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.

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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.

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

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

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

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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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
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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 |

(Continued)

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
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| | 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) | | | | | | | |
| 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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| | 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 |

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
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At and for the Nine Months Ended September 30, 2017 and 2016

| | At December 31, 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | $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 |

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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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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
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| | 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 | — |
| Total originated with an allowance recorded | 21,271 | 38 | 19,187 | 51 |
| Total originated impaired loans and leases | 61,000 | 308 | 50,777 | 265 |
| Acquired: | | | | |
| With no related allowance recorded: | | | | |
| Commercial real estate | 2,116 | 8 | 9,952 | 67 |
| Commercial | 2,218 | 8 | 4,127 | 29 |
| Consumer | 4,837 | 18 | 8,475 | 16 |
| Total acquired with no related allowance recorded | 9,171 | 34 | 22,554 | 112 |
| With an allowance recorded: | | | | |
| Commercial real estate | — | — | — | — |
| Commercial | — | — | 486 | — |
| Consumer | 171 | 1 | 423 | 2 |
| Total acquired with an allowance recorded | 171 | 1 | 909 | 2 |
| Total acquired impaired loans and leases | 9,342 | 35 | 23,463 | 114 |
| Total impaired loans and leases | $70,342 | $ 343 | $74,240 | $ 379 |

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| | Nine 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 | $10,200 | $ 205 | $5,655 | $ 119 |
| Commercial | 24,206 | 522 | 16,602 | 412 |
| Consumer | 4,712 | 44 | 3,865 | 55 |
| Total originated with no related allowance recorded | 39,118 | 771 | 26,122 | 586 |
| With an allowance recorded: | | | | |
| Commercial real estate | 3,377 | 124 | 4,957 | 146 |
| Commercial | 20,771 | 1 | 13,017 | 5 |
| Consumer | — | — | 165 | — |
| Total originated with an allowance recorded | 24,148 | 125 | 18,139 | 151 |
| Total originated impaired loans and leases | 63,266 | 896 | 44,261 | 737 |
| | | | | |
| Acquired: | | | | |
| With no related allowance recorded: | | | | |
| Commercial real estate | 5,009 | 54 | 8,341 | 126 |
| Commercial | 2,615 | 26 | 4,254 | 66 |
| Consumer | 5,551 | 52 | 7,795 | 51 |
| Total acquired with no related allowance recorded | 13,175 | 132 | 20,390 | 243 |
| With an allowance recorded: | | | | |
| Commercial real estate | — | — | 1,458 | — |
| Commercial | — | — | 486 | — |
| Consumer | 169 | 3 | 490 | 6 |
| Total acquired with an allowance recorded | 169 | 3 | 2,434 | 6 |
| Total acquired impaired loans and leases | 13,344 | 135 | 22,824 | 249 |
| | | | | |
| Total impaired loans and leases | $76,610 | $ 1,031 | $67,085 | $ 986 |

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

| | At September 30, 2017 | | | |
|---|---|---|---|---|
| | Commercial Real Estate | Commercial | Consumer | Total |
| | (In Thousands) | | | |
| Allowance for Loan and Lease Losses: | | | | |
| Originated: | | | | |
| Individually evaluated for impairment | $1 | $7,488 | $— | $7,489 |
| Collectively evaluated for impairment | 28,058 | 23,499 | 5,364 | 56,921 |
| Total originated loans and leases | 28,059 | 30,987 | 5,364 | 64,410 |
| Acquired: | | | | |
| Individually evaluated for impairment | — | — | 21 | 21 |
| Collectively evaluated for impairment | 156 | 14 | 22 | 192 |
| Acquired with deteriorated credit quality | 653 | 74 | 63 | 790 |
| Total acquired loans and leases | 809 | 88 | 106 | 1,003 |
| Total allowance for loan and lease losses | $28,868 | $31,075 | $5,470 | $65,413 |
| Loans and Leases: | | | | |
| Originated: | | | | |
| Individually evaluated for impairment | $12,677 | $37,545 | $3,320 | $53,542 |
| Collectively evaluated for impairment | 2,873,844 | 1,533,911 | 917,947 | 5,325,702 |
| Total originated loans and leases | 2,886,521 | 1,571,456 | 921,267 | 5,379,244 |
| Acquired: | | | | |
| Individually evaluated for impairment | — | 1,522 | 1,912 | 3,434 |
| Collectively evaluated for impairment | 36,283 | 6,641 | 60,472 | 103,396 |
| Acquired with deteriorated credit quality (1) | 106,205 | 5,677 | 41,484 | 153,366 |
| Total acquired loans and leases | 142,488 | 13,840 | 103,868 | 260,196 |
| Total loans and leases | $3,029,009 | $1,585,296 | $1,025,135 | $5,639,440 |

(1) Includes impaired loans of $5.3 million as of September 30, 2017.

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

(1) Includes impaired loans of $14.6 million as of December 31, 2016.

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Troubled Debt Restructured Loans and Leases

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

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

| | At September 30, 2017 | At December 31, 2016 |
|---|---|---|
| | (In Thousands) | |
| Troubled debt restructurings: | | |
| On accrual | $14,024 | $ 13,883 |
| On nonaccrual | 15,290 | 11,919 |
| Total troubled debt restructurings | $29,314 | $ 25,802 |

Total troubled debt restructuring loans and leases increased by $3.5 million to $29.3 million at September 30, 2017 from
$25.8 million at December 31, 2016, primarily driven by the restructuring of six commercial loans, offset by the repayment of other troubled debt restructured loans.

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

| | At and for the Three Months Ended September 30, 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Recorded Investment | | Specific Allowance | | | Defaulted [1] | |
| | Number of Loans/ Leases | At Modification | At End of Period | for Loan and Lease Losses | Nonaccrual Loans and Leases | Additional Commitment | Number of Loans/ Leases | Recorded Investment |
| | (Dollars in Thousands) | | | | | | | |
| Originated: | | | | | | | | |
| Commercial | 1 | $350 | $350 | $ 152 | $ 350 | $ — | — | $ — |
| Equipment financing | 5 | 817 | 804 | — | 804 | — | — | — |
| Total originated | 6 | $1,167 | $1,154 | $ 152 | $ 1,154 | $ — | — | $ — |

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

There were no acquired loans and leases that met the definition of a troubled debt restructured during the three months ended September 30, 2017.

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| | At and for the Three Months Ended September 30, 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Recorded Investment | | | | | Defaulted (1) | |
| | Number of Loans/ Leases | At Modification | At End of Period | Specific Allowance for Loan and Lease Losses | Nonaccrual Loans and Leases | Additional Commitment | Number of Loans/ Leases | Recorded Investment |
| | (Dollars in Thousands) | | | | | | | |
| Originated: | | | | | | | | |
| Commercial | 2 | $812 | $812 | $ 220 | $ 473 | $ — | 1 | $ 348 |
| Equipment financing | 1 | 433 | 433 | — | 433 | — | 2 | 353 |
| Total originated | 3 | 1,245 | 1,245 | 220 | 906 | — | 3 | 701 |
| Acquired: | | | | | | | | |
| Home equity | 4 | 323 | 323 | 20 | 146 | — | — | — |
| Total acquired | 4 | 323 | 323 | 20 | 146 | — | — | — |
| Total loans and leases | 7 | $1,568 | $1,568 | $ 240 | $ 1,052 | $ — | 3 | $ 701 |

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

| | At and for the Nine Months Ended September 30, 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Recorded Investment | | | | | Defaulted (1) | |
| | Number of Loans/ Leases | At Modification | At End of Period | Specific Allowance for Loan and Lease Losses | Nonaccrual Loans and Leases | Additional Commitment | Number of Loans/ Leases | Recorded Investment |
| | (Dollars in Thousands) | | | | | | | |
| Originated: | | | | | | | | |
| Commercial real estate | 1 | $190 | $189 | $ — | $ — | $ — | — | $ — |
| Commercial | 10 | 7,861 | 6,793 | 2,520 | 5,111 | — | 2 | 3,431 |
| Equipment financing | 14 | 2,401 | 2,321 | — | 2,136 | — | — | — |
| Total originated | 25 | $10,452 | $9,303 | $ 2,520 | $ 7,247 | $ — | 2 | $ 3,431 |

There were no acquired loans and leases that met the definition of a troubled debt restructured during the nine months ended September 30, 2017.

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| | At and for the Nine Months Ended September 30, 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Recorded Investment | | | | | Defaulted [1] | |
| | Number of Loans/ Leases | At Modification | At End of Period | Specific Allowance for Loan and Lease Losses | Nonaccrual Loans and Leases | Additional Commitment | Number of Loans/ Leases | Recorded Investment |
| | (Dollars in Thousands) | | | | | | | |
| Originated: | | | | | | | | |
| Commercial real estate | 2 | $1,155 | $1,127 | $ — | $ 1,127 | $ — | — | $ — |
| Commercial | 22 | 9,701 | 9,504 | 3,478 | 9,136 | — | 2 | 376 |
| Equipment financing | 3 | 797 | 786 | — | 786 | — | 2 | 353 |
| Total originated | 27 | 11,653 | 11,417 | 3,478 | 11,049 | — | 4 | 729 |
| Acquired: | | | | | | | | |
| Commercial | — | — | — | — | — | — | 2 | 696 |
| Residential mortgage | 5 | 374 | 372 | 20 | 146 | — | — | — |
| Total acquired | 5 | 374 | 372 | 20 | 146 | — | 2 | 696 |
| Total loans and leases | 32 | $12,027 | $11,789 | $ 3,498 | $ 11,195 | $ — | 6 | $ 1,425 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (In Thousands) | | | |
| Loans with one modification: | | | | |
| Extended maturity | $— | $528 | $4,463 | $604 |
| Adjusted principal | — | — | 19 | 410 |
| Interest only | 350 | — | 350 | 2,346 |
| Combination maturity, principal, interest rate | 804 | 1,040 | 2,253 | 8,201 |
| Total loans with one modification | 1,154 | 1,568 | 7,085 | 11,561 |
| Loans with more than one modification: | | | | |
| Extended maturity | — | — | 1,870 | 228 |
| Combination maturity, principal, interest rate | — | — | 348 | — |
| Total loans with more than one modification | — | — | 2,218 | 228 |
| Total loans with modifications | $1,154 | $1,568 | $9,303 | $11,789 |

The troubled debt restructuring loans and leases that were modified for the nine months ended September 30, 2017 and 2016 were $9.3 million and $11.8 million, respectively. The decrease in troubled debt restructuring loans and leases that were modified for the nine months ended September 30, 2017 was primarily due to the decrease in the modification of loans and leases secured by taxi medallions.

There was $2.2 million in troubled debt restructuring loans and leases with more than one modification during the nine months ended September 30, 2017 and none during the three months ended September 30, 2017.

The net charge-offs of the performing and nonperforming troubled debt restructuring loans and leases for the three and nine months ended September 30, 2017 were $0.6 million and $2.6 million, respectively, driven by the charge-off of five commercial loans secured by taxi medallions. The net charge-offs for performing and nonperforming troubled debt restructuring loans and leases for the three and nine months ended September 30, 2016 were $28.0 thousand and $110.0 thousand, respectively.

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

(6) Goodwill and Other Intangible Assets

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

| | At September 30, 2017 | At December 31, 2016 |
|---|---|---|
| | (In Thousands) | |
| Goodwill | $137,890 | $ 137,890 |
| Other intangible assets: | | |
| Core deposits | 5,474 | 7,044 |
| Trade name | 1,089 | 1,089 |
| Total other intangible assets | 6,563 | 8,133 |
| Total goodwill and other intangible assets | $144,453 | $ 146,023 |

At December 31, 2013, the Company concluded that the BankRI name would continue to be utilized in its marketing strategies; therefore, the trade name with carrying value of $1.1 million, has an indefinite life and ceased to amortize.

The weighted-average amortization period for the core deposit intangible is 8.1 years.

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

| | |
|---|---|
| Remainder of 2017 | $519 |
| Year ending: | |
| 2018 | 1,669 |
| 2019 | 1,295 |
| 2020 | 944 |
| 2021 | 601 |
| 2022 | 299 |
| Thereafter | 147 |
| Total | $5,474 |

(7) Accumulated Other Comprehensive Income (Loss)

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

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

| | Three Months Ended September 30, 2017 | | |
|---|---|---|---|
| | Investment Securities Available-for-Sale | Postretirement Benefits | Accumulated Other Comprehensive Loss |
| | (In Thousands) | | |
| Balance at June 30, 2017 | $(2,570) | $ 395 | $ (2,175) |
| Other comprehensive income | 282 | — | 282 |
| Balance at September 30, 2017 | $(2,288) | $ 395 | $ (1,893) |

| | Three Months Ended September 30, 2016 | | |
|---|---|---|---|
| | Investment Securities Available-for-Sale | Postretirement Benefits | Accumulated Other Comprehensive Loss |
| | (In Thousands) | | |
| Balance at June 30, 2016 | $5,618 | $ 351 | $ 5,969 |
| Other comprehensive loss | (1,073) | — | (1,073) |
| Balance at September 30, 2016 | $4,545 | $ 351 | $ 4,896 |

| | Nine Months Ended September 30, 2017 | | |
|---|---|---|---|
| | Investment Securities Available-for-Sale | Postretirement Benefits | Accumulated Other Comprehensive Loss |
| | (In Thousands) | | |
| Balance at December 31, 2016 | $(4,213) | $ 395 | $ (3,818) |
| Other comprehensive income | 1,925 | — | 1,925 |
| Balance at September 30, 2017 | $(2,288) | $ 395 | $ (1,893) |

| | Nine Months Ended September 30, 2016 | | |
|---|---|---|---|
| | Investment Securities Available-for-Sale | Postretirement Benefits | Accumulated Other Comprehensive Loss |
| | (In Thousands) | | |
| Balance at December 31, 2015 | $(2,827) | $ 351 | $ (2,476) |
| Other comprehensive income | 7,372 | — | 7,372 |
| Balance at September 30, 2016 | $4,545 | $ 351 | $ 4,896 |

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

(8) Derivatives and Hedging Activities

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

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

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

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

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

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

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

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

| | | Notional Amount Maturing | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Positions | Less than 1 year | Less than 2 years | Less than 3 years | Less than 4 years | Thereafter | Total | Fair Value |
| | September 30, 2017 (Dollars In Thousands) | | | | | | | |
| Loan level derivatives | | | | | | | | |
| Receive fixed, pay variable | 61 | $— | $5,996 | $ — | $28,378 | $431,096 | $465,470 | $9,975 |
| Pay fixed, receive variable | 61 | — | 5,996 | — | 28,378 | 431,096 | 465,470 | 9,975 |
| Risk participation-out agreements | 5 | — | — | — | 8,732 | 20,126 | 28,858 | 49 |
| Risk participation-in agreements | 1 | — | — | — | — | 3,825 | 3,825 | 14 |
| Foreign exchange contracts | | | | | | | | |
| Buys foreign currency, sells U.S. currency | 25 | $1,200 | $— | $ — | $— | $— | $1,200 | $22 |
| Sells foreign currency, buys U.S. currency | 50 | 1,208 | — | — | — | — | 1,208 | 14 |

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| | Notional Amount Maturing | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Positions | Less than 1 year | Less than 2 years | Less than 3 years | Less than 4 years | Thereafter | Total | Fair Value |
| | December 31, 2016 (Dollars In Thousands) | | | | | | | |
| Loan level derivatives | | | | | | | | |
| Receive fixed, pay variable | 54 | $— | $4,025 | $2,141 | $29,501 | $348,113 | $383,780 | $9,738 |
| Pay fixed, receive variable | 54 | — | 4,025 | 2,141 | 29,501 | 348,113 | 383,780 | 9,738 |
| Risk participation-out agreements | 5 | — | — | — | 9,078 | 7,883 | 16,961 | 20 |
| Foreign exchange contracts | | | | | | | | |
| Buys foreign currency, sells U.S. currency | 3 | $195 | $— | $— | $— | $— | $195 | $— |
| Sells foreign currency, buys U.S. currency | 3 | 195 | — | — | — | — | 195 | — |

As of December 31, 2016, the Company held no risk participation-in agreements. As of December 31, 2016, the fair value of the foreign exchange contracts was nominal. Refer also to Note 11, "Fair Value of Financial Instruments."

Certain derivative agreements contain provisions that require the Company to post collateral if the derivative exposure exceeds a threshold amount. The Company posted collateral of $28.4 million and $34.5 million in the normal course of business as of September 30, 2017 and December 31, 2016, respectively.

The tables below present the offsetting of derivatives and amounts subject to master netting agreements not offset in the unaudited consolidated balance sheet at the dates indicated.

| | At September 30, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Gross Amounts Not Offset in the Statement of Financial Position | | |
| | Gross Amounts Recognized | Gross Amounts Offset in the Statement of Financial Position | Net Amounts Presented in the Statement of Financial Position | Financial Instruments Pledged | Cash Collateral Pledged | Net Amount |
| | (In Thousands) | | | | | |
| Asset derivatives | | | | | | |
| Loan level derivatives | $9,975 | $ — | $ 9,975 | $ — | $ — | $ 9,975 |
| Risk participation-out agreements | 49 | — | 49 | — | — | 49 |
| Foreign exchange contracts | 22 | — | 22 | — | — | 22 |
| Total | $10,046 | $ — | $ 10,046 | $ — | $ — | $ 10,046 |
| Liability derivatives | | | | | | |
| Loan level derivatives | $9,975 | $ — | $ 9,975 | $ 28,371 | $ — | $ — |
| Risk participation-in agreements | 14 | — | 14 | — | — | — |
| Foreign exchange contracts | 14 | — | 14 | — | — | — |
| Total | $10,003 | $ — | $ 10,003 | $ 28,371 | $ — | $ — |

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

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

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

(9) Stock Based Compensation

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

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

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

During the three and nine months ended September 30, 2017, 151,083 and 163,204 shares were issued upon satisfaction of required conditions of the Plans. During the three and nine months ended September 30, 2016, 134,809 and 136,139 shares were issued upon satisfaction of required conditions of the Plans.

Total expense for the Plans was $0.7 million and $0.6 million for the three months ended September 30, 2017 and 2016, respectively. Total expense for the Plans was $1.8 million and $1.4 million for the nine months ended September 30, 2017 and

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2016, respectively. The increase in the total expense for the Plans for the three and nine months ended September 30, 2017 is due to the increase in the grant price of the shares which is driven by the Company's stock price.

(10) Earnings per Share ("EPS")

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

| | Three Months Ended | | | |
|---|---|---|---|---|
| | September 30, 2017 | | September 30, 2016 | |
| | Basic | Fully Diluted | Basic | Fully Diluted |
| | (Dollars in Thousands, Except Per Share Amounts) | | | |
| Numerator: | | | | |
| Net income | $15,366 | $ 15,366 | $13,617 | $ 13,617 |
| Denominator: | | | | |
| Weighted average shares outstanding | 76,452,539 | 76,452,539 | 70,299,722 | 70,299,722 |
| Effect of dilutive securities | — | 306,891 | — | 151,038 |
| Adjusted weighted average shares outstanding | 76,452,539 | 76,759,430 | 70,299,722 | 70,450,760 |
| EPS | $0.20 | $ 0.20 | $0.19 | $ 0.19 |

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | September 30, 2017 | | September 30, 2016 | |
| | Basic | Fully Diluted | Basic | Fully Diluted |
| | (Dollars in Thousands, Except Per Share Amounts) | | | |
| Numerator: | | | | |
| Net income | $43,691 | $ 43,691 | $39,083 | $ 39,083 |
| Denominator: | | | | |
| Weighted average shares outstanding | 73,743,658 | 73,743,658 | 70,228,127 | 70,228,127 |
| Effect of dilutive securities | — | 373,522 | — | 166,338 |
| Adjusted weighted average shares outstanding | 73,743,658 | 74,117,180 | 70,228,127 | 70,394,465 |
| EPS | $0.59 | $ 0.59 | $0.56 | $ 0.56 |

(11) Fair Value of Financial Instruments

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

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

| | Carrying Value as of September 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (In Thousands) | | | |
| Assets: | | | | |
| Investment securities available-for-sale: | | | | |
| GSE debentures | $— | $139,344 | $ — | $139,344 |
| GSE CMOs | — | 135,280 | — | 135,280 |
| GSE MBSs | — | 182,118 | — | 182,118 |
| SBA commercial loan asset-backed securities | — | 77 | — | 77 |
| Corporate debt obligations | — | 58,891 | — | 58,891 |
| U.S. Treasury bonds | — | 4,811 | — | 4,811 |
| Trust preferred securities | — | 1,403 | — | 1,403 |
| Marketable equity securities | 986 | — | — | 986 |
| Total investment securities available-for-sale | $986 | $521,924 | $ — | $522,910 |
| Loan level derivatives | $— | $9,975 | $ — | $9,975 |
| Risk participation-out agreements | — | 49 | — | 49 |
| Foreign exchange contracts | — | 22 | — | 22 |
| Liabilities: | | | | |
| Loan level derivatives | $— | $9,975 | $ — | $9,975 |
| Risk participation-in agreements | — | 14 | — | 14 |
| Foreign exchange contracts | — | 14 | — | 14 |

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

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

Investment Securities Available-for-Sale

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

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

Derivatives and Hedging Instruments

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

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

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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

Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis
Assets and liabilities measured at fair value on a non-recurring basis are summarized below at the dated indicated:

| | Carrying Value as of September 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (In Thousands) | | | |
| Assets measured at fair value on a non-recurring basis: | | | | |
| Collateral-dependent impaired loans and leases | $— | $— | $32,800 | $32,800 |
| OREO | — | — | 3,235 | 3,235 |
| Repossessed assets | — | 1,163 | — | 1,163 |
| Total assets measured at fair value on a non-recurring basis | $— | $1,163 | $36,035 | $37,198 |

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

Collateral-Dependent Impaired Loans and Leases
For nonperforming loans and leases where the credit quality of the borrower has deteriorated significantly, fair values of the underlying collateral were estimated using purchase and sales agreements (Level 2), or comparable sales or recent appraisals (Level 3), adjusted for selling costs and other expenses.
Other Real Estate Owned
The Company records OREO at the lower of cost or fair value. In estimating fair value, the Company utilizes purchase and sales agreements (Level 2) or comparable sales, recent appraisals or cash flows discounted at an interest rate commensurate with the risk associated with these cash flows (Level 3), adjusted for selling costs and other expenses.
Repossessed Assets
Repossessed assets are carried at estimated fair value less costs to sell based on auction pricing (Level 2).
The table below presents quantitative information about significant unobservable inputs (Level 3) for assets measured at fair value on a recurring basis at the dates indicated.

| | Fair Value | | Valuation Technique |
|---|---|---|---|
| | At September 30, 2017 | At December 31, 2016 | |
| | (Dollars in Thousands) | | |
| Collateral-dependent impaired loans and leases | $32,800 | $ 27,282 | Appraisal of collateral [1] |
| Other real estate owned | 3,235 | 618 | Appraisal of collateral [1] |

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

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

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

| | | | Fair Value Measurements | | |
|---|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| | (In Thousands) | | | | |
| At September 30, 2017 | | | | | |
| Financial assets: | | | | | |
| Investment securities held-to-maturity: | | | | | |
| GSE debentures | $38,622 | $38,072 | $— | $38,072 | $ — |
| GSE MBSs | 14,788 | 14,643 | — | 14,643 | — |
| Municipal obligations | 53,828 | 54,013 | — | 54,013 | — |
| Foreign government obligations | 500 | 492 | — | — | 492 |
| Loans held-for-sale | 2,973 | 2,973 | — | 2,973 | — |
| Loans and leases, net | 5,574,027 | 5,480,446 | — | — | 5,480,446 |
| Restricted equity securities | 62,135 | 62,135 | — | — | 62,135 |
| Loan level derivatives | 9,975 | 9,975 | — | 9,975 | — |
| Risk participation-out agreements | 49 | 49 | — | 49 | — |
| Foreign exchange contracts | 22 | 22 | — | 22 | — |
| Financial liabilities: | | | | | |
| Certificates of deposit | 1,167,329 | 1,164,618 | — | 1,164,618 | — |
| Borrowed funds | 985,895 | 967,643 | — | 967,643 | — |
| Loan level derivatives | 9,975 | 9,975 | — | 9,975 | — |
| Risk participation-in agreements | 14 | 14 | — | 14 | — |
| Foreign exchange contracts | 14 | 14 | — | 14 | — |

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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

| | Carrying Value | Estimated Fair Value | Fair Value Measurements | | |
|---|---|---|---|---|---|
| | | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| | (In Thousands) | | | | |
| At December 31, 2016 | | | | | |
| Financial assets: | | | | | |
| Investment securities held-to-maturity: | | | | | |
| GSE debentures | $ 14,735 | $ 14,101 | $ — | $ 14,101 | $ — |
| GSE MBSs | 17,666 | 17,479 | — | 17,479 | — |
| Municipal obligations | 54,219 | 53,204 | — | 53,204 | — |
| Foreign government obligations | 500 | 487 | — | — | 487 |
| Loans held-for-sale | 13,078 | 13,078 | — | 13,078 | — |
| Loans and leases, net | 5,345,198 | 5,195,312 | — | — | 5,195,312 |
| Restricted equity securities | 64,511 | 75,589 | — | — | 75,589 |
| Loan level derivatives | 9,738 | 9,738 | — | 9,738 | — |
| Risk participation-out agreements | 20 | 20 | — | 20 | — |
| Financial liabilities: | | | | | |
| Certificates of deposit | 1,041,022 | 1,042,653 | — | 1,042,653 | — |
| Borrowed funds | 1,044,086 | 1,030,753 | — | 1,030,753 | — |
| Loan level derivatives | 9,738 | 9,738 | — | 9,738 | — |

Investment Securities Held-to-Maturity

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

Loans Held-for-Sale

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

Loans and Leases

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

Restricted Equity Securities

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

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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

Deposits

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

Borrowed Funds

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

(12) Commitments and Contingencies

Off-Balance Sheet Financial Instruments

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

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

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
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Financial instruments with off-balance-sheet risk at the dates indicated follow:

| | At September 30, 2017 | At December 31, 2016 |
|---|---|---|
| | (In Thousands) | |
| Financial instruments whose contract amounts represent credit risk: | | |
| Commitments to originate loans and leases: | | |
| Commercial real estate | $95,484 | $ 27,750 |
| Commercial | 89,036 | 71,716 |
| Residential mortgage | 19,672 | 28,179 |
| Unadvanced portion of loans and leases | 526,532 | 580,416 |
| Unused lines of credit: | | |
| Home equity | 383,973 | 340,682 |
| Other consumer | 14,119 | 13,157 |
| Other commercial | 306 | 208 |
| Unused letters of credit: | | |
| Financial standby letters of credit | 11,270 | 11,720 |
| Performance standby letters of credit | 668 | 516 |
| Commercial and similar letters of credit | 855 | 785 |
| Loan level derivatives (Notional principal amounts): | | |
| Receive fixed, pay variable | 465,470 | 383,780 |
| Pay fixed, receive variable | 465,470 | 383,780 |
| Risk participation-out agreements | 28,858 | 16,961 |
| Risk participation-in agreements | 3,825 | — |
| Foreign exchange contracts (Notional amounts): | | |
| Buys foreign currency, sells U.S. currency | 1,200 | 195 |
| Sells foreign currency, buys U.S. currency | 1,208 | 195 |

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

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

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

The fair value of derivative assets and liabilities was $10.0 million and $10.0 million, respectively, as of September 30, 2017. The fair value of derivative assets and liabilities was $9.8 million and $9.7 million, respectively, as of December 31, 2016.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
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The fair value of foreign exchange assets and liabilities was $22.0 thousand and $14.0 thousand, respectively, as of September 30, 2017. The fair value of foreign exchange assets and liabilities was nominal as of December 31, 2016.

Lease Commitments

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

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

| | Minimum Rental Payments (In Thousands) |
|---|---|
| Remainder of 2017 | $ 1,325 |
| Year ending: | |
| 2018 | 4,921 |
| 2019 | 4,053 |
| 2020 | 3,497 |
| 2021 | 2,988 |
| 2022 | 2,743 |
| Thereafter | 10,138 |
| Total | $ 29,665 |

Certain leases contain escalation clauses for real estate taxes and other expenditures, which are not included above. Total rental expense was $1.4 million and $1.3 million for the three months ended September 30, 2017 and 2016, respectively. Total rental expense was $4.2 million and $3.9 million for the nine months ended September 30, 2017 and 2016, respectively. The increase was due to the opening of a new branch in Danvers, Massachusetts for First Ipswich Bank, and the relocation of a branch in Brookline, Massachusetts for Brookline Bank.

Legal Proceedings

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

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

Forward-Looking Statements

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

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

Introduction

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

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

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

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

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

The Company and the Banks are supervised, examined and regulated by the FRB. As a Massachusetts-chartered savings bank and trust company, respectively, Brookline Bank and First Ipswich are also subject to regulation under the laws of the Commonwealth of Massachusetts and the jurisdiction of the Massachusetts Division of Banks. As a Rhode Island-chartered financial institution, BankRI is also subject to regulation under the laws of the State of Rhode Island and the jurisdiction of the Banking Division of the Rhode Island Department of Business Regulation. The FDIC continues to insure each of the Banks' deposits up to $250,000 per depositor. Additionally, as a Massachusetts-chartered savings bank, Brookline Bank is also insured by the Depositors Insurance Fund ("DIF"), a private industry-sponsored company. The DIF insures savings bank deposits in excess of the FDIC insurance limits. As such, Brookline Bank offers 100% insurance on all deposits as a result of a combination of insurance from the FDIC and the DIF.

The Company's common stock is traded on the Nasdaq Global Select Market$^{SM}$ under the symbol "BRKL."

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Selected Financial Data

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

| | At and for the Three Months Ended | | | | |
|---|---|---|---|---|---|
| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
| | (Dollars in Thousands, Except Per Share Data) | | | | |
| PER COMMON SHARE DATA | | | | | |
| Earnings per share - Basic | $0.20 | $0.20 | $0.19 | $0.19 | $0.19 |
| Earnings per share - Diluted | 0.20 | 0.20 | 0.19 | 0.19 | 0.19 |
| Book value per share (end of period) | 10.52 | 10.42 | 10.00 | 9.88 | 9.90 |
| Tangible book value per share (end of period) (1) | 8.63 | 8.52 | 7.93 | 7.81 | 7.81 |
| Dividends paid per common share | 0.09 | 0.09 | 0.09 | 0.09 | 0.09 |
| Stock price (end of period) | 15.50 | 14.60 | 15.65 | 16.40 | 12.19 |
| | | | | | |
| PERFORMANCE RATIOS (2) | | | | | |
| Net interest margin (taxable equivalent basis) | 3.57 % | 3.59 % | 3.53 % | 3.40 % | 3.48 % |
| Return on average assets | 0.92 % | 0.91 % | 0.83 % | 0.83 % | 0.86 % |
| Return on average tangible assets (1) | 0.94 % | 0.93 % | 0.85 % | 0.85 % | 0.88 % |
| Return on average stockholders' equity | 7.64 % | 7.76 % | 7.58 % | 7.59 % | 7.83 % |
| Return on average tangible stockholders' equity (1) | 9.31 % | 9.58 % | 9.55 % | 9.60 % | 9.94 % |
| Dividend payout ratio (1) | 44.90 % | 46.28 % | 47.23 % | 47.80 % | 46.60 % |
| Efficiency ratio (3) | 56.37 % | 57.93 % | 48.92 % | 56.92 % | 57.89 % |
| | | | | | |
| ASSET QUALITY RATIOS | | | | | |
| Net loan and lease charge-offs as a percentage of average loans and leases (annualized) | 0.14 % | 0.17 % | 0.07 % | 0.62 % | 0.04 % |
| Nonperforming loans and leases as a percentage of total loans and leases | 0.71 % | 0.76 % | 0.83 % | 0.74 % | 0.70 % |
| Nonperforming assets as a percentage of total assets | 0.66 % | 0.71 % | 0.73 % | 0.64 % | 0.61 % |
| Total allowance for loan and lease losses as a percentage of total loans and leases | 1.16 % | 1.17 % | 1.21 % | 0.99 % | 1.10 % |
| Allowance for loan and lease losses related to originated loans and leases as a percentage of originated loans and leases (1) | 1.20 % | 1.20 % | 1.25 % | 1.03 % | 1.15 % |
| | | | | | |
| CAPITAL RATIOS | | | | | |
| Stockholders' equity to total assets | 12.04 % | 11.95 % | 10.83 % | 10.80 % | 10.91 % |
| Tangible equity ratio (1) | 10.09 % | 9.99 % | 8.79 % | 8.73 % | 8.82 % |
| | | | | | |
| FINANCIAL CONDITION DATA | | | | | |
| Total assets | $6,686,284 | $6,658,067 | $6,497,721 | $6,438,129 | $6,380,312 |
| Total loans and leases | 5,639,440 | 5,537,406 | 5,461,779 | 5,398,864 | 5,332,300 |

| | | | | | |
|---|---|---|---|---|---|
| Allowance for loan and lease losses | 65,413 | 64,521 | 66,133 | 53,666 | 58,892 |
| Investment securities available-for-sale | 522,910 | 540,976 | 528,433 | 523,634 | 524,295 |
| Investment securities held-to-maturity | 107,738 | 108,963 | 100,691 | 87,120 | 77,094 |
| Goodwill and identified intangible assets | 144,453 | 144,972 | 145,491 | 146,023 | 146,644 |
| Total deposits | 4,805,683 | 4,709,419 | 4,651,903 | 4,611,076 | 4,564,906 |

(Continued)

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| | At and for the Three Months Ended | | | | |
|---|---|---|---|---|---|
| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
| | (Dollars in Thousands, Except Per Share Data) | | | | |
| Total borrowed funds | 985,895 | 1,066,643 | 1,056,785 | 1,044,086 | 1,022,653 |
| Stockholders' equity | 804,762 | 795,618 | 703,873 | 695,544 | 696,371 |
| EARNINGS DATA | | | | | |
| Net interest income | $56,843 | $ 55,583 | $ 53,098 | $ 51,854 | $ 52,350 |
| Provision for credit losses | 2,911 | 873 | 13,402 | 3,215 | 2,215 |
| Non-interest income | 5,973 | 4,477 | 15,908 | 5,430 | 5,329 |
| Non-interest expense | 35,408 | 34,795 | 33,756 | 32,607 | 33,388 |
| Net income | 15,366 | 14,880 | 13,445 | 13,279 | 13,617 |

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

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

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

Executive Overview

Growth

Total assets of $6.7 billion as of September 30, 2017 increased $248.2 million, or 5.1% on an annualized basis, from December 31, 2016. The increase was primarily driven by increases in loans and leases.

Total loans and leases of $5.6 billion as of September 30, 2017 increased $240.6 million, or 5.9% on an annualized basis, from December 31, 2016. The Company's commercial loan portfolios, which are comprised of commercial real estate loans and commercial loans and leases, totaled $4.6 billion, or 81.8% of total loans and leases, as of September 30, 2017, an increase of $200.3 million, or 6.1% on an annualized basis, from $4.4 billion, or 81.8% of total loans and leases, as of December 31, 2016.

Total deposits of $4.8 billion as of September 30, 2017 increased $194.6 million, or 5.6% on an annualized basis, from $4.6 billion as of December 31, 2016. Core deposits, which include demand checking, NOW, money market and savings accounts, totaled $3.6 billion, or 75.7% of total deposits as of September 30, 2017, an increase of $68.3 million, or 2.6% on an annualized basis, from $3.6 billion, or 77.4% of total deposits, as of December 31, 2016.

Asset Quality

Nonperforming assets as of September 30, 2017 totaled $44.4 million, or 0.66% of total assets, compared to $41.5 million, or 0.64% of total assets, as of December 31, 2016. Net charge-offs for the three months ended September 30, 2017 were $2.0 million, or 0.14% of average loans and leases on an annualized basis, compared to $0.5 million, or 0.04% of average loans and leases on an annualized basis, for the three months ended September 30, 2016. The increase in nonperforming loans and leases and nonperforming assets was primarily driven by two taxi medallion loans and two commercial loans that were placed on nonaccrual.

The ratio of the allowance for loan and lease losses to total loans and leases was 1.16% as of September 30, 2017, compared to 0.99% as of December 31, 2016. Excluding the loans acquired from BankRI and First Ipswich, the allowance for loan and lease losses related to originated loans and leases as a percentage of the total originated loan and lease portfolio was 1.20% as of September 30, 2017, compared to 1.03% as of December 31, 2016. The Company continued to employ its historical underwriting methodology throughout the three month period ended September 30, 2017. Refer also to Note 5, "Allowance for Loan and Lease Losses."

Capital Strength

The Company is a "well-capitalized" bank holding company as defined in the FRB's Regulation Y. The Company's common equity Tier 1 Capital Ratio was 12.07% as of September 30, 2017, compared to 10.48% as of December 31, 2016. The Company's Tier 1 Leverage Ratio was 10.45% as of September 30, 2017, compared to 9.16% as of December 31, 2016. As of September 30, 2017, the Company's Tier 1 Risk-Based Capital Ratio was 12.38%, compared to 10.79% as of December 31,

2016. The Company's Total Risk-Based Capital Ratio was 14.92% as of September 30, 2017, compared to 13.20% as of December 31, 2016.

The Company's ratio of stockholders' equity to total assets was 12.04% and 10.80% as of September 30, 2017 and December 31, 2016, respectively. The Company's tangible equity ratio was 10.09% and 8.73% as of September 30, 2017 and December 31, 2016, respectively. The increase in the ratio of stockholders' equity to total assets and the tangible equity ratio is due to the Company's new issuance in the amount of 5,951,250 shares of the Company’s common stock at a price to the public of $14.50 per share on May 2, 2017. Refer to “Stockholder's Equity and Dividends" below for further discussion.

Net Income

For the three months ended September 30, 2017, the Company reported net income of $15.4 million, or $0.20 per basic and diluted share, an increase of $1.7 million, or 17.1% on an annualized basis, from $13.6 million, or $0.19 per basic and diluted share for the three months ended September 30, 2016. This increase in net income is primarily the result of an increase in net interest income of $4.5 million and an increase in non-interest income of $0.6 million, offset by an increase in the provision for credit losses of $0.7 million, an increase in non-interest expense of $2.0 million, and an increase in provision for income taxes of $0.5 million. Refer to “Results of Operations" below for further discussion.

For the nine months ended September 30, 2017, the Company reported net income of $43.7 million, or $0.59 per basic and diluted share, up $4.6 million, or 15.7% on an annualized basis, from $39.1 million, or $0.56 per basic share, for the nine months ended September 30, 2016. This increase is the result of an increase in net interest income of $13.7 million, an increase in non-interest income of $9.2 million, offset by an increase in the provision for credit losses of $10.0 million, an increase in non-interest expense of $6.2 million, an increase in provision for income taxes of $2.1 million, and a decrease in net income attributed to noncontrolling interest of $0.1 million. Refer to “Results of Operations" below for further discussion.

The annualized return on average assets was 0.92% for the three months ended September 30, 2017, compared to 0.86% for the three months ended September 30, 2016. The annualized return on average stockholders' equity was 7.64% for the three months ended September 30, 2017, compared to 7.83% for the three months ended September 30, 2016.

The net interest margin was 3.57% for the three months ended September 30, 2017, up from 3.48% for the three months ended September 30, 2016. The increase in the net interest margin is a result of an increase in the yield on interest-earning assets by 15 basis points to 4.25% for the three months ended September 30, 2017 from 4.10% for the three months ended September 30, 2016, partially offset by an increase of 6 basis points in the Company's overall cost of funds to 0.71% for the three months ended September 30, 2017 from 0.65% for the three months ended September 30, 2016.

The net interest margin was 3.56% for the nine months ended September 30, 2017, compared to 3.46% for the nine months ended September 30, 2016. The increase in the net interest margin in a highly competitive interest rate environment is, in part, the result of an increased in the yield on interest-earning assets by 12 basis points to 4.17% for the nine months ended September 30, 2017 from 4.05% for the nine months ended September 30, 2016 partially offset by an increase of 3 basis points in interest-bearing liabilities to 0.81% for the nine months ended September 30, 2017 from 0.78% for the nine months ended September 30, 2016.

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

Critical Accounting Policies

The SEC defines “critical accounting policies” as those involving significant judgments and difficult or complex assumptions by management, often as a result of the need to make estimates about matters that are inherently uncertain or variable, which have, or could have, a material impact on the carrying value of certain assets or net income. The preparation of financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and liabilities. Actual results could differ from

those estimates. As discussed in the Company’s 2016 Annual Report on Form 10-K, management has identified the valuation of available-for-sale securities, accounting for assets and liabilities acquired, the determination of the allowance for loan and lease losses, the review of goodwill and intangibles for impairment, income tax accounting, and valuation of deferred tax assets as the Company’s most critical accounting policies.
Non-GAAP Financial Measures and Reconciliation to GAAP
In addition to evaluating the Company’s results of operations in accordance with GAAP, management periodically supplements this evaluation with an analysis of certain non-GAAP financial measures, such as the return on average tangible assets, return on average tangible equity, the tangible equity ratio, tangible book value per share, dividend payout ratio, and the

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

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

| | At and for the Three Months Ended September 30, | | At and for the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Net income, as reported | $15,366 | $13,617 | $43,691 | $39,083 |
| Adjustments to arrive at operating earnings: | | | | |
| Merger and acquisition-related expenses | 205 | — | 205 | — |
| Tax effect | (70) | — | (72) | — |
| Total adjustments, net of tax | 135 | — | 133 | — |
| Operating earnings | $15,501 | $13,617 | $43,824 | $39,083 |
| | | | | |
| Basic earnings per share, as reported | $0.20 | $0.19 | $0.59 | $0.56 |
| Adjustments to arrive at basic operating earnings per share: | | | | |
| Merger and acquisition-related expenses | — | — | — | — |
| Total adjustments per share | — | — | — | — |
| Basic operating earnings per share | $0.20 | $0.19 | $0.59 | $0.56 |
| | | | | |
| Average total assets | $6,681,042 | $6,360,097 | $6,567,101 | $6,230,612 |
| Operating return on average assets (annualized) | 0.93 % | 0.86 % | 0.89 % | 0.84 % |
| | | | | |
| Average total stockholders' equity | $804,666 | $695,205 | $760,447 | $686,134 |
| Operating return on average stockholders' equity (annualized) | 7.71 % | 7.83 % | 7.68 % | 7.59 % |

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

| | Three Months Ended September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | |
| Net income, as reported | $15,366 | $14,880 | $13,445 | $13,279 | $13,617 |
| Average total assets | $6,681,042 | $6,556,665 | $6,461,183 | $6,425,983 | $6,360,097 |
| Less: Average goodwill and average identified intangible assets, net | 144,747 | 145,269 | 145,778 | 146,382 | 146,997 |
| Average tangible assets | $6,536,295 | $6,411,396 | $6,315,405 | $6,279,601 | $6,213,100 |
| Return on average tangible assets (annualized) | 0.94 % | 0.93 % | 0.85 % | 0.85 % | 0.88 % |
| Average total stockholders' equity | $804,666 | $766,529 | $709,095 | $699,749 | $695,205 |
| Less: Average goodwill and average identified intangible assets, net | 144,747 | 145,269 | 145,778 | 146,382 | 146,997 |
| Average tangible stockholders' equity | $659,919 | $621,260 | $563,317 | $553,367 | $548,208 |
| Return on average tangible stockholders' equity (annualized) | 9.31 % | 9.58 % | 9.55 % | 9.60 % | 9.94 % |

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

| | Three Months Ended September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | |
| Total stockholders' equity | $804,762 | $795,618 | $703,873 | $695,544 | $696,371 |
| Less: Goodwill and identified intangible assets, net | 144,453 | 144,972 | 145,491 | 146,023 | 146,644 |
| Tangible stockholders' equity | $660,309 | $650,646 | $558,382 | $549,521 | $549,727 |
| Total assets | $6,686,284 | $6,658,067 | $6,497,721 | $6,438,129 | $6,380,312 |
| Less: Goodwill and identified intangible assets, net | 144,453 | 144,972 | 145,491 | 146,023 | 146,644 |
| Tangible assets | $6,541,831 | $6,513,095 | $6,352,230 | $6,292,106 | $6,233,668 |
| Tangible equity ratio | 10.09 % | 9.99 % | 8.79 % | 8.73 % | 8.82 % |

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The following tables summarize the Company's tangible book value per share for the periods indicated:

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
| | (Dollars in Thousands) | | | | |
| Tangible stockholders' equity | $660,309 | $650,646 | $558,382 | $549,521 | $549,727 |
| Common shares issued | 81,695,695 | 81,695,695 | 75,744,445 | 75,744,445 | 75,744,445 |
| Less: | | | | | |
| Treasury shares | 4,572,954 | 4,717,775 | 4,707,096 | 4,707,096 | 4,734,512 |
| Unallocated ESOP | 150,921 | 159,510 | 168,099 | 176,688 | 185,787 |
| Unvested restricted stock | 471,702 | 457,966 | 476,854 | 476,854 | 476,938 |
| Common shares outstanding | 76,500,118 | 76,360,444 | 70,392,396 | 70,383,807 | 70,347,208 |
| Tangible book value per share | $8.63 | $8.52 | $7.93 | $7.81 | $7.81 |

The following table summarizes the Company's dividend payout ratio for the periods indicated:

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
| | (Dollars in Thousands) | | | | |
| Dividends paid | $6,899 | $6,887 | $6,350 | $6,348 | $6,346 |
| Net income, as reported | $15,366 | $14,880 | $13,445 | $13,279 | $13,617 |
| Dividend payout ratio | 44.90 % | 46.28 % | 47.23 % | 47.80 % | 46.60 % |

The following table summarizes the Company’s allowance for loan and lease losses related to originated loans and leases as a percentage of total originated loans and leases for the periods indicated:

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
| Allowance for loan and lease losses | $65,413 | $64,521 | $66,133 | $53,666 | $58,892 |
| Less: Allowance for acquired loan and lease losses | 1,003 | 1,188 | 1,304 | 1,253 | 1,640 |
| Allowance for originated loan and lease losses | $64,410 | $63,333 | $64,829 | $52,413 | $57,252 |
| Total loans and leases | $5,639,440 | $5,537,406 | $5,461,779 | $5,398,864 | $5,332,300 |
| Less: Total acquired loans and leases | 260,196 | 271,157 | 295,055 | 315,304 | 346,377 |
| Total originated loan and leases | $5,379,244 | $5,266,249 | $5,166,724 | $5,083,560 | $4,985,923 |
| Allowance for loan and lease losses related to originated loans and leases as a percentage of originated loan and leases | 1.20 % | 1.20 % | 1.25 % | 1.03 % | 1.15 % |

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Financial Condition

Loans and Leases

The following table summarizes the Company's portfolio of loans and leases receivables as of the dates indicated:

| | At September 30, 2017 | | At December 31, 2016 | |
|---|---|---|---|---|
| | Balance | Percent of Total | Balance | Percent of Total |
| | (Dollars in Thousands) | | | |
| Commercial real estate loans: | | | | |
| Commercial real estate | $2,119,440 | 37.6 % | $2,050,382 | 38.1 % |
| Multi-family mortgage | 743,912 | 13.2 % | 731,186 | 13.5 % |
| Construction | 165,657 | 2.9 % | 136,999 | 2.5 % |
| Total commercial real estate loans | 3,029,009 | 53.7 % | 2,918,567 | 54.1 % |
| Commercial loans and leases: | | | | |
| Commercial | 689,010 | 12.2 % | 635,426 | 11.8 % |
| Equipment financing | 842,516 | 14.9 % | 799,860 | 14.8 % |
| Condominium association | 53,770 | 1.0 % | 60,122 | 1.1 % |
| Total commercial loans and leases | 1,585,296 | 28.1 % | 1,495,408 | 27.7 % |
| Consumer loans: | | | | |
| Residential mortgage | 652,415 | 11.6 % | 624,349 | 11.6 % |
| Home equity | 356,982 | 6.3 % | 342,241 | 6.3 % |
| Other consumer | 15,738 | 0.3 % | 18,299 | 0.3 % |
| Total consumer loans | 1,025,135 | 18.2 % | 984,889 | 18.2 % |
| Total loans and leases | 5,639,440 | 100.0% | 5,398,864 | 100.0% |
| Allowance for loan and lease losses | (65,413 ) | | (53,666 ) | |
| Net loans and leases | $5,574,027 | | $5,345,198 | |

The following table sets forth the growth in the Company’s loan and lease portfolios during the nine months ended September 30, 2017:

| | At September 30, 2017 | At December 31, 2016 | Dollar Change | Percent Change (Annualized) |
|---|---|---|---|---|
| | (Dollars in Thousands) | | | |
| Commercial real estate | $3,029,009 | $ 2,918,567 | $ 110,442 | 5.0 % |
| Commercial | 1,585,296 | 1,495,408 | 89,888 | 8.0 % |
| Consumer | 1,025,135 | 984,889 | 40,246 | 5.4 % |
| Total loans and leases | $5,639,440 | $ 5,398,864 | $ 240,576 | 5.9 % |

The Company's loan portfolio consists primarily of first mortgage loans secured by commercial, multi-family and residential real estate properties located in the Company's primary lending area, loans to business entities, including commercial lines of credit, loans to condominium associations and loans and leases used to finance equipment used by small businesses. The Company also provides financing for construction and development projects, home equity and other consumer loans.

The Company employs seasoned commercial lenders and retail bankers who rely on community and business contacts as well as referrals from customers, attorneys and other professionals to generate loans and deposits. Existing borrowers are also an important source of business since many of them have more than one loan outstanding with the Company. The Company's ability to originate loans depends on the strength of the economy, trends in interest rates, and levels of customer demand and market competition.

The Company's current policy is that the aggregate amount of loans outstanding to any one borrower or related entities may not exceed $35.0 million unless approved by the Board Credit Committee, a committee of the Company's Board of Directors.

As of September 30, 2017, there were ten borrowers with loans and commitments over $35.0 million. The total of those loans and commitments were $424.8 million, or 6.5% of total loans and commitments, as of September 30, 2017.

The Company has written underwriting policies to control the inherent risks in loan origination. The policies address approval limits, loan-to-value ratios, appraisal requirements, debt service coverage ratios, loan concentration limits and other matters relevant to loan underwriting.

Commercial Real Estate Loans

The commercial real estate portfolio is comprised of commercial real estate loans, multi-family mortgage loans, and construction loans and is the largest component of the Company's overall loan portfolio, representing 53.7% of total loans and leases outstanding as of September 30, 2017.

Typically, commercial real estate loans are larger in size and involve a greater degree of risk than owner-occupied residential mortgage loans. Loan repayment is usually dependent on the successful operation and management of the properties and the value of the properties securing the loans. Economic conditions can greatly affect cash flows and property values.

A number of factors are considered in originating commercial real estate and multi-family mortgage loans. The qualifications and financial condition of the borrower (including credit history), as well as the potential income generation and the value and condition of the underlying property, are evaluated. When evaluating the qualifications of the borrower, the Company considers the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with the Company and other financial institutions. Factors considered in evaluating the underlying property include the net operating income of the mortgaged premises before debt service and depreciation, the debt service coverage ratio (the ratio of cash flow before debt service to debt service), the use of conservative capitalization rates, and the ratio of the loan amount to the appraised value. Generally, personal guarantees are obtained from commercial real estate loan borrowers.

Commercial real estate and multi-family mortgage loans are typically originated for terms of five to fifteen years with amortization periods of 20 to 30 years. Many of the loans are priced at inception on a fixed-rate basis generally for periods ranging from two to five years with repricing periods for longer-term loans. When possible, prepayment penalties are included in loan covenants on these loans. For commercial customers who are interested in loans with terms longer than five years, the Company offers loan level derivatives to accommodate customer need.

The Company's urban and suburban market area is characterized by a large number of apartment buildings, condominiums and office buildings. As a result, commercial real estate and multi-family mortgage lending has been a significant part of the Company's activities for many years. These types of loans typically generate higher yields, but also involve greater credit risk. Many of the Company's borrowers have more than one multi-family or commercial real estate loan outstanding with the Company.

The commercial real estate portfolio is composed primarily of loans secured by apartment buildings ($741.6 million), office buildings ($637.8 million), retail stores ($507.2 million), industrial properties ($358.6 million), mixed-use properties ($214.1 million), lodging services ($108.3 million) and to food services ($42.7 million) as of September 30, 2017. At that date, over 97.2% of the commercial real estate loans outstanding were secured by properties located in New England.

Construction and development financing is generally considered to involve a higher degree of risk than long-term financing on improved, occupied real estate and thus has lower concentration limits than do other commercial credit classes. Risk of loss on a construction loan is largely dependent upon the accuracy of the initial estimate of construction costs, the estimated time to sell or rent the completed property at an adequate price or rate of occupancy, and market conditions. If the estimates and projections prove to be inaccurate, the Company may be confronted with a project which, upon completion, has a value that is insufficient to assure full loan repayment.

Criteria applied in underwriting construction loans for which the primary source of repayment is the sale of the property are different from the criteria applied in underwriting construction loans for which the primary source of repayment is the stabilized cash flow from the completed project. For those loans where the primary source of repayment is from resale of the property, in addition to the normal credit analysis performed for other loans, the Company also analyzes project costs, the attractiveness of the property in relation to the market in which it is located and demand within the market area. For those construction loans where the source of repayment is the stabilized cash flow from the completed project, the Company analyzes

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not only project costs but also how long it might take to achieve satisfactory occupancy and the reasonableness of projected rental rates in relation to market rental rates.

Commercial Loans

The commercial loan and lease portfolio is comprised of commercial loans, equipment financing loans and leases and condominium association loans and represented 28.1% of total loans outstanding as of September 30, 2017.

The commercial loan and lease portfolio is composed primarily of loans to small businesses ($489.9 million), transportation services ($346.4 million), recreation services ($145.9 million), food services ($118.1 million), manufacturing ($97.5 million), rental and leasing services ($75.9 million) and retail ($70.5 million) as of September 30, 2017.

The Company provides commercial banking services to companies in its market area. Approximately 47.0% of the commercial loans outstanding as of September 30, 2017 were made to borrowers located in New England. The remaining 53.0% of the commercial loans outstanding were made to borrowers in other areas in the United States of America, primarily by the Company's equipment financing divisions. Product offerings include lines of credit, term loans, letters of credit, deposit services and cash management. These types of credit facilities have as their primary source of repayment cash flows from the operations of a business. Interest rates offered are available on a floating basis tied to the prime rate or a similar index or on a fixed-rate basis referenced on the Federal Home Loan Bank of Boston ("FHLBB") index.

Credit extensions are made to established businesses on the basis of loan purpose and assessment of capacity to repay as determined by an analysis of their financial statements, the nature of collateral to secure the credit extension and, in most instances, the personal guarantee of the owner of the business as well as industry and general economic conditions. The Company also participates in U.S. Government programs such as the Small Business Administration (the "SBA") in both the 7A program and as an SBA preferred lender.

The Company’s equipment financing divisions focus on market niches in which its lenders have deep experience and industry contacts, and on making loans to customers with business experience. An important part of the Company’s equipment financing loan origination volume comes from equipment manufacturers and existing customers as they expand their operations. The equipment financing portfolio is composed primarily of loans to finance laundry, tow trucks, fitness, dry cleaning and convenience store equipment. Approximately 16.0% of the commercial loans outstanding were made to borrowers located primarily in the greater New York and New Jersey metropolitan area. Typically, the loans are priced at a fixed rate of interest and require monthly payments over their three- to seven-year life. The yields earned on equipment financing loans are higher than those earned on the commercial loans made by the Banks because they involve a higher degree of credit risk. Equipment financing customers are typically small-business owners who operate with limited financial resources and who face greater risks when the economy weakens or unforeseen adverse events arise. Because of these characteristics, personal guarantees of borrowers are usually obtained along with liens on available assets. The size of loan is determined by an analysis of cash flow and other characteristics pertaining to the business and the equipment to be financed, based on detailed revenue and profitability data of similar operations.

Loans to condominium associations are for the purpose of funding capital improvements, are made for five- to ten-year terms and are secured by a general assignment of condominium association revenues. Among the factors considered in the underwriting of such loans are the level of owner occupancy, the financial condition and history of the condominium association, the attractiveness of the property in relation to the market in which it is located and the reasonableness of estimates of the cost of capital improvements to be made. Depending on loan size, funds are advanced as capital improvements are made and, in more complex situations, after completion of engineering inspections.

Consumer Loans

The consumer loan portfolio is comprised of residential mortgage loans, home equity loans and lines of credit, and other consumer loans and represented 18.2% of total loans outstanding as of September 30, 2017. The Company focuses its mortgage and home equity lending on existing and new customers within its branch networks in its urban and suburban marketplaces in the greater Boston and Providence metropolitan areas.

The Company originates adjustable- and fixed-rate residential mortgage loans secured by one- to four-family residences. Each residential mortgage loan granted is subject to a satisfactorily completed application, employment verification, credit history and a demonstrated ability to repay the debt. 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. Appraisals are performed by outside independent fee appraisers.

In general, the Company maintains three-, five- and seven-year adjustable-rate mortgage loans and ten-year fixed-rate fully amortizing mortgage loans in its portfolio. Fixed-rate mortgage loans with maturities beyond ten years, such as 15- and

30-year fixed-rate mortgages, are generally sold into the secondary market on a servicing-released basis. The Banks act as correspondent banks in these secondary-market transactions. Loan sales in the secondary market provide funds for additional lending and other banking activities.

Underwriting guidelines for home equity loans and lines of credit are similar to those for residential mortgage loans. Home equity loans and lines of credit are limited to no more than 80% of the appraised value of the property securing the loan including the amount of any existing first mortgage liens.

Other consumer loans have historically been a modest part of the Company's loan originations. As of September 30, 2017, other consumer loans equaled $15.7 million, or 0.3% of total loans outstanding.

Asset Quality

Criticized and Classified Assets

The Company's management rates certain loans and leases as "other assets especially mentioned ("OAEM")", "substandard" or "doubtful" based on criteria established under banking regulations.These loans and leases are collectively referred to as "criticized" assets. Loans and leases rated OAEM have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects of the loan or lease at some future date. Loans and leases rated as substandard are inadequately protected by the payment capacity of the obligor or of the collateral pledged, if any. Substandard loans and leases have a well-defined weakness or weaknesses that jeopardize the liquidation of debt and are characterized by the distinct possibility that the Company will sustain some loss if existing deficiencies are not corrected. Loans and leases rated as doubtful have well-defined weaknesses that jeopardize the orderly liquidation of debt and partial loss of principal is likely. As of September 30, 2017, the Company had $74.3 million of total assets, including acquired assets, that were designated as criticized. This compares to $70.4 million of assets designated as criticized as of December 31, 2016. The increase in criticized assets was primarily due to the downgrade of several commercial real estate loans, offset by the payoffs of several criticized loans during the first nine months of 2017.

Nonperforming Assets

"Nonperforming assets" consist of nonperforming loans and leases, other real estate owned ("OREO") and other repossessed assets. Under certain circumstances, the Company may restructure the terms of a loan or lease as a concession to a borrower, except for acquired loans and leases which are individually evaluated against expected performance on the date of acquisition. These restructured loans and leases are generally considered "nonperforming loans and leases" until a history of collection of at least six months on the restructured terms of the loan or lease has been established. OREO consists of real estate acquired through foreclosure proceedings and real estate acquired through acceptance of a deed in lieu of foreclosure. Other repossessed assets consist of assets that have been acquired through foreclosure that are not real estate and are included in other assets on the Company's unaudited consolidated balance sheets.

Accrual of interest on loans generally is discontinued when contractual payment of principal or interest becomes past due 90 days or, if in management's judgment, reasonable doubt exists as to the full timely collection of interest. Exceptions may be made if the loan has matured and is in the process of renewal or is well-secured and in the process of collection. When a loan is placed on nonaccrual status, interest accruals cease and uncollected accrued interest is reversed and charged against current interest income. Interest payments on nonaccrual loans are generally applied to principal. If collection of the principal is reasonably assured, interest payments are recognized as income on the cash basis. Loans are generally returned to accrual status when principal and interest payments are current, full collectability of principal and interest is reasonably assured and a consistent record of at least six months of performance has been achieved.

In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a troubled debt restructured loan. In determining whether a debtor is experiencing financial difficulties, the Company considers, among other factors, if the debtor is in payment default or is likely to be in payment default in the foreseeable future without the modification, the debtor declared or is in the process of declaring bankruptcy, there is substantial doubt that the debtor will continue as a going concern, the debtor's entity-specific projected cash flows will not be sufficient to service its debt, or the debtor cannot obtain funds from sources other than the existing creditors at market terms for debt with similar risk characteristics.

Nonperforming assets are composed of nonaccrual loans and leases, OREO and other repossessed assets. As of September 30, 2017, the Company had nonperforming assets of $44.4 million, representing 0.66% of total assets, compared to nonperforming assets of $41.5 million, or 0.64% of total assets, as of December 31, 2016. The increase in nonperforming assets was primarily due to an increase of $2.6 million in OREO, as well as an increase of $0.4 million in repossessed assets during the first nine months of 2017.

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The Company evaluates the underlying collateral of each nonperforming loan and lease and continues to pursue the collection of interest and principal. Management believes that the current level of nonperforming assets remains manageable relative to the size of the Company's loan and lease portfolio. If economic conditions were to worsen or if the marketplace were to experience prolonged economic stress, management believes it is likely that the level of nonperforming assets would increase, as would the level of charged-off loans.

Past Due and Accruing

Accrual of interest on loans generally is discontinued when contractual payment of principal or interest becomes past due 90 days or, if in management's judgment, reasonable doubt exists as to the full timely collection of interest. Exceptions may be made if the loan has matured and is in the process of renewal or is well-secured and in the process of collection. When a loan is placed on nonaccrual status, interest accruals cease and uncollected accrued interest is reversed and charged against current interest income. Interest payments on nonaccrual loans are generally applied to principal. If collection of the principal is reasonably assured, interest payments are recognized as income on the cash basis. Loans are generally returned to accrual status when principal and interest payments are current, full collectability of principal and interest is reasonably assured and a consistent record of at least six consecutive months of performance has been achieved.

As of September 30, 2017, the Company had loans and leases greater than 90 days past due and accruing of $2.5 million, or 0.04% of total loans and leases, compared to $7.1 million, or 0.13% of total loans and leases, as of December 31, 2016, representing an decrease of $4.6 million. The decrease in past due and accruing loans was due to the payoffs of several past due acquired loans during the first nine months of 2017.

The following table sets forth information regarding nonperforming assets for the periods indicated:

| | At September 30, 2017 | At December 31, 2016 |
|---|---|---|
| | (Dollars in Thousands) | |
| Nonperforming loans and leases: | | |
| Nonaccrual loans and leases: | | |
| Commercial real estate | $3,051 | $ 5,340 |
| Multi-family mortgage | 792 | 1,404 |
| Construction | 860 | — |
| Total commercial real estate loans | 4,703 | 6,744 |
| Commercial | 22,367 | 22,974 |
| Equipment financing | 9,858 | 6,758 |
| Total commercial loans and leases | 32,225 | 29,732 |
| Residential mortgage | 1,969 | 2,501 |
| Home equity | 1,047 | 951 |
| Other consumer | 29 | 149 |
| Total consumer loans | 3,045 | 3,601 |
| Total nonaccrual loans and leases | 39,973 | 40,077 |
| Other real estate owned | 3,235 | 618 |
| Other repossessed assets | 1,163 | 781 |
| Total nonperforming assets | $44,371 | $ 41,476 |
| Loans and leases past due greater than 90 days and accruing | $2,523 | $ 7,077 |
| Total nonperforming loans and leases as a percentage of total loans and leases | 0.71 % | 0.74 % |

| | | |
|---|---|---|
| Total nonperforming assets as a percentage of total assets | 0.66 % | 0.64 % |

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Troubled Debt Restructured Loans and Leases

As of September 30, 2017, restructured loans included $5.0 million of commercial real estate loans, $0.8 million of multi-family mortgage loans, $17.3 million of commercial loans, $3.9 million of equipment financing loans and leases, $1.1 million of residential mortgage loans and $1.2 million of home equity loans. As of December 31, 2016, restructured loans included $4.9 million of commercial real estate loans, $2.0 million of multi-family mortgage loans, $13.7 million of commercial loans, $2.1 million of equipment financing loans and leases, $1.3 million of residential mortgage loans and $1.8 million of home equity loans. A restructured loan is a loan for which the maturity date was extended, the principal was reduced, and/or the interest rate was modified to drop the required monthly payment to a more manageable amount for the borrower.

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

| | At September 30, 2017 | At December 31, 2016 |
|---|---|---|
| | (Dollars in Thousands) | |
| Troubled debt restructurings: | | |
| On accrual | $ 14,024 | $ 13,883 |
| On nonaccrual | 15,290 | 11,919 |
| Total troubled debt restructurings | $ 29,314 | $ 25,802 |

Changes in troubled debt restructured loans and leases were as follows for the periods indicated:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (Dollars in Thousands) | | | |
| Balance at beginning of period | $30,878 | $31,314 | $25,802 | $22,918 |
| Additions | 1,154 | 1,568 | 9,303 | 11,789 |
| Net charge-offs | (590) | 28 | (2,580) | 110 |
| Repayments | (2,128) | (892) | (2,289) | (2,799) |
| Other reductions (1) | — | — | (922) | — |
| Balance at end of period | $29,314 | $32,018 | $29,314 | $32,018 |

(1) Includes loans and leases that were removed from TDR status

Allowances for Credit Losses

The allowance for loan and lease losses consists of general and specific allowances and reflects management's estimate of probable loan and lease losses inherent in the loan portfolio at the balance sheet date. 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. The allowance is calculated by loan type: commercial real estate loans, commercial loans and leases, and consumer loans, each category of which is further segregated. A formula-based credit evaluation approach is applied to each group that is evaluated collectively, primarily by loss factors, which includes estimates of incurred losses over an estimated LEP, assigned to each risk rating by type, coupled with an analysis of certain loans individually evaluated for impairment. Management continuously evaluates and challenges inputs and assumptions in the allowance for loan and lease loss.

The process to determine the allowance for loan and lease losses requires management to exercise considerable judgment regarding the risk characteristics of the loan portfolios and the effect of relevant internal and external factors. While management evaluates currently available information in establishing the allowance for loan and lease losses, future adjustments to the allowance for loan and lease losses may be necessary if conditions differ substantially from the assumptions used in making the evaluations. Management performs a comprehensive review of the allowance for loan and lease losses on a quarterly basis. In addition, various regulatory agencies, as an integral part of their examination process, periodically review a financial institution's allowance for loan and lease losses and carrying amounts of other real estate owned. Such agencies may require the financial institution to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

The Company’s general allowance methodology provides a quantification of probable losses in the portfolio. Under the current methodology, Management combines the historical loss information of the Banks to generate a single set of ratios.

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Management believes it is appropriate to aggregate the ratios as the Banks share common environmental factors, operate in similar markets, and utilize common underwriting standards in accordance with the Company's Credit Policy.

Management employs a similar analysis for the consolidation of the qualitative factors as it does for the quantitative factors. Again, Management believes the combination of the existing nine qualitative factors used at each of the Banks into a single group of factors for use across the Company is appropriate based on the commonality of environmental factors, markets, and underwriting standards among the Banks.

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 risks associated with the portfolio.

The following tables present the changes in the allowance for loan and lease losses by portfolio category for the three and nine months ended September 30, 2017 and 2016.

| | At and for the 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 |
| (Credit) 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 |
| | | | | |
| Total loans and leases | $3,029,009 | $1,585,296 | $1,025,135 | $5,639,440 |
| Total allowance for loan and lease losses as a percentage of total loans and leases | 0.95% | 1.96% | 0.53% | 1.16% |

| | At and for the 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 |
| 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 |
| | | | | |
| Total loans and leases | $2,883,428 | $1,470,866 | $978,006 | $5,332,300 |
| Total allowance for loan and lease losses as a percentage of total loans and leases | 0.97% | 1.80% | 0.45% | 1.10% |

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| | At and for the 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 |
| | | | | |
| Total loans and leases | $3,029,009 | $1,585,296 | $1,025,135 | $5,639,440 |
| Allowance for loan and lease losses as a percentage of total loans and leases | 0.95 % | 1.96 % | 0.53 % | 1.16 % |

| | At and for the 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 |
| 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 |
| | | | | |
| Total loans and leases | $2,883,428 | $1,470,866 | $978,006 | $5,332,300 |
| Allowance for loan and lease losses as a percentage of total loans and leases | 0.97 % | 1.80 % | 0.45 % | 1.10 % |

The allowance for loan and lease losses was $65.4 million as of September 30, 2017, or 1.16% of total loans and leases outstanding. This compared to an allowance for loan and lease losses of $53.5 million, or 0.99% of total loans and leases outstanding, as of December 31, 2016. The increase in the allowance for loan and lease losses and in the allowance for loan and lease losses as a percentage of total loans and leases from December 31, 2016 to September 30, 2017 was primarily due to the increase in specific reserves for taxi medallion loans as a result of a change in the underlying collateral value, the increase in the specific reserve of a number of commercial loans, the increase in historical loss factors applied to commercial real estate and commercial loan portfolios including taxi medallion loans, and loan growth of $240.6 million for the nine months ended September 30, 2017.

Management believes that the allowance for loan and lease losses as of September 30, 2017 is appropriate based on the facts and circumstances discussed further below.

Commercial Real Estate Loans

The allowance for commercial real estate loan losses was $28.9 million, or 0.95% of total commercial real estate loans outstanding, as of September 30, 2017. This compared to an allowance for commercial real estate loan losses of $27.6 million, or 0.95% of total commercial real estate loans outstanding, as of December 31, 2016. Specific reserves on commercial real estate loans were $1.0 thousand and $28.0 thousand as of September 30, 2017 and December 31, 2016, respectively. The $1.3 million increase in the allowance for commercial real estate loan losses during the first nine months of 2017 was primarily driven by originated loan growth of $141.0 million, or 5.1% from December 31, 2016.

The ratio of total criticized and classified commercial real estate loans to total commercial real estate loans increased to 0.84% as of September 30, 2017 from 0.74% as of December 31, 2016. The ratio of originated commercial real estate loans on nonaccrual to total originated commercial real estate loans decreased to 0.16% as of September 30, 2017 from 0.23% as of December 31, 2016.

Net charge-offs in the commercial real estate loan portfolio for the three months ended September 30, 2017 and September 30, 2016 were $65.0 thousand and $50.0 thousand, respectively. As a percentage of average commercial real estate loan portfolio, annualized net charge-offs for the three months ended September 30, 2017 and September 30, 2016 was 0.01% and 0.01%, respectively.

Net recoveries in the commercial real estate loan portfolio totaled $0.2 million for the nine months ended September 30, 2017, compared to net charge-offs of $1.5 million for the nine months ended September 30, 2016. As a percentage of average commercial real estate loan portfolio, annualized net recoveries for the nine months ended September 30, 2017 was 0.01% and annualized charge-offs for the nine month ended September 30, 2016 was 0.07%.

Commercial Loans and Leases

The allowance for commercial loan and lease losses was $31.1 million, or 1.96% of total commercial loans and leases outstanding, as of September 30, 2017, compared to $20.9 million, or 1.40% of total commercial loans and leases outstanding, as of December 31, 2016. Specific reserves on commercial loans and leases increased from $0.1 million as of December 31, 2016 to $7.5 million as of September 30, 2017. The $10.2 million increase in the allowance for commercial loans and lease losses during 2017 was primarily due to the increase in specific reserves for taxi medallion loans as a result of a change in the underlying collateral value, the increase in the specific reserve of a number of commercial loans, the increase in historical loss factors applied to commercial loan portfolios including taxi medallion portfolio in the first nine months of 2017, and the originated loan growth of 96.3 million, or 6.5% from December 31, 2016.

The ratio of total criticized and classified commercial loans and leases to total commercial loans and leases was 3.07% as of September 30, 2017, compared to 3.27% as of December 31, 2016. The ratio of originated commercial loans and leases on nonaccrual to total originated commercial loans and leases increased to 1.98% as of September 30, 2017 from 1.85% as of December 31, 2016.

Net charge-offs in the commercial loan and lease portfolio for the three months ended September 30, 2017 and September 30, 2016 were $1.9 million and $0.4 million, respectively. As a percentage of average commercial loans and leases, annualized net charge-offs for the three months ended September 30, 2017 and September 30, 2016 were 0.47% and 0.10%, respectively.

Net charge-offs in the commercial loan and lease portfolio for the nine months ended September 30, 2017 and September 30, 2016 were $5.5 million and $2.8 million, respectively. As a percentage of average commercial loans and leases, annualized net charge-offs for the nine months ended September 30, 2017 and September 30, 2016 were 0.47% and 0.26%, respectively.

Consumer Loans

The allowance for consumer loan losses, including residential loans and home equity loans and lines of credit, was $5.5 million, or 0.53% of total consumer loans outstanding, as of September 30, 2017, compared to $5.0 million, or 0.51% of consumer loans outstanding, as of December 31, 2016. Specific reserves on consumer loans were $21.0 thousand and $27.0 thousand as of September 30, 2017 and December 31, 2016, respectively. The $0.5 million increase in the allowance for consumer loans during the first nine months of 2017 was primarily driven by the increase in the historical loss factors applied to the consumer portfolios and the originated loan growth of $58.3 million, or 6.8%, from December 31, 2016. The ratio of originated consumer loans on nonaccrual to total originated consumer loans increased to 0.23% as of September 30, 2017 from 0.30% as of December 31, 2016. The risk of loss on a home equity loan is higher since the property securing the loan has often been previously pledged as collateral for a first mortgage loan. The Company gathers and analyzes delinquency data, to the extent that data are available on these first liens, for purposes of assessing the collectability of the second liens held by the Company even if these home equity loans are not delinquent. This data are further analyzed for performance differences between amortizing and non-amortizing home equity loans, the percentage borrowed to total loan commitment and by the amount of payments made by the borrowers. The loss exposure is not considered to be high due to the combination of current property values, the historically low loan-to-value ratios, the low level of losses experienced in the past few years and the low level of loan delinquencies as of September 30, 2017. If the local economy weakens, however, a rise in losses in those loan classes could occur. Historically, losses in these classes have been low.

Net charge-offs in the consumer loan portfolio for the three months ended September 30, 2017 and September 30, 2016 were $33.0 thousand and $95.0 thousand, respectively. Provisions for consumer loans recorded in these periods more than adequately covered charge-offs during those periods.

Net charge-offs in the consumer loan portfolio for the nine months ended September 30, 2017 and September 30, 2016 were $66.0 thousand and $649.0 thousand, respectively. Provisions for consumer loans recorded in these periods more than adequately covered charge-offs during those periods.

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The following table sets forth the Company's percent of allowance for loan and lease losses to the total allowance for loan and lease losses and the percent of loans to total loans for each of the categories listed at the dates indicated.

| | At September 30, 2017 | | | At December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Amount | Percent of Allowance to Total Allowance | Percent of Loans in Each Category to Total Loans | Amount | Percent of Allowance to Total Allowance | Percent of Loans in Each Category to Total Loans |
| | (Dollars in Thousands) | | | | | |
| Commercial real estate | $19,988 | 30.6 % | 37.6 % | $19,354 | 36.1 % | 38.1 % |
| Multi-family mortgage | 5,668 | 8.7 % | 13.2 % | 5,528 | 10.3 % | 13.5 % |
| Construction | 3,212 | 4.9 % | 2.9 % | 2,763 | 5.1 % | 2.5 % |
| Total commercial real estate loans | 28,868 | 44.2 % | 53.7 % | 27,645 | 51.5 % | 54.1 % |
| Commercial | 20,177 | 30.8 % | 12.2 % | 10,096 | 18.8 % | 11.8 % |
| Equipment financing | 10,482 | 16.0 % | 14.9 % | 10,345 | 19.3 % | 14.8 % |
| Condominium association | 416 | 0.6 % | 1.0 % | 465 | 0.9 % | 1.1 % |
| Total commercial loans and leases | 31,075 | 47.4 % | 28.1 % | 20,906 | 39.0 % | 27.7 % |
| Residential mortgage | 2,990 | 4.6 % | 11.6 % | 2,587 | 4.8 % | 11.6 % |
| Home equity | 2,305 | 3.5 % | 6.3 % | 2,356 | 4.4 % | 6.3 % |
| Other consumer | 175 | 0.3 % | 0.3 % | 172 | 0.3 % | 0.3 % |
| Total consumer loans | 5,470 | 8.4 % | 18.2 % | 5,115 | 9.5 % | 18.2 % |
| Total | $65,413 | 100.0 % | 100.0 % | $53,666 | 100.0 % | 100.0 % |

Investment Securities

The investment portfolio exists primarily for liquidity purposes, and secondarily as sources of interest and dividend income, interest-rate risk management and tax planning as a counterbalance to loan and deposit flows. Investment securities are utilized as part of the Company's asset/liability management and may be sold in response to, or in anticipation of, factors such as changes in market conditions and interest rates, security prepayment rates, deposit outflows, liquidity concentrations and regulatory capital requirements.

The investment policy of the Company, which is reviewed and approved by the Board of Directors on an annual basis, specifies the types of investments that are acceptable, required investment ratings by at least one nationally recognized rating agency, concentration limits and duration guidelines. Compliance with the investment policy is monitored on a regular basis. In general, the Company seeks to maintain a high degree of liquidity and targets cash, cash equivalents and investment securities available-for-sale balances between 10% and 30% of total assets.

Cash, cash equivalents, and investment securities increased $15.6 million, or 3.1% on an annualized basis, to $694.0 million as of September 30, 2017 from $678.4 million as of December 31, 2016. The increase was primarily driven by an increase in deposit balances, offset by growth in loans and leases and investment securities. Cash, cash equivalents, and investment securities were 10.4% of total assets as of September 30, 2017, compared to 10.5% of total assets at December 31, 2016.

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

| | At September 30, 2017 | | At December 31, 2016 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| | (In Thousands) | | | |
| Investment securities available-for-sale: | | | | |
| GSE debentures | $139,443 | $139,344 | $98,122 | $97,020 |
| GSE CMOs | 138,137 | 135,280 | 161,483 | 158,040 |
| GSE MBSs | 182,913 | 182,118 | 214,946 | 212,915 |
| SBA commercial loan asset- backed securities | 77 | 77 | 107 | 107 |
| Corporate debt obligations | 58,638 | 58,891 | 48,308 | 48,485 |
| U.S. Treasury bonds | 4,822 | 4,811 | 4,801 | 4,737 |
| Trust preferred securities | 1,471 | 1,403 | 1,469 | 1,358 |
| Total debt securities | 525,501 | 521,924 | 529,236 | 522,662 |
| Marketable equity securities | 975 | 986 | 966 | 972 |
| Total investment securities available-for-sale | $526,476 | $522,910 | $530,202 | $523,634 |
| Investment securities held-to-maturity: | | | | |
| GSE debentures | $38,622 | $38,072 | $14,735 | $14,101 |
| GSE MBSs | 14,788 | 14,643 | 17,666 | 17,479 |
| Municipal obligations | 53,828 | 54,013 | 54,219 | 53,204 |
| Foreign government obligations | 500 | 492 | 500 | 487 |
| Total investment securities held-to-maturity | $107,738 | $107,220 | $87,120 | $85,271 |

The fair value of investment securities is based principally on market prices and dealer quotes received from third-party, nationally-recognized pricing services for identical investment securities such as U.S. Treasury and agency securities. The Company's marketable equity securities are priced this way and are included in Level 1. These prices are validated by comparing the primary pricing source with an alternative pricing source when available. When quoted market prices for identical securities are unavailable, the Company uses market prices provided by independent pricing services based on recent trading activity and other observable information, including but not limited to market interest-rate curves, referenced credit spreads and estimated prepayment speeds where applicable. These investments include certain U.S. and government agency debt securities, municipal and corporate debt securities, GSE residential MBSs and CMOs, and trust preferred securities, all of which are included in Level 2. Certain fair values are estimated using pricing models and are included in Level 3.

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

Maturities, calls and principal repayments for investment securities available-for-sale totaled $55.0 million for the nine months ended September 30, 2017 compared to $76.2 million for the same period in 2016. There were no sales of investment securities available-for-sale for the nine months ended September 30, 2017 and 2016. For the nine months ended September 30, 2017, the Company purchased $52.4 million of investment securities available-for-sale, compared to $77.3 million in purchases of investment securities available-for-sale for the same period in 2016.

Maturities, calls and principal repayments for investment securities held-to-maturity totaled $3.2 million for the nine months ended September 30, 2017 compared to $41.4 million for the same period in 2016. There were no sales of investment securities held-to-maturity for the nine months ended September 30, 2017 and 2016. For the nine months ended September 30, 2017, the Company purchased $23.9 million of investment securities held-to-maturity, compared to $25.0 million in purchases of investment securities held-to-maturity for the same period in 2016.

As of September 30, 2017, the fair value of all investment securities available-for-sale was $522.9 million and carried a total of $3.6 million of net unrealized losses, 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. This compares to $389.0 million, or 74.3%, of the portfolio with gross unrealized losses of $8.0 million as of December 31, 2016. The Company's unrealized loss position has decreased in 2017 driven by lower long-term interest rates.

As of September 30, 2017, the fair value of all investment securities held-to-maturity was $107.2 million and carried a total of $0.5 million of net unrealized losses, compared to a fair value of $85.3 million and 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. This compares to $82.0 million, or 96.1%, of the portfolio with gross unrealized losses of $1.9 million as of December 31, 2016. The Company's unrealized loss position decreased in 2017 driven by lower long-term interest rates.

Management believes that these negative differences between amortized cost and fair value do not include credit losses, but rather differences in interest rates between the time of purchase and the time of measurement. It is more likely than not that the Company will not sell or be required to sell the investment securities before recovery, and, as a result, it will recover the amortized cost basis of the investment securities. As such, management has determined that the securities are not other-than-temporarily impaired as of September 30, 2017. If market conditions for securities worsen or the creditworthiness of the underlying issuers deteriorates, it is possible that the Company may recognize additional other-than-temporary impairments in future periods. For additional discussion on how the Company validates fair values provided by the third-party pricing service, see Note 11, “Fair Value of Financial Instruments.”

Restricted Equity Securities

FHLBB Stock—The Company invests in the stock of the FHLBB as one of the requirements to borrow. The Company maintains an excess balance of capital stock, which allows for additional borrowing capacity at each of the Banks. As of September 30, 2017, the excess balance of capital stock is $3.9 million, as compared to no excess balance at December 31, 2016. On December 30th, 2016, the FHLBB initiated a stock buyback which reduced the Company's excess balance to zero.

As of September 30, 2017, the Company owned stock in the FHLBB with a carrying value of $45.2 million, a decrease of $2.1 million from $47.3 million as of December 31, 2016. As of September 30, 2017, the FHLBB had total assets of $61.0 billion and total capital of $3.2 billion, of which $1.3 billion was retained earnings. The FHLBB stated that it remained in compliance with all regulatory capital ratios as of September 30, 2017 and was classified as "adequately capitalized" by its regulator, based on the FHLBB's financial information as of June 30, 2017.

Federal Reserve Bank Stock—The Company invests in the stock of the Federal Reserve Bank of Boston, as a condition of the membership for the Banks in the Federal Reserve System. As of September 30, 2017 and December 31, 2016, the Company owned stock in the Federal Reserve Bank of Boston with a carrying value of $16.8 million.

Other Stock—The Company invests in a small number of other restricted equity securities which included Northeast Retirement Services, Inc. ("NRS") and the Savings Bank Life Insurance Company of Massachusetts ("SBLI").

The Company, through its wholly owned subsidiary, Brookline Securities Corp., ("Brookline Securities") held 9,721 shares of restricted equity securities of NRS. This investment was recorded at cost of $122 thousand as no readily determinable fair value was available. On December 5, 2016, Community Bank Systems, Inc. ("CBU") announced entry into a merger agreement to acquire NRS. After receiving stockholder and regulatory approvals, CBU completed the acquisition of NRS on February 3, 2017. The Company exchanged the 9,721 shares of NRS and received $319.04 in cash and 14.876 shares of CBU common stock for each share of NRS held. As part of the merger agreement, the Company was restricted to selling 5,071 shares per day in the open market. The Company completed the sale of all CBU shares during the first quarter of 2017. The Company recognized a gain on the sale of securities of $11.4 million for the quarter ending March 31, 2017.

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.

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Deposits

The following table presents the Company's deposit mix at the dates indicated.

| | At September 30, 2017 | | | At December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Amount | Percent of Total | Weighted Average Rate | Amount | Percent of Total | Weighted Average Rate |
| | (Dollars in Thousands) | | | | | |
| Non-interest-bearing deposits: | | | | | | |
| Demand checking accounts | $905,472 | 18.8 % | — % | $900,474 | 19.5 % | — % |
| Interest-bearing deposits: | | | | | | |
| NOW accounts | 318,284 | 6.6 % | 0.07 % | 323,160 | 7.0 % | 0.07 % |
| Savings accounts | 665,558 | 13.8 % | 0.20 % | 613,061 | 13.3 % | 0.20 % |
| Money market accounts | 1,749,040 | 36.5 % | 0.53 % | 1,733,359 | 37.6 % | 0.47 % |
| Certificate of deposit accounts | 1,167,329 | 24.3 % | 1.19 % | 1,041,022 | 22.6 % | 1.04 % |
| Total interest-bearing deposits | 3,900,211 | 81.2 % | 0.63 % | 3,710,602 | 80.5 % | 0.55 % |
| Total deposits | $4,805,683 | 100.0 % | 0.52 % | $4,611,076 | 100.0 % | 0.44 % |

Total deposits increased $194.6 million, or 5.6% on an annualized basis, to $4.8 billion as of September 30, 2017, compared to $4.6 billion as of December 31, 2016. Deposits as a percentage of total assets increased to 71.9% as of September 30, 2017, as compared to 71.6% as of December 31, 2016. The increase in deposits is primarily due to the growth in certificate of deposit accounts and savings accounts.

As of September 30, 2017, the Company had $260.8 million of brokered deposits compared to $203.4 million as of December 31, 2016. Brokered deposits allow the Company to seek additional funding by attracting deposits from outside the Company's core market. The Company's investment policy limits the amount of brokered deposits to 15% of total assets. Brokered deposits are included in the certificate of deposit balance, which increased $126.3 million, or 16.2% on an annualized basis, during the nine months ended September 30, 2017. Certificates of deposit have also increased as a percentage of total deposits to 24.3% as of September 30, 2017 from 22.6% as of December 31, 2016.

During the nine months ended September 30, 2017, core deposits increased $68.3 million, or 2.6% on an annualized basis. The ratio of core deposits to total deposits decreased from 77.4% as of December 31, 2016 to 75.7% as of September 30, 2017, primarily due to the shift in deposit mix and increase in brokered deposits.

The following table sets forth the distribution of the average balances of the Company's deposit accounts for the periods indicated and the weighted average interest rates on each category of deposits presented. Averages for the periods presented are based on daily balances.

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | Average Balance | Percent of Total Average Deposits | Weighted Average Rate | Average Balance | Percent of Total Average Deposits | Weighted Average Rate |
| | (Dollars in Thousands) | | | | | |
| Core deposits: | | | | | | |
| Non-interest-bearing demand checking accounts | $918,054 | 19.3 % | — % | $863,854 | 19.1 % | — % |
| NOW accounts | 321,731 | 6.8 % | 0.07 % | 295,762 | 6.6 % | 0.07 % |
| Savings accounts | 605,303 | 12.7 % | 0.20 % | 566,192 | 12.5 % | 0.22 % |
| Money market accounts | 1,765,610 | 37.2 % | 0.51 % | 1,678,937 | 37.2 % | 0.45 % |
| Total core deposits | 3,610,698 | 76.0 % | 0.29 % | 3,404,745 | 75.4 % | 0.26 % |
| Certificate of deposit accounts | 1,139,699 | 24.0 % | 1.17 % | 1,112,831 | 24.6 % | 1.01 % |
| Total deposits | $4,750,397 | 100.0 % | 0.50 % | $4,517,576 | 100.0 % | 0.45 % |

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| | Nine Months Ended September 30, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | | | | | 2016 | | | | | | |
| | Average Balance | Percent of Total Average Deposits | | Weighted Average Rate | | Average Balance | Percent of Total Average Deposits | | Weighted Average Rate | | | |
| | (Dollars in Thousands) | | | | | | | | | | | |
| Core deposits: | | | | | | | | | | | | |
| Non-interest-bearing demand checking accounts | $905,684 | 19.4 | % | — | % | $829,659 | 18.7 | % | — | % | | |
| NOW accounts | 319,633 | 6.8 | % | 0.07 | % | 289,908 | 6.5 | % | 0.07 | % | | |
| Savings accounts | 603,814 | 12.9 | % | 0.20 | % | 561,798 | 12.7 | % | 0.24 | % | | |
| Money market accounts | 1,759,449 | 37.6 | % | 0.49 | % | 1,654,700 | 37.2 | % | 0.45 | % | | |
| Total core deposits | 3,588,580 | 76.7 | % | 0.28 | % | 3,336,065 | 75.1 | % | 0.27 | % | | |
| Certificate of deposit accounts | 1,088,011 | 23.3 | % | 1.12 | % | 1,107,600 | 24.9 | % | 0.99 | % | | |
| Total deposits | $4,676,591 | 100.0 | % | 0.47 | % | $4,443,665 | 100.0 | % | 0.45 | % | | |

As of September 30, 2017 and December 31, 2016, the Company had outstanding certificates of deposit of $100,000 or more, maturing as follows:

| | At September 30, 2017 | | | At December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Amount | Weighted Average Rate | | Amount | Weighted Average Rate | |
| | (Dollars in Thousands) | | | | | |
| Maturity period: | | | | | | |
| Six months or less | $150,892 | 0.86 | % | $134,783 | 0.82 | % |
| Over six months through 12 months | 137,264 | 1.12 | % | 79,543 | 0.92 | % |
| Over 12 months | 224,115 | 1.68 | % | 222,342 | 1.44 | % |
| Total certificate of deposit of $100,000 or more | $512,271 | 1.29 | % | $436,668 | 1.15 | % |

Borrowed Funds

The following table sets forth certain information regarding advances from the FHLBB, subordinated debentures and notes and other borrowed funds for the periods indicated:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | (Dollars in Thousands) | | | | | | | |
| Borrowed funds: | | | | | | | | |
| Average balance outstanding | $1,037,778 | | $1,050,849 | | $1,046,054 | | $1,013,865 | |
| Maximum amount outstanding at any month-end during the period | 1,070,681 | | 1,050,118 | | 1,093,693 | | 1,050,118 | |
| Balance outstanding at end of period | 985,896 | | 1,022,653 | | 985,896 | | 1,022,653 | |
| Weighted average interest rate for the period | 1.64 | % | 1.52 | % | 1.59 | % | 1.55 | % |
| Weighted average interest rate at end of period | 1.67 | % | 1.56 | % | 1.67 | % | 1.56 | % |

Advances from the FHLBB

On a long-term basis, the Company intends to continue to increase its core deposits. The Company also uses FHLBB borrowings and other wholesale borrowing as part of the Company's overall strategy to fund loan growth and manage interest-rate risk and liquidity. The advances are secured by a blanket security agreement which requires the Banks to maintain certain qualifying assets as collateral, principally mortgage loans and securities in an aggregate amount at least equal to outstanding advances. The maximum amount that the FHLBB will advance to member institutions, including the Company, fluctuates from time to time in accordance with the policies of the FHLBB. The Company may also borrow from the FRB's "discount window" as necessary.

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FHLBB borrowings decreased by $38.3 million to $872.6 million as of September 30, 2017 from the December 31, 2016 balance of $910.8 million. The decrease in FHLBB borrowings was primarily due to a reduction in new advances from the FHLBB, as the Company is utilizing other funding sources to support loan growth.

Subordinated Debentures and Notes

The Company acquired two $5.0 million subordinated debentures due on June 26, 2033 and March 17, 2034, respectively. The Company is obligated to pay 3-month LIBOR plus 3.10% and 3-month LIBOR plus 2.79%, respectively, on a quarterly basis until the debentures mature.

The Company sold $75.0 million of 6.0% fixed-to-floating subordinated notes due September 15, 2029. The Company is obligated to pay 6.0% interest semiannually between September 2014 and September 2024. Subsequently, the Company is obligated to pay 3-month LIBOR plus 3.315% quarterly until the notes mature in September 2029.

The following table summarizes the Company's subordinated debentures and notes at the dates indicated.

| | | | | Carrying Amount | |
|---|---|---|---|---|---|
| Issue Date | Rate | Maturity Date | Next Call Date | September 30, 2017 | December 31, 2016 |
| | (Dollars in Thousands) | | | | |
| June 26, 2003 | Variable; 3-month LIBOR + 3.10% | June 26, 2033 | December 26, 2017 | $4,772 | $ 4,752 |
| March 17, 2004 | Variable; 3-month LIBOR + 2.79% | March 17, 2034 | December 18, 2017 | 4,657 | 4,628 |
| September 15, 2014 | 6.0% Fixed-to-Variable; 3-month LIBOR + 3.315% | September 15, 2029 | September 15, 2024 | 73,800 | 73,725 |
| | | | Total | $83,229 | $ 83,105 |

The above carrying amounts of the subordinated debentures included $0.6 million of accretion adjustments and $1.2 million of capitalized debt issuance costs as of September 30, 2017. This compares to $0.6 million of accretion adjustments and $1.3 million of capitalized debt issuance costs as of December 31, 2016.

Other Borrowed Funds

In addition to advances from the FHLBB and subordinated debentures and notes, the Company utilizes other funding sources as part of the overall liquidity strategy. Those funding sources include repurchase agreements, committed and uncommitted lines of credit with several financial institutions.

The Company periodically enters into repurchase agreements with its larger deposit and commercial customers as part of its cash management services which are typically overnight borrowings. Repurchase agreements with customers decreased $20.1 million to $30.1 million as of September 30, 2017 from $50.2 million as of December 31, 2016.

The Company has access to a $12.0 million committed line of credit as of September 30, 2017. As of September 30, 2017 and December 31, 2016, the Company did not have any borrowings on this committed line of credit outstanding.

The Banks also have access to funding through several uncommitted lines of credit of $204.0 million. As of September 30, 2017 and December 31, 2016, the Company did not have any borrowings on these uncommitted lines of credit.

Derivative Financial Instruments

The Company has entered into loan level derivatives, risk participation agreements, and foreign exchange contracts with certain of its commercial customers and concurrently enters into offsetting swaps with third-party financial institutions. The Company may also, from time to time, enter into risk participation agreements. The Company did not have derivative fair value hedges or derivative cash flow hedges at September 30, 2017 or December 31, 2016. The following table summarizes certain information concerning the Company's loan level derivatives, risk participation agreements, and foreign exchange contracts at September 30, 2017 and December 31, 2016:

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| | At September 30, 2017 | | At December 31, 2016 | |
|---|---|---|---|---|
| | (Dollars in Thousands) | | | |
| Loan level derivatives (Notional principal amounts): | | | | |
| Receive fixed, pay variable | $465,470 | | $ 383,780 | |
| Pay fixed, receive variable | 465,470 | | 383,780 | |
| Risk participation-out agreements | 28,858 | | 16,961 | |
| Risk participation-in agreements | 3,825 | | — | |
| Foreign exchange contracts (Notional amounts): | | | | |
| Buys foreign currency, sells U.S. currency | $1,200 | | $ 195 | |
| Sells foreign currency, buys U.S. currency | 1,208 | | 195 | |
| Fixed weighted average interest rate from the Company to counterparty | 4.15 | % | 4.13 | % |
| Floating weighted average interest rate from counterparty to the Company | 3.21 | % | 2.77 | % |
| Weighted average remaining term to maturity (in months) | 82 | | 91 | |
| Fair value: | | | | |
| Recognized as an asset: | | | | |
| Loan level derivatives | $9,975 | | $ 9,738 | |
| Risk participation-out agreements | 49 | | 20 | |
| Foreign exchange contracts | 22 | | — | |
| Recognized as a liability: | | | | |
| Loan level derivatives | $9,975 | | $ 9,738 | |
| Risk participation-in agreements | 14 | | — | |
| Foreign exchange contracts | 14 | | — | |

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

Stockholders' Equity and Dividends

The Company's total stockholders' equity was $804.8 million as of September 30, 2017, representing a $109.2 million increase compared to $695.5 million at December 31, 2016. The increase primarily reflects net income attributable to the Company of $43.7 million for the nine months ended September 30, 2017, issuance of common stock of $81.9 million, an unrealized gain on securities available-for-sale of $1.9 million, an increase of $1.0 million related to stock-based compensation, which was partially offset by dividends paid by the Company of $20.1 million in that same period.

Stockholders' equity represented 12.04% of total assets as of September 30, 2017 and 10.80% of total assets as of December 31, 2016. Tangible stockholders' equity (total stockholders' equity less goodwill and identified intangible assets, net) represented 10.09% of tangible assets (total assets less goodwill and identified intangible assets, net) as of September 30, 2017 and 8.73% as of December 31, 2016.

The dividend payout ratio was 44.90% for the three months ended September 30, 2017, compared to 46.60% for the same period of 2016 and 46.09% for the nine months ended September 30, 2017, compared to 48.66% for the same period of 2016.

Results of Operations

The primary drivers of the Company's net income are net interest income, which is strongly affected by the net yield on and growth of interest-earning assets and liabilities ("net interest margin"), the quality of the Company's assets, its levels of non-interest income and non-interest expense, and its tax provision.

The Company's net interest income represents the difference between interest income earned on its investments, loans and leases, and its cost of funds. Interest income is dependent on the amount of interest-earning assets outstanding during the period and the yield earned thereon. Cost of funds is a function of the average amount of deposits and borrowed money outstanding during the year and the interest rates paid thereon. The net interest margin is calculated by dividing net interest income by average interest-earning assets. Net interest spread is the difference between the average rate earned on interest-earning assets and the average rate paid on interest-bearing liabilities. The increases or decreases, as applicable, in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate, are summarized under "Rate/Volume Analysis" below. Information as to the components of interest income, interest expense and average rates is provided under "Average Balances, Net Interest Income, Interest-Rate Spread and Net Interest Margin" below.

Because the Company's assets and liabilities are not identical in duration and in repricing dates, the differential between the two is vulnerable to changes in market interest rates as well as the overall shape of the yield curve. These vulnerabilities are inherent to the business of banking and are commonly referred to as "interest-rate risk." How interest-rate risk is measured and, once measured, how much interest-rate risk is taken are based on numerous assumptions and other subjective judgments. See the discussion in “Item 3. Quantitative and Qualitative Disclosures about Market Risk” below.

The quality of the Company's assets also influences its earnings. Loans and leases that are not paid on a timely basis and exhibit other weaknesses can result in the loss of principal and/or interest income. Additionally, the Company must make timely provisions to the allowance for loan and lease losses based on estimates of probable losses inherent in the loan and lease portfolio. These additions, which are charged against earnings, are necessarily greater when greater probable losses are expected. Further, the Company incurs expenses as a result of resolving troubled assets. These variables reflect the "credit risk" that the Company takes on in the ordinary course of business and are further discussed under "Financial Condition—Asset Quality" above.

Net Interest Income

Net interest income increased $4.4 million to $56.8 million for the three months ended September 30, 2017 from $52.4 million for the three months ended September 30, 2016. This overall increase reflects a $5.2 million increase in interest income on loans and leases and a $0.3 million increase in interest income on investment securities, offset by a $1.2 million increase in interest expense on deposit and borrowings, which is reflective of the various portfolios repricing and replacing balances into the current interest rate environment. Refer to “Results of Operations - Comparison of the Three-Month Period Ended September 30, 2017 and September 30, 2016 — Interest Income” and “Results of Operations - Comparison of the Three-Month Period Ended September 30, 2017 and September 30, 2016 — Interest Expense Deposit and Borrowed Funds” below for more details.

Net interest income increased $13.7 million to $165.5 million for the nine months ended September 30, 2017 from $151.8 million for the nine months ended September 30, 2016. This overall increase reflects a $15.3 million increase in interest income on loans and leases and a $0.6 million increase in interest income on investment securities, offset by a $2.3 million increase in interest expense on deposit and borrowings, which is reflective of the various portfolios repricing and replacing balances into the current interest rate environment. Refer to “Results of Operations - Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016 — Interest Income” and “Results of Operations - Comparison of the Nine-Month Period Ended September 30, 2017 and September 30, 2016 — Interest Expense Deposit and Borrowed Funds” below for more details.

Net interest margin increased by 9 basis points to 3.57% for the three months ended September 30, 2017 from 3.48% for the three months ended September 30, 2016. The Company's weighted average interest rate on loans (prior to purchase accounting adjustments) increased to 4.52% for the three months ended September 30, 2017 from 4.36% for the three months ended September 30, 2016. Interest amortization and accretion on acquired loans totaled $0.2 million and contributed 1 basis point to loan yields during the three months ended September 30, 2017 compared to $0.9 million, or 6 basis points, for the three months ended September 30, 2016. The increase in the net interest margin is the result of repricing interest-earning assets in a slightly higher rate environment offset by a comparable increase in funding costs.

Net interest margin increased by 10 basis points to 3.56% for the nine months ended September 30, 2017 from 3.46% for the nine months ended September 30, 2016. The Company's weighted average interest rate on loans (prior to purchase accounting adjustments) increased to 4.44% for the nine months ended September 30, 2017 from 4.32% for the nine months ended September 30, 2016. Interest amortization and accretion on acquired loans totaled $0.6 million and contributed 1 basis point to loan yields during the nine months ended September 30, 2017, compared to $1.3 million, or 3 basis points, for the nine months ended September 30, 2016. The increase in the net interest margin is the result of repricing and originating interest-earning assets in a higher rate environment offset by an increase in funding costs.

The yield on interest-earning assets increased to 4.25% for the three months ended September 30, 2017 from 4.10% for the three months ended September 30, 2016. This increase is the result of higher yields on loans and leases, partially offset by a decrease in prepayment penalties and late charges. During the three months ended September 30, 2017, the Company recorded $0.8 million in prepayment penalties and late charges, which contributed 5 basis points to yields on interest-earning assets in the three months ended September 30, 2017 compared to $1.2 million, or 8 basis points, for the three months ended September 30, 2016.

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The yield on interest-earning assets increased to 4.17% for the nine months ended September 30, 2017 from 4.05% for the nine months ended September 30, 2016. This increase is the result of higher yields on loans and leases. During the nine months ended September 30, 2017, the Company recorded $2.6 million in prepayment penalties and late charges, which contributed 6 basis points to yields on interest-earning assets, compared to $2.7 million, or 6 basis points, in the nine months ended September 30, 2016.

The overall cost of funds (including non-interest-bearing demand checking accounts) increased 6 basis points to 0.71% for the three months ended September 30, 2017 from 0.65% for the three months ended September 30, 2016. The overall cost of funds increased 3 basis points to 0.68% for the nine months ended September 30, 2017 from 0.65% for the nine months ended September 30, 2016. Refer to "Financial Condition - Borrowed Funds" above for more details.

Management seeks to position the balance sheet to be neutral to asset sensitive to changes in interest rates. Since the end of 2016, short term interest rates have risen while at the same time net interest income, net interest spread, and net interest margin have also increased. In general, the Company's balance sheet position should respond positively in a rising interest rate environment and when the rate curves are steepening which should result in a positive impact to net interest income, net interest spread, and the net interest margin. A declining interest rate or flattening yield curve environment is expected to have a negative impact on the Company's yields and net interest margin. Additional risk factors include, but are not limited to: ongoing pricing pressures in both the loan and deposit portfolios, the ability to increase the Company's core deposits, decrease its loan-to-deposit ratio, and decrease its reliance on FHLBB advances. Net interest income may also be negatively affected by changes in the amount of accretion on acquired loans and leases, deposits and borrowed funds, which are included in interest income and interest expense, respectively.

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Average Balances, Net Interest Income, Interest-Rate Spread and Net Interest Margin

The following table sets forth information about the Company's average balances, interest income and interest rates earned on average interest-earning assets, interest expense and interest rates paid on average interest-bearing liabilities, interest-rate spread and net interest margin for the three and nine months ended September 30, 2017 and September 30, 2016. Average balances are derived from daily average balances and yields include fees, costs and purchase-accounting-related premiums and discounts which are considered adjustments to coupon yields in accordance with GAAP. Certain amounts previously reported have been reclassified to conform to the current presentation.

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2017 | | | September 30, 2016 | | |
| | Average Balance | Interest (1) | Average Yield/ Cost | Average Balance | Interest (1) | Average Yield/ Cost |
| | (Dollars in Thousands) | | | | | |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Debt securities | $642,018 | $3,264 | 2.03 % | $604,394 | $2,910 | 1.93 % |
| Marketable and restricted equity securities | 66,212 | 789 | 4.76 % | 66,981 | 836 | 4.99 % |
| Short-term investments | 52,674 | 180 | 1.36 % | 36,273 | 47 | 0.51 % |
| Total investments | 760,904 | 4,233 | 2.23 % | 707,648 | 3,793 | 2.14 % |
| Commercial real estate loans (2) | 2,974,185 | 31,299 | 4.12 % | 2,872,733 | 29,470 | 4.10 % |
| Commercial loans (2) | 760,115 | 7,959 | 4.10 % | 717,265 | 7,130 | 3.90 % |
| Equipment financing (2) | 846,027 | 13,983 | 6.61 % | 759,622 | 12,189 | 6.42 % |
| Residential mortgage loans (2) | 649,831 | 6,043 | 3.72 % | 620,741 | 5,513 | 3.55 % |
| Other consumer loans (2) | 369,925 | 4,015 | 4.30 % | 356,516 | 3,810 | 4.24 % |
| Total loans and leases | 5,600,083 | 63,299 | 4.52 % | 5,326,877 | 58,112 | 4.36 % |
| Total interest-earning assets | 6,360,987 | 67,532 | 4.25 % | 6,034,525 | 61,905 | 4.10 % |
| Allowance for loan and lease losses | (65,140) | | | (58,032) | | |
| Non-interest-earning assets | 385,195 | | | 383,604 | | |
| Total assets | $6,681,042 | | | $6,360,097 | | |
| Liabilities and Stockholders' Equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing deposits: | | | | | | |
| NOW accounts | $321,731 | 55 | 0.07 % | $295,762 | 52 | 0.07 % |
| Savings accounts | 605,303 | 306 | 0.20 % | 566,192 | 318 | 0.22 % |
| Money market accounts | 1,765,610 | 2,267 | 0.51 % | 1,678,937 | 1,905 | 0.45 % |
| Certificate of deposit | 1,139,699 | 3,356 | 1.17 % | 1,112,831 | 2,837 | 1.01 % |
| Total interest-bearing deposits (3) | 3,832,343 | 5,984 | 0.62 % | 3,653,722 | 5,112 | 0.56 % |
| Advances from the FHLBB | 913,206 | 3,028 | 1.30 % | 921,396 | 2,778 | 1.18 % |
| Subordinated debentures and notes | 83,204 | 1,274 | 6.13 % | 83,036 | 1,259 | 6.07 % |
| Other borrowed funds | 41,368 | 47 | 0.45 % | 46,417 | 32 | 0.27 % |
| Total borrowed funds | 1,037,778 | 4,349 | 1.64 % | 1,050,849 | 4,069 | 1.52 % |
| Total interest-bearing liabilities | 4,870,121 | 10,333 | 0.84 % | 4,704,571 | 9,181 | 0.78 % |
| Non-interest-bearing liabilities: | | | | | | |
| Non-interest-bearing demand checking accounts (3) | 918,054 | | | 863,854 | | |
| Other non-interest-bearing liabilities | 80,616 | | | 90,025 | | |
| Total liabilities | 5,868,791 | | | 5,658,450 | | |
| Brookline Bancorp, Inc. stockholders' equity | 804,666 | | | 695,205 | | |
| Noncontrolling interest in subsidiary | 7,585 | | | 6,442 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total liabilities and stockholders' equity | $6,681,042 | | | $6,360,097 | | |
| Net interest income (tax-equivalent basis) / Interest-rate spread (4) | | 57,199 | 3.41 % | | 52,724 | 3.32 % |
| Less adjustment of tax-exempt income | | 356 | | | 374 | |
| Net interest income | | $56,843 | | | $52,350 | |
| Net interest margin (5) | | | 3.57 % | | | 3.48 % |

(1) Tax-exempt income on debt securities, equity securities and industrial revenue bonds are included in commercial real estate loans on a tax-equivalent basis.
(2) Loans on nonaccrual status are included in the average balances.
(3) Including non-interest-bearing checking accounts, the average interest rate on total deposits was 0.50% and 0.45% in the three months ended September 30, 2017 and September 30, 2016, respectively.
(4) Interest-rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.
(5) Net interest margin represents net interest income (tax equivalent basis) divided by average interest-earning assets.

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| | Nine Months Ended September 30, 2017 | | | September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest (1) | Average Yield/ Cost | Average Balance | Interest (1) | Average Yield/ Cost |
| | (Dollars in Thousands) | | | | | |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Investments : | | | | | | |
| Debt securities | $631,549 | $9,641 | 2.04 % | $604,603 | $9,078 | 2.00 % |
| Marketable and restricted equity securities | 68,104 | 2,306 | 4.52 % | 66,764 | 2,247 | 4.49 % |
| Short-term investments | 42,922 | 342 | 1.06 % | 46,198 | 149 | 0.43 % |
| Total investments | 742,575 | 12,289 | 2.21 % | 717,565 | 11,474 | 2.13 % |
| Loans and leases: | | | | | | |
| Commercial real estate loans (2) | 2,949,313 | 91,134 | 4.07 % | 2,785,472 | 85,014 | 4.07 % |
| Commercial loans (2) | 730,453 | 22,737 | 4.11 % | 692,634 | 20,430 | 3.88 % |
| Equipment financing (2) | 826,494 | 40,907 | 6.60 % | 738,990 | 35,690 | 6.44 % |
| Residential mortgage loans (2) | 641,443 | 17,511 | 3.64 % | 624,102 | 16,705 | 3.57 % |
| Other consumer loans (2) | 364,407 | 11,187 | 4.10 % | 350,070 | 10,389 | 3.95 % |
| Total loans and leases | 5,512,110 | 183,476 | 4.44 % | 5,191,268 | 168,228 | 4.32 % |
| Total interest-earning assets | 6,254,685 | 195,765 | 4.17 % | 5,908,833 | 179,702 | 4.05 % |
| Allowance for loan and lease losses | (62,142) | | | (57,982) | | |
| Non-interest-earning assets | 374,558 | | | 379,761 | | |
| Total assets | $6,567,101 | | | $6,230,612 | | |
| Liabilities and Stockholders' Equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing deposits: | | | | | | |
| NOW accounts | $319,633 | 164 | 0.07 % | $289,908 | 156 | 0.07 % |
| Savings accounts | 603,814 | 916 | 0.20 % | 561,798 | 998 | 0.24 % |
| Money market accounts | 1,759,449 | 6,407 | 0.49 % | 1,654,700 | 5,547 | 0.45 % |
| Certificate of deposit | 1,088,011 | 9,120 | 1.12 % | 1,107,600 | 8,174 | 0.99 % |
| Total interest-bearing deposits (3) | 3,770,907 | 16,607 | 0.59 % | 3,614,006 | 14,875 | 0.55 % |
| Advances from the FHLBB | 913,137 | 8,640 | 1.25 % | 888,406 | 8,125 | 1.20 % |
| Subordinated debentures and notes | 83,165 | 3,805 | 6.10 % | 82,996 | 3,773 | 6.06 % |
| Other borrowed funds | 49,752 | 137 | 0.37 % | 42,463 | 82 | 0.26 % |
| Total borrowed funds | 1,046,054 | 12,582 | 1.59 % | 1,013,865 | 11,980 | 1.55 % |
| Total interest-bearing liabilities | 4,816,961 | 29,189 | 0.81 % | 4,627,871 | 26,855 | 0.78 % |
| Non-interest-bearing liabilities: | | | | | | |
| Non-interest-bearing deposits: | | | | | | |
| Non-interest-bearing demand checking accounts (3) | 905,684 | | | 829,659 | | |
| Other non-interest-bearing liabilities | 76,735 | | | 80,774 | | |
| Total liabilities | 5,799,380 | | | 5,538,304 | | |
| Brookline Bancorp, Inc. stockholders' equity | 760,447 | | | 686,134 | | |
| Noncontrolling interest in subsidiary | 7,274 | | | 6,174 | | |
| Total liabilities and stockholders' equity | $6,567,101 | | | $6,230,612 | | |
| Net interest income (tax-equivalent basis) / Interest-rate spread (4) | | 166,576 | 3.36 % | | 152,847 | 3.27 % |
| Less adjustment of tax-exempt income | | 1,052 | | | 1,037 | |
| Net interest income | | $165,524 | | | $151,810 | |

| | | |
|---|---|---|
| Net interest margin (5) | 3.56 % | 3.46 % |

(1) Tax-exempt income on debt securities, equity securities and industrial revenue bonds are included in commercial real estate loans on a tax-equivalent basis.
(2) Loans on nonaccrual status are included in the average balances.
(3) Including non-interest-bearing checking accounts, the average interest rate on total deposits was 0.47% and 0.45% in the nine months ended September 30, 2017 and September 30, 2016, respectively.
(4) Interest-rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.
(5) Net interest margin represents net interest income (tax equivalent basis) divided by average interest-earning assets.

Rate/Volume Analysis

The following table presents, on a tax-equivalent basis, the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to

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changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume), and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

| | Three Months Ended September 30, 2017 as Compared to the Three Months Ended September 30, 2016 Increase (Decrease) Due To | | | Nine Months Ended September 30, 2017 as Compared to the Nine Months Ended September 30, 2016 Increase (Decrease) Due To | | |
|---|---|---|---|---|---|---|
| | Volume | Rate | Net Change | Volume | Rate | Net Change |
| | (In Thousands) | | | | | |
| Interest and dividend income: | | | | | | |
| Investments: | | | | | | |
| Debt securities | $193 | $161 | $354 | $389 | $174 | $563 |
| Marketable and restricted equity securities | (9) | (38) | (47) | 44 | 15 | 59 |
| Short-term investments | 28 | 105 | 133 | (11) | 204 | 193 |
| Total investments | 212 | 228 | 440 | 422 | 393 | 815 |
| Loans and leases: | | | | | | |
| Commercial real estate loans | 1,607 | 222 | 1,829 | 6,120 | — | 6,120 |
| Commercial loans and leases | 446 | 383 | 829 | 1,106 | 1,201 | 2,307 |
| Equipment financing | 1,424 | 370 | 1,794 | 4,312 | 905 | 5,217 |
| Residential mortgage loans | 262 | 268 | 530 | 473 | 333 | 806 |
| Other consumer loans | 149 | 56 | 205 | 414 | 384 | 798 |
| Total loans | 3,888 | 1,299 | 5,187 | 12,425 | 2,823 | 15,248 |
| Total change in interest and dividend income | 4,100 | 1,527 | 5,627 | 12,847 | 3,216 | 16,063 |
| Interest expense: | | | | | | |
| Deposits: | | | | | | |
| NOW accounts | 3 | — | 3 | 8 | — | 8 |
| Savings accounts | 19 | (31) | (12) | 79 | (161) | (82) |
| Money market accounts | 101 | 261 | 362 | 358 | 502 | 860 |
| Certificate of deposit | 69 | 450 | 519 | (143) | 1,089 | 946 |
| Total deposits | 192 | 680 | 872 | 302 | 1,430 | 1,732 |
| Borrowed funds: | | | | | | |
| Advances from the FHLBB | (25) | 275 | 250 | 206 | 309 | 515 |
| Subordinated debentures and notes | 3 | 12 | 15 | 8 | 24 | 32 |
| Other borrowed funds | (4) | 19 | 15 | 16 | 39 | 55 |
| Total borrowed funds | (26) | 306 | 280 | 230 | 372 | 602 |
| Total change in interest expense | 166 | 986 | 1,152 | 532 | 1,802 | 2,334 |
| Change in tax-exempt income | (18) | — | (18) | 15 | — | 15 |
| Change in net interest income | $3,952 | $541 | $4,493 | $12,300 | $1,414 | $13,714 |

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Interest Income

Loans and Leases

| | Three Months Ended September 30, | | Dollar Change | Percent Change | Nine Months Ended September 30, | | Dollar Change | Percent Change |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | | | 2017 | 2016 | | |
| | (Dollars in Thousands) | | | | | | | |
| Interest income—loans and leases: | | | | | | | | |
| Commercial real estate loans | $31,298 | $29,470 | $1,828 | 6.2 % | $91,133 | $85,014 | $6,119 | 7.2 % |
| Commercial loans | 7,714 | 6,876 | 838 | 12.2 % | 22,011 | 19,676 | 2,335 | 11.9 % |
| Equipment financing | 13,983 | 12,188 | 1,795 | 14.7 % | 40,907 | 35,690 | 5,217 | 14.6 % |
| Residential mortgage loans | 6,043 | 5,514 | 529 | 9.6 % | 17,511 | 16,705 | 806 | 4.8 % |
| Other consumer loans | 4,016 | 3,810 | 206 | 5.4 % | 11,188 | 10,389 | 799 | 7.7 % |
| Total interest income—loans and leases | $63,054 | $57,858 | $5,196 | 9.0 % | $182,750 | $167,474 | $15,276 | 9.1 % |

Interest income from loans and leases was $63.1 million for the three months ended September 30, 2017, and represented a yield on total loans of 4.52%. This compares to $57.9 million of interest on loans and a yield of 4.36% for September 30, 2016. The $5.2 million increase in interest income from loans and leases was attributable to an increase of $3.9 million due to an increase in origination volume and an increase of $1.3 million due to the changes in interest rates.

Accretion on acquired loans and leases of $0.2 million contributed 1 basis point to the Company's net interest margin for the three months ended September 30, 2017, compared to $0.9 million and 6 basis points for the three months ended September 30, 2016.

Interest income from loans and leases was $182.8 million for the nine months ended September 30, 2017, resulting in a yield on total loans of 4.44%. This compares to $167.5 million of interest on loans and a yield of 4.32% for the nine months ended September 30, 2016. The year over year increase of $15.2 million in interest income from loans and leases was due to an increase of $12.4 million due to increase in origination volume and an increase of of $2.8 million due to changes in interest rates.

Accretion on acquired loans and leases of $0.6 million contributed 1 basis point to net interest margin for the nine months ended September 30, 2017, compared to $1.3 million and 3 basis point for the nine months ended September 30, 2016.

Investments

| | Three Months Ended September 30, | | Dollar Change | Percent Change | Nine Months Ended September 30, | | Dollar Change | Percent Change |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | | | 2017 | 2016 | | |
| | (Dollars in Thousands) | | | | | | | |
| Interest income—investments: | | | | | | | | |
| Debt securities | $3,154 | $2,822 | $ 332 | 11.8 % | $9,310 | $8,829 | $ 481 | 5.4 % |
| Marketable and restricted equity securities | 788 | 804 | (16 ) | -2.0 % | 2,311 | 2,213 | 98 | 4.4 % |
| Short-term investments | 180 | 47 | 133 | 283.0 % | 342 | 149 | 193 | 129.5% |
| Total interest income—investments | $4,122 | $3,673 | $ 449 | 12.2 % | $11,963 | $11,191 | $ 772 | 6.9 % |

Total investment income was $4.1 million for the three months ended September 30, 2017 compared to $3.7 million for the three months ended September 30, 2016. As of September 30, 2017 and 2016, the yield on total investments was 2.2% and 2.1%, respectively. The year over year increase in interest income on investments of $0.4 million, or 12.2%, was driven by a $228.0 thousand increase due to rates and a $212.0 thousand increase due to volume.

Total investment income was $12.0 million for the nine months ended September 30, 2017 compared to $11.2 million for the nine months ended September 30, 2016. As of September 30, 2017 and 2016, the yield on total investments was 2.2% and

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2.1%, respectively. The year over year increase in interest income on investments of $0.8 million, or 6.9%, was driven by a $393.0 thousand increase due to rates and a $422.0 thousand increase due to volume.

Interest Expense—Deposits and Borrowed Funds

| | Three Months Ended September 30, | | Dollar Change | Percent Change | Nine Months Ended September 30, | | Dollar Change | Percent Change |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | | | 2017 | 2016 | | |
| | (Dollars in Thousands) | | | | | | | |
| Interest expense: | | | | | | | | |
| Deposits: | | | | | | | | |
| NOW accounts | $55 | $52 | $3 | 5.8 % | $164 | $156 | $8 | 5.1 % |
| Savings accounts | 306 | 318 | (12) | -3.8 % | 916 | 998 | (82) | -8.2 % |
| Money market accounts | 2,267 | 1,905 | 362 | 19.0 % | 6,407 | 5,547 | 860 | 15.5 % |
| Certificates of deposit | 3,356 | 2,837 | 519 | 18.3 % | 9,120 | 8,174 | 946 | 11.6 % |
| Total interest expense - deposits | 5,984 | 5,112 | 872 | 17.1 % | 16,607 | 14,875 | 1,732 | 11.6 % |
| Borrowed funds: | | | | | | | | |
| Advances from the FHLBB | 3,028 | 2,778 | 250 | 9.0 % | 8,640 | 8,125 | 515 | 6.3 % |
| Subordinated debentures and notes | 1,274 | 1,259 | 15 | 1.2 % | 3,805 | 3,773 | 32 | 0.8 % |
| Other borrowed funds | 47 | 32 | 15 | 46.9 % | 137 | 82 | 55 | 67.1 % |
| Total interest expense - borrowed funds | 4,349 | 4,069 | 280 | 6.9 % | 12,582 | 11,980 | 602 | 5.0 % |
| Total interest expense | $10,333 | $9,181 | $1,152 | 12.5 % | $29,189 | $26,855 | $2,334 | 8.7 % |

Deposits

For the three months ended September 30, 2017, interest expense on deposits increased $0.9 million, or 17.1%, as compared to the same period in 2016. Interest expense increased $0.7 million due to an increase in interest rates and $0.2 million due to the growth in deposits. There was no purchase accounting accretion on acquired deposits for the three months ended September 30, 2017, compared to $24.0 thousand for the three months ended September 30, 2016. Purchase accounting accretion did not impact the Company's net interest margin for the three months ended September 30, 2017 and 2016.

Interest expense on deposits increased $1.7 million, or 11.6%, to $16.6 million for the nine months ended September 30, 2017 from $14.9 million for the nine months ended September 30, 2016. The increase in interest expense on deposits was due to a $1.4 million increase due to rates offered and a $0.3 million increase due to volume. There was no accretion on acquired deposits for the nine months ended September 30, 2017 compared to $73.0 thousand for the nine months ended September 30, 2016. Accretion did not have an impact on the Company's net interest margin for the nine months ended September 30, 2017 and 2016.

Borrowed Funds

During the three months ended September 30, 2017, interest paid on borrowed funds increased $0.3 million, or 6.9% year over year, primarily driven by an increase in FHLBB borrowings. The cost of borrowed funds increased to 1.64% for the three months ended September 30, 2017 from 1.52% for the three months ended September 30, 2016. The increase in interest expense was driven by an increase of $306.0 thousand due to borrowing rates and a decrease of $26.0 thousand due to volume. For the three months ended September 30, 2017, there was no purchase accounting accretion on acquired borrowed funds compared to $0.6 million and four basis points for the three months ended September 30, 2016.

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Interest expense on borrowed funds increased by $0.6 million, or 5.0%, to $12.6 million for the nine months ended September 30, 2017 from $12.0 million for the nine months ended September 30, 2016. The cost of borrowed funds increased to 1.59% for the nine months ended September 30, 2017 from 1.55% for the nine months ended September 30, 2016. The increase in interest expense was due to a $372.0 thousand increase due to higher borrowing rates and a $230.0 thousand increase due to higher volume. Accretion on acquired borrowed funds of $1.0 million improved the Company's net interest margin by two basis points for the nine months ended September 30, 2017. This compared to $1.9 million and four basis points for the nine months ended September 30, 2016.

Provision for Credit Losses

The provisions for credit losses are set forth below:

| | Three Months Ended September 30, | | Dollar | Percent | Nine Months Ended September 30, | | Dollar | Percent |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | Change | 2017 | 2016 | Change | Change |
| | (Dollars in Thousands) | | | | | | | |
| Provision for loan and lease losses: | | | | | | | | |
| Commercial real estate | $979 | $(1,755) | $2,734 | 155.8 % | $1,041 | $(561 ) | $1,602 | 285.6 % |
| Commercial | 1,832 | 3,923 | (2,091 ) | -53.3 % | 15,636 | 7,201 | 8,435 | 117.1 % |
| Consumer | 35 | (14 ) | 49 | 350.0 % | 421 | 451 | (30 ) | -6.7 % |
| Total provision for loan and lease losses | 2,846 | 2,154 | 692 | 32.1 % | 17,098 | 7,091 | 10,007 | 141.1 % |
| Unfunded credit commitments | 65 | 61 | 4 | 6.6 % | 88 | 47 | 41 | 87.2 % |
| Total provision for credit losses | $2,911 | $2,215 | $696 | 31.4 % | $17,186 | $7,138 | $10,048 | 140.8 % |

For the three months ended September 30, 2017, the provision for credit losses increased $0.7 million, or 31.4%, to $2.9 million from $2.2 million for the three months ended September 30, 2016. The increase in the provision for credit losses for the three months ended September 30, 2017 was primarily driven by charge-offs on several taxi medallion loans during the quarter, as well as changes in loss factors of the commercial real estate portfolio during the third quarter of 2017.

For the nine months ended September 30, 2017, the provision for credit losses increased $10.0 million, or 140.8%, to $17.2 million from $7.1 million for the nine months ended September 30, 2016. The increase in the provision for credit losses for the nine months ended September 30, 2017 was primarily driven by the continued loan growth in the commercial real estate and equipment financing portfolios and increases in specific reserves for taxi medallion loans.

See management's discussion of "Financial Condition — Allowance for Loan and Lease Losses" and Note 5, "Allowance for Loan and Lease Losses," to the unaudited consolidated financial statements for a description of how management determined the allowance for loan and lease losses for each portfolio and class of loans.

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Non-Interest Income

The following table sets forth the components of non-interest income:

| | Three Months Ended September 30, 2017 | 2016 | Dollar Change | Percent Change | Nine Months Ended September 30, 2017 | 2016 | Dollar Change | Percent Change |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | | |
| Deposit fees | $2,547 | $2,289 | $258 | 11.3 % | $7,508 | $6,650 | $858 | 12.9 % |
| Loan fees | 282 | 330 | (48) | -14.5 % | 772 | 977 | (205) | -21.0 % |
| Loan level derivative income, net | 844 | 858 | (14) | -1.6 % | 1,432 | 3,697 | (2,265) | -61.3 % |
| Gain on sales of investment securities, net | — | — | — | — % | 11,393 | — | 11,393 | 100.0 % |
| Gain on sales of loans and leases held-for-sale | 1,049 | 588 | 461 | 78.4 % | 1,709 | 1,986 | (277) | -13.9 % |
| Other | 1,251 | 1,264 | (13) | -1.0 % | 3,544 | 3,893 | (349) | -9.0 % |
| Total non-interest income | $5,973 | $5,329 | $644 | 12.1 % | $26,358 | $17,203 | $9,155 | 53.2 % |

For the three months ended September 30, 2017, non-interest income increased $0.6 million, or 12.1%, to $6.0 million as compared to the same period in 2016. This increase is primarily due to a $0.3 million increase in deposit fees and a $0.5 million increase in gain on sales of loans and leases held-for-sale.

For the nine months ended September 30, 2017, non-interest income increased $9.2 million, or 53.2%, to $26.4 million as compared to the same period of 2016. This increase is primarily due to a $0.9 million increase in deposit fees, offset by a $2.3 million decrease in loan level derivative income, and a $11.4 million increase in gain on sales of investment securities.

Deposit fees increased $0.3 million, or 11.3%, to $2.5 million for the three months ended September 30, 2017 from $2.3 million for the same period of 2016 and increased $0.9 million, or 12.9%, to $7.5 million for the nine months ended September 30, 2017 from $6.7 million for the same period of 2016. This increase is primarily due to growth in deposits.

Gain on sales of loans and leases held-for-sale increased $0.5 million, or 78.4%, to $1.0 million for the three months ended September 30, 2017 from $0.6 million for the same period of 2016. This increase is primarily driven by the gain recorded on the sale of loans.

Loan level derivative income decreased $2.3 million, or 61.3%, to $1.4 million for the nine months ended September 30, 2017 from $3.7 million for the same period of 2016, primarily driven by fewer loan level derivative transactions completed for the nine months ended September 30, 2017.

No gain on sales of investment securities were recorded for the three months ended September 30, 2017 and 2016 and increased to $11.4 million, or 100.0%, for the nine months ended September 30, 2017 from zero for the same period of 2016, primarily driven by the gain on investment securities in the first quarter 2017.

Non-Interest Expense

The following table sets forth the components of non-interest expense:

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| | Three Months Ended September 30, 2017 | 2016 | Dollar Change | Percent Change | Nine Months Ended September 30, 2017 | 2016 | Dollar Change | Percent Change |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | | |
| Compensation and employee benefits | $21,067 | $20,369 | $698 | 3.4 % | $61,761 | $58,179 | $3,582 | 6.2 % |
| Occupancy | 3,650 | 3,411 | 239 | 7.0 % | 10,952 | 10,328 | 624 | 6.0 % |
| Equipment and data processing | 4,210 | 3,826 | 384 | 10.0 % | 12,437 | 11,468 | 969 | 8.4 % |
| Professional services | 973 | 997 | (24 ) | -2.4 % | 3,115 | 2,925 | 190 | 6.5 % |
| FDIC insurance | 842 | 956 | (114 ) | -11.9 % | 2,648 | 2,677 | (29 ) | -1.1 % |
| Advertising and marketing | 839 | 844 | (5 ) | -0.6 % | 2,513 | 2,558 | (45 ) | -1.8 % |
| Amortization of identified intangible assets | 519 | 623 | (104 ) | -16.7 % | 1,570 | 1,879 | (309 ) | -16.4 % |
| Merger and acquisition expense | 205 | — | 205 | 100.0 % | 205 | — | 205 | 100.0 % |
| Other | 3,103 | 2,362 | 741 | 31.4 % | 8,758 | 7,707 | 1,051 | 13.6 % |
| Total non-interest expense | $35,408 | $33,388 | $2,020 | 6.1 % | $103,959 | $97,721 | $6,238 | 6.4 % |

For the three months ended September 30, 2017, non-interest expense increased $2.0 million, or 6.1%, to $35.4 million as compared to the same period in 2016. This increase is primarily due to a $0.7 million increase in compensation and employee benefits expense, a $0.4 million increase in equipment and data processing expense, and a $0.7 million increase in other expense.

For the nine months ended September 30, 2017, non-interest expense increased $6.2 million, or 6.4%, to $104.0 million as compared to the same period in 2016. This increase is primarily due to a $3.6 million increase in compensation and employee benefits expense, a $1.0 million increase in equipment and data processing expense, and a $1.1 million increase in other expense.

The efficiency ratio decreased to 56.37% for the three months ended September 30, 2017 from 57.89% for the same period in 2016 and decreased to 54.18% for the nine months ended September 30, 2017 from 57.82% for the same period in 2016. Efforts to drive revenue growth contributed to the overall improvement in the efficiency ratio, along with an $11.4 million gain on sales of investment securities in the first quarter of 2017.

Compensation and employee benefits expense increased $0.7 million, or 3.4%, to $21.1 million for the three months ended September 30, 2017, from $20.4 million for the same period in 2016 and increased $3.6 million, or 6.2% to $61.8 million for the nine months ended September 30, 2017 from $58.2 million for the same period in 2016. This increase was primarily driven by an increase in employee headcount and incentive plan expenses.

Equipment and data processing expense increased $0.4 million, or 10.0%, to $4.2 million for the three months ended September 30, 2017 from $3.8 million for the same period in 2016 and increased $1.0 million, or 8.4%, to $12.4 million for the nine months ended September 30, 2017 from $11.5 million for the same period in 2016. This increase was primarily driven by an increase related to core processing, software licenses, and loan processing expense.

Other expense increased $0.7 million, or 31.4%, to $3.1 million for the three months ended September 30, 2017 from $2.4 million for the same period in 2016 and increased $1.1 million, or 13.6%, to $8.8 million for the nine months ended September 30, 2017 from $7.7 million for the same period in 2016. This increase was primarily driven by an increase related to loan expenses.

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Provision for Income Taxes

| | Three Months Ended September 30, 2017 | 2016 | Dollar Change | Percent Change | Nine Months Ended September 30, 2017 | 2016 | Dollar Change | Percent Change |
|---|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | | |
| Income before provision for income taxes | $24,497 | $22,076 | $2,421 | 11.0 % | $70,737 | $64,154 | $6,583 | 10.3 % |
| Provision for income taxes | 8,330 | 7,804 | 526 | 6.7 % | 24,924 | 22,868 | 2,056 | 9.0 % |
| Net income, before non-controlling interest in subsidiary | $16,167 | $14,272 | $1,895 | 13.3 % | $45,813 | $41,286 | $4,527 | 11.0 % |
| Effective tax rate | 34.0 % | 35.4 % | N/A | -4.0 % | 35.2 % | 35.6 % | N/A | -1.1 % |

The Company recorded income tax expense of $8.3 million for the three months ended September 30, 2017, compared to $7.8 million for the three months ended September 30, 2016, representing effective tax rates of 34.0% and 35.4%, respectively.

The Company recorded income tax expense of $24.9 million for the nine months ended September 30, 2017, compared to $22.9 million for the nine months ended September 30, 2016, representing effective tax rates of 35.2% and 35.6%, respectively.

The decrease in the effective tax rates for the three and nine months ended September 30, 2017 was due to the adoption of ASU 2016-09. This ASU requires that the excess tax benefit associated with stock compensation transactions be recorded through earnings as a discrete item within the Company's effective tax rate during the period of the transaction. The prior guidance required the recognition of the excess tax benefit through additional paid in capital. The majority of the Company's stock based compensation events occur in the third quarter. Refer also to Note 9, "Stock Based Compensation."

During the third quarter of 2017, the Company was notified by the Internal Revenue Service (IRS) of its intent to examine the Company's 2015 consolidated federal income tax return. Management believes that this examination will conclude during the next 12 months.

Liquidity and Capital Resources

Liquidity

Liquidity is defined as the ability to meet current and future financial obligations of a short-term nature. The Company further defines liquidity as the ability to respond to the needs of depositors and borrowers, as well as to earnings enhancement opportunities, in a changing marketplace. Liquidity management is monitored by an Asset/Liability Committee ("ALCO"), consisting of members of management, which is responsible for establishing and monitoring liquidity targets as well as strategies and tactics to meet these targets.

The primary source of funds for the payment of dividends and expenses by the Company is dividends paid to it by the Banks and Brookline Securities Corp. The primary sources of liquidity for the Banks consist of deposit inflows, loan repayments, borrowed funds, and maturing investment securities.

Deposits, which are considered the most stable source of liquidity, totaled $4.8 billion as of September 30, 2017 and represented 83.0% of total funding (the sum of total deposits and total borrowings), compared to deposits of $4.6 billion, or 81.5% of total funding, as of December 31, 2016. Core deposits, which consist of demand checking, NOW, savings and money market accounts, totaled $3.6 billion as of September 30, 2017 and represented 75.7% of total deposits, compared to core deposits of $3.6 billion, or 77.4% of total deposits, as of December 31, 2016. Additionally, the Company had $260.8 million of brokered deposits as of September 30, 2017, which represented 5.4% of total deposits, compared to $203.4 million or 4.4% of total deposits, as of December 31, 2016. The Company offers attractive interest rates based on market conditions to increase deposits balances, while managing cost of funds.

Borrowings are used to diversify the Company's funding mix and to support asset growth. When profitable lending and investment opportunities exist, access to borrowings provides a means to grow the balance sheet. Borrowings totaled $1.0 billion as of September 30, 2017, representing 17.0% of total funding, compared to $1.0 billion, or 18.5% of total funding, as of December 31, 2016.

As members of the FHLBB, the Banks have access to both short- and long-term borrowings. As of September 30, 2017 and December 31, 2016, the Company's total borrowing limit from the FHLBB for advances and repurchase agreements was $1.5 billion based on the level of qualifying collateral available for these borrowings.

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As of September 30, 2017, the Banks also have access to funding through certain uncommitted lines of credit of $204.0 million.
The Company had a $12.0 million committed line of credit for contingent liquidity as of September 30, 2017. As of September 30, 2017, the Company did not have any borrowings on this committed line of credit outstanding.
The Company has access to the Federal Reserve Bank "discount window" to supplement its liquidity. The Company has $86.9 million of borrowing capacity at the Federal Reserve Bank as of September 30, 2017. As of September 30, 2017, the Company did not have any borrowings with the Federal Reserve Bank outstanding.
Additionally, the Banks have access to liquidity through repurchase agreements and brokered deposits.
In general, the Company seeks to maintain a high degree of liquidity and targets cash, cash equivalents and investment securities available-for-sale balances of between 10% and 30% of total assets. As of September 30, 2017, cash, cash equivalents and investment securities available-for-sale totaled $586.3 million, or 8.8% of total assets. This compares to $591.3 million, or 9.2% of total assets as of December 31, 2016.
While management believes that the Company has adequate liquidity to meet its commitments and to fund the Banks' lending and investment activities, the availabilities of these funding sources are subject to broad economic conditions and could be restricted in the future. Such restrictions would impact the Company's immediate liquidity and/or additional liquidity needs.

Off-Balance-Sheet Financial Instruments

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

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

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

| | At September 30, 2017 | At December 31, 2016 |
|---|---|---|
| | (In Thousands) | |
| Financial instruments whose contract amounts represent credit risk: | | |
| Commitments to originate loans and leases: | | |
| Commercial real estate | $95,484 | $ 27,750 |
| Commercial | 89,036 | 71,716 |
| Residential mortgage | 19,672 | 28,179 |
| Unadvanced portion of loans and leases | 526,532 | 580,416 |
| Unused lines of credit: | | |
| Home equity | 383,973 | 340,682 |
| Other consumer | 14,119 | 13,157 |
| Other commercial | 306 | 208 |
| Unused letters of credit: | | |
| Financial standby letters of credit | 11,270 | 11,720 |
| Performance standby letters of credit | 668 | 516 |
| Commercial and similar letters of credit | 855 | 785 |
| Loan level derivatives: | | |
| Receive fixed, pay variable | 465,470 | 383,780 |
| Pay fixed, receive variable | 465,470 | 383,780 |
| Risk participation-out agreements | 28,858 | 16,961 |
| Risk participation-in agreements | 3,825 | — |
| Foreign exchange contracts: | | |
| Buys foreign currency, sells U.S. currency | 1,200 | 195 |
| Sells foreign currency, buys U.S. currency | 1,208 | 195 |

As of December 31, 2016, the Company held no risk participation-in agreements.

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Capital Resources

As of September 30, 2017, the Company and the Banks are each under the primary regulation of, and must comply with, the capital requirements of the FRB. As of September 30, 2017, the Company and the Banks exceeded all regulatory capital requirements and were considered "well-capitalized" under prompt corrective action regulations, as amended to reflect the changes under Basel III Capital Rules. The following table presents actual and required capital ratios as of September 30, 2017 for the Company and the Banks under the Basel III Capital Rules based on the phase-in provision of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased in.

The Company's and the Banks' actual and required capital amounts and ratios were as follows:

| | Actual | | Minimum Required for Capital Adequacy Purposes | | Minimum Required for Fully Phased in Capital Adequacy Purposes plus Capital Conservation Buffer | | Minimum Required to be Considered "Well-Capital Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | (Dollars in Thousands) | | | | | | | |
| At September 30, 2017: | | | | | | | | |
| Brookline Bancorp, Inc. | | | | | | | | |
| Common equity Tier 1 capital ratio (1) | $666,819 | 12.07% | $248,607 | 4.50% | $386,722 | 7.00 % | N/A | N/A |
| Tier 1 leverage capital ratio (2) | 683,868 | 10.45% | 261,768 | 4.00% | 261,768 | 4.00 % | N/A | N/A |
| Tier 1 risk-based capital ratio (3) | 683,868 | 12.38% | 331,438 | 6.00% | 469,538 | 8.50 % | N/A | N/A |
| Total risk-based capital ratio (4) | 824,622 | 14.92% | 442,157 | 8.00% | 580,330 | 10.50 % | N/A | N/A |
| Brookline Bank | | | | | | | | |
| Common equity Tier 1 capital ratio (1) | $407,604 | 11.58% | $158,395 | 4.50% | $246,393 | 7.00 % | $228,793 | 6.50 % |
| Tier 1 leverage capital ratio (2) | 415,378 | 10.21% | 162,734 | 4.00% | 162,734 | 4.00 % | 203,417 | 5.00 % |
| Tier 1 risk-based capital ratio (3) | 415,378 | 11.80% | 211,209 | 6.00% | 299,213 | 8.50 % | 281,612 | 8.00 % |
| Total risk-based capital ratio (4) | 459,389 | 13.05% | 281,618 | 8.00% | 369,623 | 10.50 % | 352,022 | 10.00 % |
| BankRI | | | | | | | | |
| Common equity Tier 1 capital ratio (1) | $191,682 | 11.25% | $76,673 | 4.50% | $119,269 | 7.00 % | $110,750 | 6.50 % |
| Tier 1 leverage capital ratio (2) | 191,682 | 9.15 % | 83,795 | 4.00% | 83,795 | 4.00 % | 104,744 | 5.00 % |
| Tier 1 risk-based capital ratio (3) | 191,682 | 11.25% | 102,230 | 6.00% | 144,826 | 8.50 % | 136,307 | 8.00 % |
| Total risk-based capital ratio (4) | 210,241 | 12.34% | 136,299 | 8.00% | 178,892 | 10.50 % | 170,374 | 10.00 % |
| First Ipswich | | | | | | | | |
| Common equity Tier 1 capital ratio (1) | $32,681 | 11.41% | $12,889 | 4.50% | $20,050 | 7.00 % | $18,618 | 6.50 % |
| Tier 1 leverage capital ratio (2) | 32,681 | 8.43 % | 15,507 | 4.00% | 15,507 | 4.00 % | 19,384 | 5.00 % |
| Tier 1 risk-based capital ratio (3) | 32,681 | 11.41% | 17,185 | 6.00% | 24,346 | 8.50 % | 22,914 | 8.00 % |
| Total risk-based capital ratio (4) | 36,270 | 12.66% | 22,919 | 8.00% | 30,082 | 10.50 % | 28,649 | 10.00 % |

(1) Common equity Tier 1 capital ratio is calculated by dividing common equity Tier 1 capital by risk-weighted assets. The ratio was established as part of the implementation of Basel III, effective January 1, 2015.

(2) Tier 1 leverage capital ratio is calculated by dividing Tier 1 capital by average assets.

(3) Tier 1 risk-based capital ratio is calculated by dividing Tier 1 capital by risk-weighted assets.

(4) Total risk-based capital ratio is calculated by dividing total capital by risk-weighted assets.

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The following table presents actual and required capital ratios as of December 31, 2016 for the Company and the Banks under the regulatory capital rules then in effect.

| | Actual | | Minimum Required for Capital Adequacy Purposes | | Minimum Required for Fully Phased in Capital Adequacy Purposes plus Capital Conservation Buffer | | Minimum Required To Be Considered "Well-Capitalized" Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | (Dollars in Thousands) | | | | | | | |
| At December 31, 2016: | | | | | | | | |
| Brookline Bancorp, Inc. | | | | | | | | |
| Common equity Tier 1 capital ratio (1) | $559,644 | 10.48% | $240,305 | 4.50% | $373,808 | 7.00 % | N/A | N/A |
| Tier 1 leverage capital ratio (2) | 575,830 | 9.16 % | 251,454 | 4.00% | 251,454 | 4.00 % | N/A | N/A |
| Tier 1 risk-based capital ratio (3) | 575,830 | 10.79% | 320,202 | 6.00% | 453,620 | 8.50 % | N/A | N/A |
| Total risk-based capital ratio (4) | 704,675 | 13.20% | 427,076 | 8.00% | 560,537 | 10.50 % | N/A | N/A |
| Brookline Bank | | | | | | | | |
| Common equity Tier 1 capital ratio (1) | $384,759 | 11.31% | $153,087 | 4.50% | $238,136 | 7.00 % | $ 221,126 | 6.50 % |
| Tier 1 leverage capital ratio (2) | 391,964 | 10.07% | 155,696 | 4.00% | 155,696 | 4.00 % | 194,620 | 5.00 % |
| Tier 1 risk-based capital ratio (3) | 391,964 | 11.53% | 203,971 | 6.00% | 288,959 | 8.50 % | 271,961 | 8.00 % |
| Total risk-based capital ratio (4) | 428,966 | 12.61% | 272,143 | 8.00% | 357,188 | 10.50 % | 340,179 | 10.00 % |
| BankRI | | | | | | | | |
| Common equity Tier 1 capital ratio (1) | $182,202 | 10.94% | $74,946 | 4.50% | $116,583 | 7.00 % | $ 108,255 | 6.50 % |
| Tier 1 leverage capital ratio (2) | 182,202 | 8.97 % | 81,249 | 4.00% | 81,249 | 4.00 % | 101,562 | 5.00 % |
| Tier 1 risk-based capital ratio (3) | 182,202 | 10.94% | 99,928 | 6.00% | 141,565 | 8.50 % | 133,237 | 8.00 % |
| Total risk-based capital ratio (4) | 197,702 | 11.87% | 133,245 | 8.00% | 174,884 | 10.50 % | 166,556 | 10.00 % |
| First Ipswich | | | | | | | | |
| Common equity Tier 1 capital ratio (1) | $33,433 | 12.61% | $11,931 | 4.50% | $18,559 | 7.00 % | $ 17,234 | 6.50 % |
| Tier 1 leverage capital ratio (2) | 33,433 | 9.23 % | 14,489 | 4.00% | 14,489 | 4.00 % | 18,111 | 5.00 % |
| Tier 1 risk-based capital ratio (3) | 33,433 | 12.61% | 15,908 | 6.00% | 22,536 | 8.50 % | 21,210 | 8.00 % |
| Total risk-based capital ratio (4) | 36,053 | 13.60% | 21,208 | 8.00% | 27,835 | 10.50 % | 26,510 | 10.00 % |

(1) Common equity Tier 1 capital ratio is calculated by dividing common equity Tier 1 capital by risk-weighted assets. The ratio was established as part of the implementation of Basel III, effective January 1, 2015.

(2) Tier 1 leverage capital ratio is calculated by dividing Tier 1 capital by average assets.

(3) Tier 1 risk-based capital ratio is calculated by dividing Tier 1 capital by risk-weighted assets.

(4) Total risk-based capital ratio is calculated by dividing total capital by risk-weighted assets.

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## Item 3. Quantitative and Qualitative Disclosures about Market Risk

### Market Risk

Market risk is the risk that the market value or estimated fair value of the Company's assets, liabilities, and derivative financial instruments will decline as a result of changes in interest rates or financial market volatility, or that the Company's net income will be significantly reduced by interest-rate changes.

### Interest-Rate Risk

The principal market risk facing the Company is interest-rate risk, which can occur in a variety of forms, including repricing risk, yield-curve risk, basis risk, and prepayment risk. Repricing risk occurs when the change in the average yield of either interest-earning assets or interest-bearing liabilities is more sensitive than the other to changes in market interest rates. Such a change in sensitivity could reflect a number of possible mismatches in the repricing opportunities of the Company's assets and liabilities. Yield-curve risk reflects the possibility that changes in the shape of the yield curve could have different effects on the Company's assets and liabilities. Basis risk occurs when different parts of the balance sheet are subject to varying base rates reflecting the possibility that the spread from those base rates will deviate. Prepayment risk is associated with financial instruments with an option to prepay before the stated maturity, often a disadvantage to person selling the option; this risk is most often associated with the prepayment of loans, callable investments, and callable borrowings.

### Asset/Liability Management

Market risk and interest-rate risk management is governed by the Company's Asset/Liability Committee ("ALCO"). The ALCO establishes exposure limits that define the Company's tolerance for interest-rate risk. The ALCO and the Company's Treasury Group measure and manage the composition of the balance sheet over a range of possible changes in interest rates while remaining responsive to market demand for loan and deposit products. The ALCO monitors current exposures versus limits and reports those results to the Board of Directors. The policy limits and guidelines serve as benchmarks for measuring interest-rate risk and for providing a framework for evaluation and interest-rate risk-management decision-making. The Company measures its interest-rate risk by using an asset/liability simulation model. The model considers several factors to determine the Company's potential exposure to interest-rate risk, including measurement of repricing gaps, duration, convexity, value-at-risk, market value of portfolio equity under assumed changes in the level of interest rates, the shape of yield curves, and general market volatility. Management controls the Company's interest-rate exposure using several strategies, which include adjusting the maturities of securities in the Company's investment portfolio, limiting or expanding the terms of loans originated, limiting fixed-rate deposits with terms of more than five years, and adjusting maturities of FHLBB advances. The Company limits this risk by restricting the types of MBSs it invests in to those with limited average life changes under certain interest-rate-shock scenarios, or securities with embedded prepayment penalties. The Company also places limits on holdings of fixed-rate mortgage loans with maturities greater than five years. The Company may also use derivative instruments, principally interest-rate swaps, to manage its interest-rate risk; however, the Company had no derivative fair value hedges or derivative cash flows hedges as of September 30, 2017 or December 31, 2016. See Note 8, “Derivatives and Hedging Activities,” to the unaudited consolidated financial statements.

### Measuring Interest-Rate Risk

As noted above, interest-rate risk can be measured by analyzing the extent to which the repricing of assets and liabilities are mismatched to create an interest-rate sensitivity gap. An asset or liability is said to be interest-rate sensitive within a specific period if it will mature or reprice within that period. The interest-rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time period and the amount of interest-bearing liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest-rate-sensitive assets exceeds the amount of interest-rate-sensitive liabilities. A gap is considered negative when the amount of interest-rate-sensitive liabilities exceeds the amount of interest-rate-sensitive assets. During a period of falling interest rates, therefore, a positive gap would tend to adversely affect net interest income. Conversely, during a period of rising interest rates, a positive gap position would tend to result in an increase in net interest income.

The Company's interest-rate risk position is measured using both income simulation and interest-rate sensitivity "gap" analysis. Income simulation is the primary tool for measuring the interest-rate risk inherent in the Company's balance sheet at a given point in time by showing the effect on net interest income, over a twelve-month period, of a variety of interest-rate shocks. These simulations take into account repricing, maturity, and prepayment characteristics of individual products. The ALCO reviews simulation results to determine whether exposure resulting from changes in market interest rates remains within

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established tolerance levels over a twelve-month horizon, and develops appropriate strategies to manage this exposure. The Company's interest-rate risk analysis remains modestly asset-sensitive as of September 30, 2017.
The assumptions used in the Company's interest-rate sensitivity simulation discussed above are inherently uncertain and, as a result, the simulations cannot precisely measure net interest income or precisely predict the impact of changes in interest rates.
As of September 30, 2017, net interest income simulation indicated that the Company's exposure to changing interest rates was within tolerance. The ALCO reviews the methodology utilized for calculating interest-rate risk exposure and may periodically adopt modifications to this methodology. The following table presents the estimated impact of interest-rate changes on the Company's estimated net interest income over the twelve-month periods indicated:

| | Estimated Exposure to Net Interest Income over Twelve-Month Horizon Beginning | | | |
|---|---|---|---|---|
| | September 30, 2017 | | December 31, 2016 | |
| Gradual Change in Interest Rate Levels | Dollar Change | Percent Change | Dollar Change | Percent Change |
| | (Dollars in Thousands) | | | |
| Up 300 basis points | $11,110 | 4.9 % | $6,403 | 3.0 % |
| Up 200 basis points | 7,740 | 3.4 % | 4,420 | 2.1 % |
| Up 100 basis points | 4,063 | 1.8 % | 2,288 | 1.1 % |
| Down 100 basis points | (10,141 ) | -4.4 % | (5,196 ) | -2.5 % |

The estimated impact of a 300 basis point increase in market interest rates on the Company's estimated net interest income over a twelve-month horizon was a positive 4.9% as of September 30, 2017, compared to a positive 3.0% as of December 31, 2016, the increase in asset sensitivity was due to a change in the funding mix, as core deposits and issued common stock funded balance sheet growth.

The Company also uses interest-rate sensitivity "gap" analysis to provide a more general overview of its interest-rate risk profile. The interest-rate sensitivity gap is defined as the difference between interest-earning assets and interest-bearing liabilities maturing or repricing within a given time period. At September 30, 2017, the Company's one-year cumulative gap was a negative $55.6 million, or 0.9% of total interest-earning assets, compared with a negative $275.3 million, or 4.56% of total interest-earning assets, at December 31, 2016.

The assumptions used in the Company's interest-rate sensitivity simulation discussed above are inherently uncertain and, as a result, the simulations cannot precisely measure net interest income or precisely predict the impact of changes in interest rates. For additional discussion on interest-rate risk see Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" of the Company's 2016 Annual Report on Form 10-K.

Economic Value of Equity ("EVE") at Risk Simulation is conducted in tandem with net interest income simulations to ascertain a longer term view of the Company's interest-rate risk position by capturing longer-term repricing risk and options risk embedded in the balance sheet. It measures the sensitivity of the economic value of equity to changes in interest rates. The EVE at Risk Simulation values only the current balance sheet and does not incorporate growth assumptions. As with the net interest income simulation, this simulation captures product characteristics such as loan resets, repricing terms, maturity dates, and rate caps and floors. Key assumptions include loan prepayment speeds, deposit pricing elasticity, and non-maturity deposit attrition rates. These assumptions can have significant impacts on valuation results as the assumptions remain in effect for the entire life of each asset and liability. The Company conducts non-maturity deposit behavior studies on a periodic basis to support deposit assumptions used in the valuation process. All key assumptions are subject to a periodic review.

EVE at Risk is calculated by estimating the net present value of all future cash flows from existing assets and liabilities using current interest rates as well as parallel shocks to the current interest-rate environment. The following table sets forth the estimated percentage change in the Company's EVE at Risk, assuming various shifts in interest rates. Given the interest rate environment as of September 30, 2017, simulations for interest rate declines of more than 100 basis points were not deemed to be meaningful.

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| Parallel Shock in Interest Rate Levels | Estimated Percent Change in Economic Value of Equity At September 30, 2017 | At December 31, 2016 |
|---|---|---|
| Up 300 basis points | 2.5 % | -4.6 % |
| Up 200 basis points | 1.6 % | -4.4 % |
| Up 100 basis points | 1.5 % | -1.6 % |
| Down 100 basis points | -9.1 % | -6.4 % |

The Company's EVE sensitivity for Up shock scenarios moved from a negative outcome at December 31, 2016 to a positive outcome at September 30, 2017 due to the issuance of common stock which replaced short wholesale funding as well as the duration of assets shortened due to increased prepayments driven by lower, long term rates.

Item 4. Controls and Procedures

Controls and Procedures

Under the supervision and with the participation of the Company’s Management, including the Company’s Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), the Company has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer considered that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to the Company’s Management, including its Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company’s internal control over financial reporting identified in connection with the quarterly evaluation that occurred during the Company’s last fiscal quarter that has materially and detrimentally affected, or is reasonably likely to materially and detrimentally affect, the Company’s internal controls over financial reporting.

The Company’s Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a -15(f). The Company’s internal control system was designed to provide reasonable assurance to its Management and the Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. The Company’s Management assessed the effectiveness of its internal control over financial reporting as of the end of the period covered by this report.

Management’s Report on Internal Control Over Financial Reporting as of December 31, 2016 and the related Report of Independent Registered Public Accounting Firm thereon appear on pages F-1 and F-2 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

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## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

There are no material pending legal proceedings other than those that arise in the normal course of business. In the opinion of Management, after consulting with legal counsel, the consolidated financial position and results of operations of the Company are not expected to be affected materially by the outcome of such proceedings.

### Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A of the Company's Form 10-K for the year ended December 31, 2016.

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

a) Not applicable.

b) Not applicable.

c) None.

### Item 3. Defaults Upon Senior Securities

a) None.

b) None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

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Item 6. Exhibits

Exhibits

| | |
|---|---|
| Exhibit 2.1 | Agreement and Plan of Merger dated as of September 20, 2017 by and among Brookline Bancorp, Inc., Brookline Bank, and First Commons Bank, N.A. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 21, 2017) |
| Exhibit 10.1 | Form of Voting Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 21, 2017) |
| Exhibit 10.2 | Consulting Agreement by and between Brookline Bank and Anthony G. Nuzzo dated September 20, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 21, 2017) |
| Exhibit 31.1* | Certification of Chief Executive Officer |
| Exhibit 31.2* | Certification of Chief Financial Officer |
| Exhibit 32.1** | Section 1350 Certification of Chief Executive Officer |
| Exhibit 32.2** | Section 1350 Certification of Chief Financial Officer |
| Exhibit 101 | The following materials from Brookline Bancorp, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (1) Unaudited Consolidated Balance Sheets as of September 30, 2017 and September 30, 2016; (2) Unaudited Consolidated Statements of Income for the three and nine months September 30, 2017 and September 30, 2016; (3) Unaudited Consolidated Statements of Comprehensive Income for the three and nine months September 30, 2017 and September 30, 2016; (4) Unaudited Consolidated Statements of Changes in Equity for the nine months ended September 30, 2017 and September 30, 2016; (5) Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and September 30, 2016; and (6) Notes to Unaudited Consolidated Financial Statements at and for the nine months ended September 30, 2017 and September 30, 2016. |

* Filed herewith
** Furnished herewith

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SIGNATURES

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

BROOKLINE BANCORP, INC.

| | |
|---|---|
| Date: November 3, 2017 | By: /s/ Paul A. Perrault<br>Paul A. Perrault<br>President and Chief Executive Officer<br>(Principal Executive Officer) |
| Date: November 3, 2017 | By: /s/ Carl M. Carlson<br>Carl M. Carlson<br>Chief Financial Officer<br>(Principal Financial Officer) |