such assessments may change prior to the implementation date of January 1, 2018.

(2) Acquisitions

First Commons Bank, N.A.

On September 20, 2017, the Company and First Commons Bank, N.A. (“First Commons Bank”) entered into a definitive agreement and plan of merger (the “Merger Agreement”) pursuant to which First Commons Bank will merge with and into Brookline Bank. The Company expects to consummate the transaction during the first quarter of 2018, subject to approval by First Commons Bank shareholders, the receipt of all required regulatory approvals, and the satisfaction of customary closing conditions.

Under the terms of the Merger Agreement, the Company will pay $16.70 per share for the outstanding shares and warrants and $2.9 million in cash for the outstanding options of First Commons Bank representing a total transaction value of approximately $56.0 million. First Commons Bank stockholders will receive 1.171 shares of the Company's common stock for each First Commons Bank share they own, subject to adjustment based on Company's ten-day, volume-weighted average stock price between $13.19 and $15.33. The Company has the option to pay up to 50% of the consideration for the outstanding shares in cash.

First Commons Bank is a national banking association which was organized in 2009 and is headquartered in Newton Centre, a village of Newton, Massachusetts. First Commons Bank operates its business from two banking offices located in Massachusetts. First Commons Bank is engaged principally in the business of attracting deposits from the general public and investing those deposits in residential and commercial real estate loans, and in consumer and small business loans.

At September 30, 2017, First Commons Bank had total consolidated assets of approximately $311.4 million, loans of approximately $259.7 million, deposits of approximately $267.5 million and stockholders’ equity of approximately $35.6 million.

The Company recorded $205.0 thousand of merger and acquisition expense in connection with the proposed acquisition of First Commons Bank for the three and nine months ended September 30, 2017.

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

	At September 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
GSE debentures	$139,443	$ 481	$ 580	$139,344
GSE CMOs	138,137	34	2,891	135,280
GSE MBSs	182,913	590	1,385	182,118
SBA commercial loan asset-backed securities	77	—	—	77
Corporate debt obligations	58,638	336	83	58,891
U.S. Treasury bonds	4,822	—	11	4,811
Trust preferred securities	1,471	—	68	1,403
Marketable equity securities	975	16	5	986
Total investment securities available-for-sale	$526,476	$ 1,457	$ 5,023	$522,910
Investment securities held-to-maturity:				
GSE debentures	$38,622	$ 11	$ 561	$38,072
GSEs MBSs	14,788	—	145	14,643
Municipal obligations	53,828	370	185	54,013
Foreign government obligations	500	—	8	492
Total investment securities held-to-maturity	$107,738	$ 381	$ 899	$107,220

	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

As of September 30, 2017, the fair value of all investment securities available-for-sale was $522.9 million, with net unrealized losses of $3.6 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 September 30, 2017, $377.4 million, or 72.2% of the portfolio, had gross unrealized losses of $5.0

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 September 30, 2017, the fair value of all investment securities held-to-maturity was $107.2 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 September 30, 2017, $61.2 million, or 57.1% 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 September 30, 2017 and December 31, 2016, respectively, $424.1 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 September 30, 2017 and December 31, 2016.

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Other-Than-Temporary Impairment ("OTTI")

Investment securities as of September 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 September 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	$81,964	$ 492	$3,008	$ 88	$84,972	$ 580
GSE CMOs	85,854	1,338	48,779	1,553	134,633	2,891
GSE MBSs	132,593	1,129	5,656	256	138,249	1,385
SBA commercial loan asset-backed securities	36	—	34	—	70	—
Corporate debt obligations	10,304	22	2,446	61	12,750	83
U.S. Treasury bonds	4,811	11	—	—	4,811	11
Trust preferred securities	—	—	1,403	68	1,403	68
Marketable equity securities	506	5	—	—	506	5
Temporarily impaired investment securities available-for-sale	316,068	2,997	61,326	2,026	377,394	5,023
Investment securities held-to-maturity:						
GSE debentures	26,166	561	—	—	26,166	561
GSEs MBSs	14,436	145	—	—	14,436	145
Municipal obligations	20,127	185	—	—	20,127	185
Foreign government obligations	492	8	—	—	492	8
Temporarily impaired investment securities held-to-maturity	61,221	899	—	—	61,221	899
Total temporarily impaired investment securities	$377,289	$ 3,896	$61,326	$ 2,026	$438,615	$ 5,922

	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	$ 1,290	$—	$ —	$67,216	$ 1,290
GSE CMOs	118,450	2,162	38,852	1,318	157,302	3,480
GSE MBSs	149,687	2,822	198	3	149,885	2,825
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 September 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 September 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 September 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 $24.9 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 September 30, 2017, the Company owned 44 GSE debentures with a total fair value of $139.3 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 September 30, 2017, 28 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 nine months ended September 30, 2017, the Company purchased a total of $42.1 million GSE debentures. This compares to $32.3 million purchased during the same period in 2016.

As of September 30, 2017, the Company owned 62 GSE CMOs with a total fair value of $135.3 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 September 30, 2017, 47 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 nine months ended September 30, 2017, the Company did not purchase any GSE CMOs, as compared to the same period in 2016, when the Company purchased a total of $3.1 million of GSE CMOs.

As of September 30, 2017, the Company owned 191 GSE MBSs with a total fair value of $182.1 million and a net unrealized loss of $0.8 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 September 30, 2017, 66 of the 191 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 nine months ended September 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 $36.7 million of GSE MBSs.

SBA Commercial Loan Asset-Backed

As of September 30, 2017, the Company owned five SBA securities with a total fair value of $0.1 million, which approximated amortized cost. As of December 31, 2016, the Company owned six SBA securities with a total fair value of $0.1 million, which approximated amortized cost. As of September 30, 2017, four of the five 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 nine months ended September 30, 2017 and 2016, the Company did not purchase any SBA securities.

Corporate Obligations

The Company may invest in high-quality corporate obligations to provide portfolio diversification and improve the overall yield on the portfolio. As of September 30, 2017, the Company held 18 corporate obligation securities with a total fair value of $58.9 million and a net unrealized gain of $0.3 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 September 30, 2017, three 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 nine months ended September 30, 2017 and 2016, the Company purchased a total of $10.3 million and $5.1 million of corporate obligations, respectively.

U.S. Treasury Bonds

The Company invests in securities issued by the U.S. government. As of September 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 nine months ended September 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 September 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 September 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 September 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 September 30, 2017 and December 31, 2016, one of the two securities in this portfolio was in an unrealized loss position. During the nine months ended September 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 September 30, 2017. Management has the ability and the intent to hold the securities until maturity.

U.S. Government-Sponsored Enterprises

As of September 30, 2017, the Company owned 13 GSE debentures with a total fair value of $38.1 million and a net unrealized loss of $0.6 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 September 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 nine months ended September 30, 2017 and 2016, the Company purchased a total of $23.9 million and $17.7 million in GSE debentures, respectively.

As of September 30, 2017, the Company owned 11 GSE MBSs with a total fair value of $14.6 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 September 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 nine months ended September 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 September 30, 2017, the Company owned 100 municipal obligation securities with a total fair value of $54.0 million and and a net unrealized gain of $0.2 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 September 30, 2017, 37 of the 100 securities in this portfolio were in an unrealized loss position as compared to December 31, 2016, when 93 of the

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100 securities were in an unrealized loss position. During the nine months ended September 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.

Foreign Government Obligations

The Company holds an investment in foreign government bonds. As of September 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 September 30, 2017 and December 31, 2016 respectively, the security was in an unrealized loss position. During the nine months ended September 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 September 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	$13,589	$13,672	2.51%	$13	$13	0.17%
After 1 year through 5 years	133,047	133,571	2.03%	81,524	81,833	2.14%
After 5 years through 10 years	128,377	127,821	2.03%	128,956	127,952	2.03%
Over 10 years	250,488	246,860	2.01%	318,743	312,864	2.03%
	$525,501	$521,924	2.03%	$529,236	$522,662	2.04%
Investment securities held-to-maturity:						
Within 1 year	$798	$798	1.00%	$190	$190	1.00%
After 1 year through 5 years	49,124	49,214	1.69%	23,012	22,750	1.30%
After 5 years through 10 years	43,236	42,772	1.82%	46,442	45,042	1.75%
Over 10 years	14,580	14,436	1.93%	17,476	17,289	2.11%
	$107,738	$107,220	1.77%	$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 September 30, 2017, issuers of debt securities with an estimated fair value of $21.5 million had the right to call or prepay the obligations. Of the $21.5 million, approximately $15.0 million matures in 1 - 5 years, $6.5 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. ("Brookline Securities"), 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. 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.

	Nine Months Ended September 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

Brookline Securities held one Class A Common Stock share and 2,070 Class B Common Stock shares of the Savings Bank Life Insurance Company of Massachusetts ("SBLI"). In July 2017, SBLI converted from a Massachusetts stock insurance company to a Massachusetts mutual insurance company and, as a result, Brookline Securities received $500 for one share of Class A Common Stock and $128 per share for its 2,070 shares of Class B Common Stock of SBLI, in exchange for $265.5 thousand in cash. Brookline Securities recognized a nominal gain on the exchange.

There were no security sales during the three month period ended September 30, 2016 and the nine month period ended September 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 September 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	$2,002,369	4.11%	$117,071	4.33%	$2,119,440	4.12%
Multi-family mortgage	718,495	4.05%	25,417	4.48%	743,912	4.06%
Construction	165,657	4.33%	—	—%	165,657	4.33%
Total commercial real estate loans	2,886,521	4.11%	142,488	4.36%	3,029,009	4.12%
Commercial loans and leases:						
Commercial	679,984	4.24%	9,026	5.51%	689,010	4.26%
Equipment financing	837,702	7.24%	4,814	5.91%	842,516	7.23%
Condominium association	53,770	4.44%	—	—%	53,770	4.44%
Total commercial loans and leases	1,571,456	5.85%	13,840	5.65%	1,585,296	5.85%
Consumer loans:						
Residential mortgage	593,922	3.76%	58,493	4.22%	652,415	3.80%
Home equity	311,718	4.05%	45,264	4.49%	356,982	4.11%
Other consumer	15,627	5.36%	111	18.00%	15,738	5.45%
Total consumer loans	921,267	3.89%	103,868	4.35%	1,025,135	3.94%
Total loans and leases	$5,379,244	4.58%	$260,196	4.42%	$5,639,440	4.57%

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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 $15.3 million and $14.2 million as of September 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, 28.1% of which is in the greater New York and New Jersey metropolitan area and 71.9% of which is in other areas in the United States of America as of September 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In Thousands)			
Balance at beginning of period	$13,702	$18,038	$14,353	$20,796
Accretion	(2,872)	(1,479)	(6,604)	(3,914)
Reclassification from (to) nonaccretable difference as a result of changes in expected cash flows	871	(377)	3,952	(700)
Balance at end of period	$11,701	$16,182	$11,701	$16,182

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 September 30, 2017 and 2016, accretable yield adjustments totaling $0.9 million and $0.4 million, respectively, were made for certain loan pools. During the nine months ended September 30, 2017 and 2016, accretable yield

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adjustments totaling $4.0 million and $0.7 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 September 30, 2017 and December 31, 2016, there were $2.0 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 September 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 September 30, 2017			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at June 30, 2017	$27,954	$ 31,099	$ 5,468	$64,521
Charge-offs	(65)	(1,965)	(113)	(2,143)
Recoveries	—	109	80	189
Provision for loan and lease losses	979	1,832	35	2,846
Balance at September 30, 2017	$28,868	$ 31,075	$ 5,470	$65,413

	Three Months Ended September 30, 2016			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at June 30, 2016	$29,861	$ 22,916	$ 4,481	$57,258
Charge-offs	(50)	(545)	(244)	(839)
Recoveries	—	170	149	319
(Credit) provision for loan and lease losses	(1,755)	3,923	(14)	2,154
Balance at September 30, 2016	$28,056	$ 26,464	$ 4,372	$58,892

	Nine Months Ended September 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	(294)	(6,267)	(329)	(6,890)
Recoveries	476	800	263	1,539
Provision for loan and lease losses	1,041	15,636	421	17,098
Balance at September 30, 2017	$28,868	$ 31,075	$ 5,470	$65,413

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	Nine Months Ended September 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	(1,534)	(3,250)	(1,254)	(6,038)
Recoveries	—	495	605	1,100
(Credit) provision for loan and lease losses	(561)	7,201	451	7,091
Balance at September 30, 2016	$28,056	$ 26,464	$ 4,372	$58,892

The liability for unfunded credit commitments, which is included in other liabilities, was $1.5 million at September 30, 2017 and December 31, 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 nine-month periods ended September 30, 2017 and 2016.

Provision for Credit Losses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In Thousands)			
Provision (credit) for loan and lease losses:				
Commercial real estate	$979	$(1,755)	$1,041	$(561)
Commercial	1,832	3,923	15,636	7,201
Consumer	35	(14)	421	451
Total provision for loan and lease losses	2,846	2,154	17,098	7,091
Unfunded credit commitments	65	61	88	47
Total provision for credit losses	$2,911	$2,215	$17,186	$7,138

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 over 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 September 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 September 30, 2017, the Company had a portfolio of approximately $27.1 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 September 30, 2017, the Company had an allowance for loan and lease losses associated with taxi medallion loans of $7.2 million of which $5.7 million were specific reserves and $1.5 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 $0.6 million from $6.1 million at December 31, 2016 to $6.7 million at September 30, 2017 due to six taxi medallion relationships which were restructured during the first quarter of 2017. The total loans and leases secured by taxi medallions that were placed on nonaccrual increased to $15.1

million at September 30, 2017 from $13.4 million at December 31, 2016 due to the six restructured taxi medallion relationships mentioned above which were placed on nonaccrual status. 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 $57.9 million as of September 30, 2017, compared to $53.5 million as of December 31, 2016. The general allowance for loan and lease losses increased by $4.4 million during the nine months ended September 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 $7.5 million as of September 30, 2017, compared to $0.2 million as of December 31, 2016. The specific allowance increased by $7.3 million during the nine months ended September 30, 2017, primarily due to the reduction in collateral values for taxi medallion loans and the increase in specific reserves for one commercial loan.

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 September 30, 2017, by credit quality indicator.

	At September 30, 2017							
	Commercial Real Estate	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer	Total
	(In Thousands)							
Originated:								
Loan rating:								
Pass	$1,990,531	$717,703	$ 164,797	$ 644,134	$ 826,837	$ 53,770	$ 15,598	$4,413,370
OAEM	5,177	—	—	8,638	748	—	—	14,563
Substandard	6,460	792	860	24,128	5,729	—	29	37,998
Doubtful	201	—	—	3,084	4,388	—	—	7,673
Total originated	2,002,369	718,495	165,657	679,984	837,702	53,770	15,627	4,473,604
Acquired:								
Loan rating:								
Pass	105,302	25,120	—	7,037	4,800	—	110	142,369
OAEM	9,906	—	—	269	—	—	1	10,176
Substandard	1,761	297	—	1,720	14	—	—	3,792
Doubtful	102	—	—	—	—	—	—	102
Total acquired	117,071	25,417	—	9,026	4,814	—	111	156,439
Total loans	$2,119,440	$743,912	$ 165,657	$ 689,010	$ 842,516	$ 53,770	$ 15,738	$4,630,043

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

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	At September 30, 2017					
	Residential Mortgage			Home Equity		
	(Dollars In Thousands)					
Originated:						
Loan-to-value ratio:						
Less than 50%	$151,791	23.3	%	$149,477	41.9	%
50% - 69%	256,413	39.3	%	75,490	21.1	%
70% - 79%	160,117	24.5	%	61,081	17.1	%
80% and over	24,318	3.7	%	25,626	7.2	%
Data not available*	1,283	0.2	%	44	—	%
Total originated	593,922	91.0	%	311,718	87.3	%
Acquired:						
Loan-to-value ratio:						
Less than 50%	17,102	2.6	%	27,383	7.8	%
50%—69%	19,734	3.0	%	14,852	4.1	%
70%—79%	12,020	1.8	%	1,372	0.4	%
80% and over	8,552	1.3	%	859	0.2	%
Data not available*	1,085	0.3	%	798	0.2	%
Total acquired	58,493	9.0	%	45,264	12.7	%
Total loans	$652,415	100.0	%	$356,982	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	Total
	(In Thousands)							
Originated:								
Loan rating:								
Pass	$1,899,162	$700,046	$ 136,607	$ 583,940	$786,050	$ 60,122	$ 12,018	$4,177,945
OAEM	1,538	—	178	8,675	824	—	—	11,215
Substandard	6,288	1,404	—	28,595	4,848	—	12	41,147
Doubtful	266	—	—	75	1,980	—	—	2,321
Total originated	1,907,254	701,450	136,785	621,285	793,702	60,122	12,030	4,232,628
Acquired:								
Loan rating:								
Pass	131,850	29,153	214	10,312	6,158	—	128	177,815
OAEM	1,408	270	—	249	—	—	—	1,927
Substandard	9,768	313	—	3,017	—	—	—	13,098
Doubtful	102	—	—	563	—	—	—	665
Total acquired	143,128	29,736	214	14,141	6,158	—	128	193,505
Total loans	$2,050,382	$731,186	$ 136,999	$ 635,426	$799,860	$ 60,122	$ 12,158	$4,426,133

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	
	(Dollars 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 September 30, 2017	At December 31, 2016
	(In Thousands)	
Foreclosed residential real estate property held by the creditor	$ —	$ 251
Recorded investment in mortgage loans collateralized by residential real estate property that are in the process of foreclosure	1,508	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 September 30, 2017 and December 31, 2016.

	At September 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	$726	$400	$1,006	$2,132	$2,000,237	$2,002,369	$—	$ 2,915
Multi-family mortgage	4,019	919	—	4,938	713,557	718,495	—	792
Construction	3,021	—	860	3,881	161,776	165,657	—	860
Total commercial real estate loans	7,766	1,319	1,866	10,951	2,875,570	2,886,521	—	4,567
Commercial loans and leases:								
Commercial	1,241	944	15,118	17,303	662,681	679,984	—	21,335
Equipment financing	1,625	900	3,611	6,136	831,566	837,702	46	9,858
Condominium association	317	38	—	355	53,415	53,770	—	—
Total commercial loans and leases	3,183	1,882	18,729	23,794	1,547,662	1,571,456	46	31,193
Consumer loans:								
Residential mortgage	963	214	1,516	2,693	591,229	593,922	—	1,730
Home equity	1,046	1	126	1,173	310,545	311,718	1	402
Other consumer	226	26	15	267	15,360	15,627	—	29
Total consumer loans	2,235	241	1,657	4,133	917,134	921,267	1	2,161
Total originated loans and leases	$13,184	$3,442	$22,252	$38,878	$5,340,366	$5,379,244	$47	$ 37,921

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	At September 30, 2017							
	Past Due						Loans and Leases Past Due Greater Than 90 Days and Accruing	
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases		Nonaccrual Loans and Leases
	(In Thousands)							
Acquired:								
Commercial real estate loans:								
Commercial real estate	$799	$147	$731	$1,677	$115,394	$117,071	$ 661	$ 136
Multi-family mortgage	—	—	3	3	25,414	25,417	3	—
Total commercial real estate loans	799	147	734	1,680	140,808	142,488	664	136
Commercial loans and leases:								
Commercial	5	21	1,198	1,224	7,802	9,026	167	1,032
Equipment financing	—	—	14	14	4,800	4,814	14	—
Total commercial loans and leases	5	21	1,212	1,238	12,602	13,840	181	1,032
Consumer loans:								
Residential mortgage	710	550	1,729	2,989	55,504	58,493	1,489	239
Home equity	557	74	269	900	44,364	45,264	142	645
Other consumer		—	—	—	111	111	—	—
Total consumer loans	1,267	624	1,998	3,889	99,979	103,868	1,631	884
Total acquired loans and leases	$2,071	$792	$3,944	$6,807	$253,389	$260,196	$ 2,476	$ 2,052
Total loans and leases	$15,255	$4,234	$26,196	$45,685	$5,593,755	$5,639,440	$ 2,523	$ 39,973

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Nine Months Ended September 30, 2017 and 2016

	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)

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Nine Months Ended September 30, 2017 and 2016

	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 September 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 -- 37.6%; multi-family mortgage loans -- 13.2%; and construction loans -- 2.9%.

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 September 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 -- 12.2%; equipment financing loans -- 14.9%; 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 September 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 -- 11.6%, 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.

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 ("TDR") 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 September 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	$9,620	$9,612	$ —	$9,113	$9,104	$ —
Commercial	24,749	24,737	—	39,269	39,210	—
Consumer	3,545	3,536	—	4,823	4,815	—
Total originated with no related allowance recorded	37,914	37,885	—	53,205	53,129	—
With an allowance recorded:						
Commercial real estate	3,061	3,061	1	3,984	3,984	28
Commercial	17,993	17,946	7,488	605	605	97
Total originated with an allowance recorded	21,054	21,007	7,489	4,589	4,589	125
Total originated impaired loans and leases	58,968	58,892	7,489	57,794	57,718	125
Acquired:						
With no related allowance recorded:						
Commercial real estate	2,112	2,112	—	10,400	10,400	—
Commercial	2,042	2,042	—	3,948	3,948	—
Consumer	4,807	4,807	—	6,384	6,399	—
Total acquired with no related allowance recorded	8,961	8,961	—	20,732	20,747	—
With an allowance recorded:						
Consumer	171	171	21	253	253	27
Total acquired with an allowance recorded	171	171	21	253	253	27
Total acquired impaired loans and leases	9,132	9,132	21	20,985	21,000	27
Total impaired loans and leases	$68,100	$68,024	$ 7,510	$78,779	$78,718	$ 152

(1) Includes originated and acquired nonaccrual loans of $37.5 million and $2.1 million, respectively as of September 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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At and for the Nine Months Ended September 30, 2017 and 2016

	Three Months Ended			
	September 30, 2017		September 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	$9,841	$ 83	$6,636	$ 49
Commercial	26,329	173	21,474	147
Consumer	3,559	14	3,480	18
Total originated with no related allowance recorded	39,729	270	31,590	214
With an allowance recorded:				
Commercial real estate	3,061	38	4,549	48
Commercial	18,210	—	14,390	3
Consumer	—	—	248	