

BROOKLINE BANCORP INC

Form 10-Q

November 09, 2015

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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, 2015

Commission file number 0-23695

Brookline Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

04-3402944

(I.R.S. Employer Identification No.)

131 Clarendon Street, Boston, MA

(Address of principal executive offices)

02116

(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 NO

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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

At November 9, 2015, the number of shares of common stock, par value \$0.01 per share, outstanding was 70,177,440.

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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, 2015	At December 31, 2014
(In Thousands Except Share Data)		
ASSETS		
Cash and due from banks	\$27,299	\$36,893
Short-term investments	19,745	25,830
Total cash and cash equivalents	47,044	62,723
Investment securities available-for-sale	526,764	550,761
Investment securities held-to-maturity (fair value of \$63,232 and \$500)	63,097	500
Total investment securities	589,861	551,261
Loans and leases held-for-sale	10,992	1,537
Loans and leases:		
Commercial real estate loans	2,563,371	2,467,801
Commercial loans and leases	1,322,604	1,167,094
Indirect automobile loans	16,294	316,987
Consumer loans	926,883	870,725
Total loans and leases	4,829,152	4,822,607
Allowance for loan and lease losses	(56,472)	(53,659)
Net loans and leases	4,772,680	4,768,948
Restricted equity securities	75,553	74,804
Premises and equipment, net of accumulated depreciation of \$49,973 and \$44,668, respectively	77,472	80,619
Deferred tax asset	25,730	27,687
Goodwill	137,890	137,890
Identified intangible assets, net of accumulated amortization of \$28,425 and \$26,238, respectively	11,357	13,544
Other real estate owned ("OREO") and repossessed assets, net	1,301	1,456
Other assets*	89,649	80,479
Total assets*	\$5,839,529	\$5,800,948
LIABILITIES AND EQUITY		
Deposits:		
Non-interest-bearing deposits:		
Demand checking accounts	\$785,210	\$726,118
Interest-bearing deposits:		
NOW accounts	254,767	235,063
Savings accounts	500,104	531,727
Money market accounts	1,540,104	1,518,490
Certificate of deposit accounts	1,064,392	946,708
Total interest-bearing deposits	3,359,367	3,231,988
Total deposits	4,144,577	3,958,106
Borrowed funds:		
Advances from the Federal Home Loan Bank of Boston ("FHLBB")	848,913	1,004,026
Subordinated debentures and notes	82,873	82,763
Other borrowed funds	28,434	39,615
Total borrowed funds	960,220	1,126,404

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Mortgagors' escrow accounts	7,996	8,501
Accrued expenses and other liabilities	57,996	61,332
Total liabilities	5,170,789	5,154,343

Commitments and contingencies (Note 14)

Stockholders' Equity:

Brookline Bancorp, Inc. stockholders' equity:

Common stock, \$0.01 par value; 200,000,000 shares authorized; 75,744,445 shares issued	757	757
Additional paid-in capital	616,252	617,475
Retained earnings, partially restricted*	102,684	84,860
Accumulated other comprehensive income/(loss)	1,191	(1,622)
Treasury stock, at cost; 4,861,085 shares and 5,040,571 shares, respectively	(56,202)	(58,282)
Unallocated common stock held by the Employee Stock Ownership Plan ("ESOP"); 222,645 shares and 251,382 shares, respectively	(1,214)	(1,370)
Total Brookline Bancorp, Inc. stockholders' equity*	663,468	641,818
Noncontrolling interest in subsidiary	5,272	4,787
Total stockholders' equity*	668,740	646,605
Total liabilities and stockholders' equity*	\$5,839,529	\$5,800,948

(*) Previously reported amounts prior to January 1, 2015 have been restated to reflect a retrospective change in accounting principle for investments in qualified affordable housing projects, in accordance with ASU 2014-01. Refer to Note 8, "Investments in Qualified Affordable Projects".

See accompanying notes to the 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,	
	2015	2014	2015	2014
	(In Thousands Except Share Data)			
Interest and dividend income:				
Loans and leases	\$52,725	\$51,769	\$157,790	\$154,144
Debt securities	2,866	2,312	8,480	6,931
Marketable and restricted equity securities	1,079	520	2,094	1,508
Short-term investments	17	15	98	73
Total interest and dividend income	56,687	54,616	168,462	162,656
Interest expense:				
Deposits	4,326	4,248	12,926	12,740
Borrowed funds	3,774	3,044	11,249	8,424
Total interest expense	8,100	7,292	24,175	21,164
Net interest income	48,587	47,324	144,287	141,492
Provision for credit losses	1,755	2,034	5,931	6,753
Net interest income after provision for credit losses	46,832	45,290	138,356	134,739
Non-interest income:				
Deposit fees	2,261	2,352	6,522	6,515
Loan fees	205	227	818	724
Loan level derivative income	900	322	1,841	384
Loss on sales of investment securities, net	—	—	—	(13
Gain on sales of loans and leases held-for-sale	446	564	1,594	1,283
(Loss)/gain on sale/disposals of premises and equipment, net	—	(2	) —	1,502
Other	972	2,726	3,346	5,244
Total non-interest income*	4,784	6,189	14,121	15,639
Non-interest expense:				
Compensation and employee benefits	17,875	18,258	52,484	53,585
Occupancy	3,535	3,334	10,444	10,893
Equipment and data processing	3,600	4,193	11,300	12,918
Professional services	984	991	3,241	4,198
FDIC insurance	929	873	2,627	2,580
Advertising and marketing	878	745	2,449	2,186
Amortization of identified intangible assets	725	828	2,187	2,516
Other	2,744	2,692	8,316	7,829
Total non-interest expense	31,270	31,914	93,048	96,705
Income before provision for income taxes*	20,346	19,565	59,429	53,673
Provision for income taxes*	6,897	7,163	21,116	19,700
Net income before noncontrolling interest in subsidiary*	13,449	12,402	38,313	33,973

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Less net income attributable to noncontrolling interest in subsidiary	561	662	1,857	1,560
Net income attributable to Brookline Bancorp, Inc.* \$12,888		\$11,740	\$36,456	\$32,413
Earnings per common share:				
Basic*	\$0.18	\$0.17	\$0.52	\$0.46
Diluted*	0.18	0.17	0.52	0.46
Weighted average common shares outstanding during the period:				
Basic	70,129,056	69,989,909	70,071,999	69,918,248
Diluted	70,240,020	70,088,987	70,207,983	70,029,383
Dividends declared per common share	\$0.090	\$0.085	\$0.265	\$0.255

(*) Previously reported amounts prior to January 1, 2015 have been restated to reflect a retrospective change in accounting principle for investments in qualified affordable housing projects, in accordance with ASU 2014-01. Refer to Note 8, "Investments in Qualified Affordable Projects".

See accompanying notes to the unaudited consolidated financial statements.

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Unaudited Consolidated Statements of Comprehensive Income

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	2014		2014	
	(In Thousands)			
Net income before noncontrolling interest in subsidiary*	\$ 13,449	\$ 12,402	\$ 38,313	\$ 33,973
Other comprehensive income, net of taxes:				
Investment securities available-for-sale:				
Unrealized securities holding gains (losses)	4,608	(2,257)	4,495	5,386
Income tax (expense) benefit	(1,642)	850)	(1,682)	(2,043)
Net unrealized securities holding gains (losses)	2,966	(1,407)	2,813	3,343
Less reclassification adjustments for securities losses included in net income:				
Loss on sales of securities, net	—	—	—	(13)
Income tax benefit	—	—	—	5
Net reclassification adjustments for securities losses included in net income	—	—	—	(8)
Net securities holding gains (losses)	2,966	(1,407)	2,813	3,351
Postretirement benefits:				
Adjustment of accumulated obligation for postretirement benefits	—	(105)	—	(190)
Income tax benefit	—	40	—	73
Net adjustment of accumulated obligation for postretirement benefits	—	(65)	—	(117)
Other comprehensive income (loss), net of taxes	2,966	(1,472)	2,813	3,234
Comprehensive income*	16,415	10,930	41,126	37,207
Net income attributable to noncontrolling interest in subsidiary	561	662	1,857	1,560
Comprehensive income attributable to Brookline Bancorp, Inc.*	\$ 15,854	\$ 10,268	\$ 39,269	\$ 35,647

(*) Previously reported amounts prior to January 1, 2015 have been restated to reflect a retrospective change in accounting principle for investments in qualified affordable housing projects, in accordance with ASU 2014-01. Refer to Note 8, "Investments in Qualified Affordable Projects".

See accompanying notes to the unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
 Unaudited Consolidated Statements of Changes in Equity
 Nine Months Ended September 30, 2015 and 2014

	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 Equity*
(In Thousands Except Share Data)									
Balance at December 31, 2014	\$757	\$617,475	\$84,860	\$ (1,622)	\$(58,282)	\$ (1,370)	\$ 641,818	\$ 4,787	\$646,605
Net income attributable to Brookline Bancorp, Inc.	—	—	36,456	—	—	—	36,456	—	36,456
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	1,857	1,857
Issuance of noncontrolling units	—	—	—	—	—	—	—	65	65
Other comprehensive income	—	—	—	2,813	—	—	2,813	—	2,813
Common stock dividends of \$0.265 per share	—	—	(18,632)	—	—	—	(18,632)	—	(18,632)
Dividend to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,437)	(1,437)
Compensation under recognition and retention plans	—	(1,313)	—	—	2,080	—	767	—	767
Common stock held by ESOP committed to be	—	90	—	—	—	156	246	—	246

released (28,737
shares)

Balance at

September 30, 2015	\$757	\$616,252	\$102,684	\$1,191	\$(56,202)	\$(1,214)	\$663,468	\$5,272	\$668,740
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(*) Previously reported amounts prior to January 1, 2015 have been restated to reflect a retrospective change in accounting principle for investments in qualified affordable housing projects, in accordance with ASU 2014-01. Refer to Note 8, "Investments in Qualified Affordable Projects".

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Changes in Equity (Continued)

Nine Months Ended September 30, 2015 and 2014

	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	Controlling Total Equity*
(In Thousands Except Share Data)									
Balance at December 31, 2013	\$757	\$617,538	\$65,448	\$(7,915)	\$(59,826)	\$(1,590)	\$614,412	\$4,304	\$618,716
Net income attributable to Brookline Bancorp, Inc.	—	—	32,413	—	—	—	32,413	—	32,413
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	1,560	1,560
Issuance of noncontrolling units	—	—	—	—	—	—	—	60	60
Other comprehensive loss	—	—	—	3,234	—	—	3,234	—	3,234
Common stock dividends of \$0.255 per share	—	—	(17,902)	—	—	—	(17,902)	—	(17,902)
Dividend to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,615)	(1,615)
Compensation under recognition and retention plans	—	(755)	—	—	1,598	—	843	—	843
Common stock held by ESOP	—	214	—	—	—	165	379	—	379

committed to be
released (30,213
shares)

Balance at

September 30, 2014	\$757	\$616,997	\$79,959	\$(4,681)	\$(58,228)	\$(1,425)	\$633,379	\$4,309	\$637,688
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(*) Previously reported amounts prior to January 1, 2015 have been restated to reflect a retrospective change in accounting principle for investments in qualified affordable housing projects, in accordance with ASU 2014-01. Refer to Note 8, "Investments in Qualified Affordable Projects".

See accompanying notes to the unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	2015	2014
	(In Thousands)	
Cash flows from operating activities:		
Net income attributable to Brookline Bancorp, Inc. ⁽¹⁾	\$36,456	\$32,413
Adjustments to reconcile net income to net cash provided from operating activities:		
Net income attributable to noncontrolling interest in subsidiary	1,857	1,560
Provision for credit losses	5,931	6,753
Origination of loans and leases held-for-sale	(33,366	) (18,065
Proceeds from loans and leases held-for-sale, net ⁽²⁾	24,984	32,167
Deferred income tax expense	275	567
Depreciation of premises and equipment	5,313	5,207
Amortization of investment securities premiums and discounts, net	1,381	2,186
Amortization of deferred loan and lease origination costs, net	3,808	7,525
Amortization of identified intangible assets	2,187	2,516
Amortization of debt issuance costs	56	4
Accretion of acquisition fair value adjustments, net	(4,829	) (9,110
Gain on sale/disposals of premises and equipment, net	—	(1,502
Loss on sales of investment securities, net	—	13
Gain on sales of loans and leases held-for-sale	(1,594	) (1,283
Gain/(loss) on sales of OREO and repossessed assets, net	66	(26
Write-down of OREO and repossessed assets	143	235
Compensation under recognition and retention plans	673	843
ESOP shares committed to be released	246	379
Net change in:		
Cash surrender value of bank-owned life insurance	(779	) (805
Other assets ⁽¹⁾	(8,280	) (415
Accrued expenses and other liabilities	(3,738	) (1,470
Net cash provided from operating activities ^{(1) (2)}	30,790	59,692
Cash flows from investing activities:		
Proceeds from sales of investment securities available-for-sale	—	5,083
Proceeds from maturities, calls and principal repayments of investment securities available-for-sale	77,612	59,961
Purchases of investment securities available-for-sale	(50,538	) (96,932
Proceeds from maturities, calls, and principal repayments of investment securities held-to-maturity	5,894	500
Purchases of investment securities held-to-maturity	(68,454	) (500
Purchases of restricted equity securities	(749	) (8,245
Proceeds from sales of loans and leases held-for-investment, net ⁽²⁾	267,164	—
Net increase in loans and leases ⁽²⁾	(282,826	) (386,251
Proceeds from sales of OREO and repossessed assets ⁽²⁾	5,844	8,966
Proceeds from sales of premises and equipment	—	1,972
Purchase of premises and equipment, net	(2,289) (6,785
Net cash used for investing activities ⁽²⁾	(48,342) (422,231

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Unaudited Consolidated Statements of Cash Flows (Continued)

	Nine Months Ended September 30,	
	2015	2014
	(In Thousands)	
Cash flows from financing activities:		
Increase in demand checking, NOW, savings and money market accounts	68,787	81,434
Increase/(decrease) in certificates of deposit	117,814	(27,054)
Proceeds from FHLBB advances	3,324,000	2,097,776
Repayment of FHLBB advances	(3,477,038)	(1,837,206)
Proceeds from issuance of subordinated notes	—	73,539
Decrease in other borrowed funds, net	(11,181)	(11,728)
(Decrease)/increase in mortgagors' escrow accounts, net	(505 )	) 868
Payment of dividends on common stock	(18,632 )	) (17,902)
Proceeds from issuance of noncontrolling units	65	60
Payment of dividends to owners of noncontrolling interest in subsidiary	(1,437 )	) (1,615)
Net cash provided from financing activities	1,873	358,172
Net increase/(decrease) in cash and cash equivalents	(15,679 )	) (4,367)
Cash and cash equivalents at beginning of period	62,723	92,505
Cash and cash equivalents at end of period	\$47,044	\$88,138
Supplemental disclosures of cash flows information:		
Cash paid during the period for:		
Interest on deposits, borrowed funds and subordinated debt	\$27,527	\$23,278
Income taxes	21,686	13,689
Non-cash investing activities:		
Transfer from loans to other real estate owned	\$5,898	\$10,060

(1) Previously reported amounts prior to January 1, 2015 have been restated to reflect a retrospective change in accounting principle for investments in qualified affordable housing projects, in accordance with ASU 2014-01. Refer to Note 8, "Investments in Qualified Affordable Projects".

(2) Cash flows resulting from the sale of the indirect automobile portfolio and the OREO and repossessed assets which had been recorded as cash provided from operating activities in the filings prior to June 30, 2015 have been revised to cash flows from investing activities in the second quarter of 2015 to properly reflect the cash flow activity. There is no impact to the Company's net income or related per share amounts for the nine months ended September 30, 2015 and September 30, 2014.

See accompanying notes to the 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, 2015 and 2014

(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 individual customers through its banks and non-bank subsidiaries.

Brookline Bank, which includes its wholly-owned subsidiaries BBS Investment Corp., Longwood Securities Corp. and its 84.5%-owned subsidiary, Eastern Funding LLC (“Eastern Funding”), operates 24 full-service banking offices in the greater Boston metropolitan area. BankRI, which includes its wholly-owned subsidiaries Macrolease Corporation (“Macrolease”), Acorn Insurance Agency, BRI Realty Corp., BRI Investment Corp. and its wholly-owned subsidiaries BRI MSC Corp., operates 19 full-service banking offices in the greater Providence area. First Ipswich, which includes its wholly-owned subsidiaries First Ipswich Securities II Corp. and First Ipswich Insurance Agency, operates 5 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 ceased the origination of indirect automobile loans in December 2014.

The Company and the Banks are supervised, examined and regulated by the Board of Governors of the Federal Reserve System (“FRB”). As a Massachusetts-chartered saving bank and trust company, 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 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 Federal Deposit Insurance Corporation (“FDIC”) offers insurance coverage on all deposits up to \$250,000 per depositor at each of the three Banks. As FDIC-insured depository institutions, all three Banks are also secondarily subject to supervision, examination and regulation by the FDIC. Additionally, as a Massachusetts-chartered savings bank, Brookline Bank is 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, 2014.

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

At and for the Nine Months Ended September 30, 2015 and 2014

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. Except for the adoption of Accounting Standards Update ("ASU") 2014-01, there were no changes to stockholders' equity and net income reported. Refer to Note 8, "Investments in Qualified Affordable Projects" for the impact the adoption had on the Company's financial statements.

(2) Recent Accounting Pronouncements

In August 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-15, Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. This ASU was issued to clarify the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements, since this was not addressed in the guidance in ASU 2015-03, which requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability. Given the absence of authoritative guidance with ASU 2015-03, ASU 2015-15 states that the SEC staff will not object to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the terms of the line-of-credit arrangement. As of September 30, 2015, the Company has accounted for the debt issuance costs related to the line-of-credit arrangement as a reduction of the debt liability, consistent with ASU 2015-03 and with the Company's accounting treatment for other debt issuance costs. Management has determined that this ASU has no impact to the Company.

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 other words, 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. The Company is currently assessing the applicability of this ASU and has not determined the impact, if any, as of September 30, 2015.

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This ASU requires that all debt issuance costs be presented in the balance sheet as direct deductions from the carrying amount of the related debt liability. Amortization of the costs is reported as

interest expense. This ASU is applied retrospectively for the first interim or annual period presented beginning after December 15, 2015; early adoption is permitted. As of September 30, 2015, the Company has accounted for its debt issuance cost as a reduction of the debt liability.

The Company adopted ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects, which required retrospective application. Refer to Note 8, "Investments in Qualified Affordable Projects" for the impact the adoption had on the Company's financial statements.

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(3) Investment Securities

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

	At September 30, 2015			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
	(In Thousands)			
Investment securities available-for-sale:				
Debt securities:				
GSEs	\$27,580	\$362	\$9	\$27,933
GSE CMOs	207,260	289	1,819	205,730
GSE MBSs	241,518	2,901	460	243,959
SBA commercial loan asset-backed securities	173	—	1	172
Corporate debt obligations	46,146	530	6	46,670
Trust preferred securities	1,465	—	150	1,315
Total debt securities	524,142	4,082	2,445	525,779
Marketable equity securities	954	31	—	985
Total investment securities available-for-sale	\$525,096	\$4,113	\$2,445	\$526,764
Investment securities held-to-maturity:				
GSEs	\$22,431	\$66	\$17	\$22,480
GSEs MBSs	19,962	16	76	19,902
Municipal obligations	20,204	156	10	20,350
Foreign government securities	500	—	—	500
Total investment securities held-to-maturity	\$63,097	\$238	\$103	\$63,232
	At December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
Debt securities:				
GSEs	\$22,929	\$88	\$29	\$22,988
GSE CMOs	238,910	80	4,821	234,169
GSE MBSs	249,329	2,531	879	250,981
SBA commercial loan asset-backed securities	205	—	2	203
Corporate debt obligations	39,805	403	1	40,207
Trust preferred securities	1,463	—	223	1,240
Total debt securities	552,641	3,102	5,955	549,788
Marketable equity securities	947	26	—	973
Total investment securities available-for-sale	\$553,588	\$3,128	\$5,955	\$550,761
Investment securities held-to-maturity:				
Foreign government securities	\$500	\$—	\$—	\$500
Total investment securities held-to-maturity	\$500	\$—	\$—	\$500

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At September 30, 2015, the fair value of all investment securities available-for-sale was \$526.8 million, with net unrealized gains of \$1.7 million, compared to a fair value of \$550.8 million and net unrealized losses of \$2.8 million at December 31, 2014. At September 30, 2015, \$190.5 million, or 36.2% of the portfolio, had gross unrealized losses of \$2.4 million, compared to \$335.7 million, or 60.9%, with gross unrealized losses of \$6.0 million at December 31, 2014.

At September 30, 2015, the fair value of all investment securities held-to-maturity was \$63.2 million, with net unrealized gains of \$0.1 million, compared to a fair value of \$0.5 million with no unrealized gains at December 31, 2014. At September 30, 2015, \$20.1 million, or 31.8% of the portfolio, had gross unrealized losses of \$0.1 million. There were no investment securities held-to-maturity with net unrealized losses at December 31, 2014.

Investment Securities as Collateral

At September 30, 2015 and December 31, 2014, respectively, \$469.6 million and \$473.1 million of investment securities were pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits; swap agreements; and FHLBB borrowings.

Other-Than-Temporary Impairment (“OTTI”)

Investment securities at September 30, 2015 and December 31, 2014 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, 2015				Total	
	Less than Twelve Months Estimated Fair Value (In Thousands)	Unrealized Losses	Twelve Months or Longer Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Investment securities available-for-sale:						
GSEs	\$1,991	\$9	\$—	\$—	\$1,991	\$9
GSE CMOs	37,166	222	106,368	1,597	143,534	1,819
GSE MBSs	22,629	95	17,868	365	40,497	460
SBA commercial loan asset-backed securities	—	—	162	1	162	1
Corporate debt obligations	3,018	6	—	—	3,018	6
Trust preferred securities	—	—	1,315	150	1,315	150
Temporarily impaired debt securities available-for-sale	64,804	332	125,713	2,113	190,517	2,445
Investment securities held-to-maturity:						
GSEs	2,970	17	—	—	2,970	17
GSEs MBSs	14,352	76	—	—	14,352	76
Municipal obligations	2,811	10	—	—	2,811	10
Temporarily impaired debt securities held-to-maturity	20,133	103	—	—	20,133	103
	\$84,937	\$435	\$125,713	\$2,113	\$210,650	\$2,548

Total temporarily impaired
investment securities

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	At December 31, 2014		Twelve Months or Longer		Total	
	Less than Twelve Months Estimated Fair Value (In Thousands)	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Investment securities available-for-sale:						
GSEs	\$11,086	\$29	\$—	\$—	\$11,086	\$29
GSE CMOs	39,095	179	190,345	4,642	229,440	4,821
GSE MBSs	50,099	84	39,555	795	89,654	879
SBA commercial loan asset-backed securities	8	—	186	2	194	2
Corporate debt obligations	4,069	1	—	—	4,069	1
Trust preferred securities	—	—	1,240	223	1,240	223
Total temporarily impaired investment securities available-for-sale	\$104,357	\$293	\$231,326	\$5,662	\$335,683	\$5,955

The Company performs regular analysis on the investment securities 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 statements 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 investment security will be recognized in the Company's unaudited consolidated statements 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 at September 30, 2015. Based on the analysis below, 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 at September 30, 2015. 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 debt securities, 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. At September 30, 2015, only GNMA MBSs and CMOs, and Small Business Administration (“SBA”) commercial loan asset-backed securities with an estimated fair value of \$20.2 million were backed explicitly by the full faith and credit of the U.S. Government, compared to \$26.2 million at December 31, 2014.

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At September 30, 2015, the Company held GSE debentures with a total fair value of \$27.9 million with a net unrealized gain of \$0.4 million. At December 31, 2014, the Company held GSE debentures with a total fair value of \$23.0 million, which approximated amortized cost. At September 30, 2015, one of the eleven securities in this portfolio was in unrealized loss positions. At December 31, 2014, four of the eight securities in this portfolio were in unrealized loss positions. 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, 2015, the Company purchased \$11.8 million of GSE debentures. This compares to a total of \$8.9 million purchased during the same period in 2014.

At September 30, 2015, the Company held GSE mortgage-related securities with a total fair value of \$449.7 million with a net unrealized gain of \$0.9 million. This compares to a total fair value of \$485.2 million with a net unrealized loss of \$3.1 million at December 31, 2014. At September 30, 2015, 55 of the 250 securities in this portfolio were in unrealized loss positions, compared to 79 of the 250 securities at December 31, 2014. 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, 2015, the Company purchased \$29.4 million in GSE CMOs and GSE MBSs. This compares to a total of \$76.0 million purchased during the same period in 2014.

SBA Commercial Loan Asset-Backed Securities

At September 30, 2015 and December 31, 2014, the Company held eight SBA securities with a total fair value of \$0.2 million, which approximated amortized cost. At September 30, 2015 and December 31, 2014, seven of the eight securities in this portfolio were in unrealized loss positions. All securities are performing and backed by the explicit (SBA) guarantee of the U.S. Government.

Corporate Obligations

From time to time, the Company will invest in high-quality corporate obligations to provide portfolio diversification and improve the overall yield on the portfolio. The Company owned fifteen corporate obligation securities with a total fair value of \$46.7 million and a net unrealized gain of \$0.5 million at September 30, 2015. This compares to thirteen corporate obligation securities with a total fair value of \$40.2 million with a net unrealized gain of \$0.4 million at December 31, 2014. At September 30, 2015, one of the fifteen securities in this portfolio was in an unrealized loss position. At December 31, 2014, one of the thirteen securities in this portfolio was in an unrealized loss position. Full collection of the obligations is expected because the financial condition of the issuer is sound and has 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, 2015, the Company purchased \$9.3 million of corporate obligations. This compares to a total of \$12.0 million purchased during the same period in 2014.

Trust Preferred Securities

Trust preferred securities represent subordinated debt issued by financial institutions. At September 30, 2015, the Company owned two trust preferred securities with a total fair value of \$1.3 million with a net unrealized loss of \$0.2 million. This compares to two trust preferred securities with a total fair value of \$1.2 million with a net unrealized loss of \$0.2 million at December 31, 2014. At September 30, 2015 and December 31, 2014, 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, none 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

At September 30, 2015 and December 31, 2014, the Company owned two marketable equity securities with a fair value of \$1.0 million, which approximated amortized cost. At September 30, 2015 and December 31, 2014, neither of the securities in this portfolio was in an unrealized loss position.

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Investment Securities Held-to-Maturity Impairment Analysis

At September 30, 2015, the Company owned 62 held-to-maturity investment securities with a total fair value of \$63.2 million and a net unrealized gain of \$0.1 million. This compares to a fair value of \$0.5 million at December 31, 2014. As of September 30, 2015, 12 of the securities were in an unrealized loss position compared to none of the securities in an unrealized loss position at December 31, 2014. Management does not intend to sell these securities prior to maturity. As such, Management has determined that the investment securities are not OTTI at September 30, 2015. During the nine months ended September 30, 2015, the Company purchased \$68.5 million of held-to-maturity investment securities. This compares to a total of \$0.5 million purchased during the same period in 2014.

Portfolio Maturities

The final stated maturities of the debt securities are as follows at the dates indicated:

	At September 30, 2015			At December 31, 2014			Weighted Average Rate	Weighted Average Rate	
	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	\$2,989	\$3,004	1.88	% \$3,057	\$3,081	3.00	%		
After 1 year through 5 years	61,119	62,089	2.35	% 55,631	56,586	2.48	%		
After 5 years through 10 years	91,308	92,623	2.01	% 103,268	104,208	2.00	%		
Over 10 years	368,726	368,063	1.94	% 390,685	385,913	1.91	%		
	\$524,142	\$525,779	2.00	% \$552,641	\$549,788	1.99	%		
Investment securities held-to-maturity:									
Within 1 year	\$579	\$579	1.12	% \$—	\$—	—	%		
After 1 year through 5 years	8,034	8,063	1.28	% 500	500	1.30	%		
After 5 years through 10 years	34,601	34,769	2.09	% —	—	—	%		
Over 10 years	19,883	19,821	1.63	% —	—	—	%		
	\$63,097	\$63,232	1.83	% \$500	\$500	1.30	%		

Actual maturities of debt securities may differ from those presented above since certain obligations amortize and provide the issuer the right to call or prepay the obligation prior to the scheduled final stated 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.

At September 30, 2015, issuers of debt securities with an estimated fair value of \$5.0 million had the right to call or prepay the obligations. Of the \$5.0 million, \$3.0 million matures in 1 - 5 years and \$2.0 million matures in 6 - 10 years. At December 31, 2014, issuers of debt securities with an estimated fair value of \$16.1 million had the right to call or prepay the obligations. Of the \$16.1 million, approximately \$5.0 million matures in 1 - 5 years, \$9.9 million matures in 6 - 10 years and \$1.2 million matures after ten years.

Security Sales

Security transactions are recorded on the trade date. When securities are sold, the adjusted cost of the specific security sold is used to compute the gain or loss on the sale. There were no security sales during the three-month and nine-month periods ended September 30, 2015.

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	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
	(In Thousands)	
Sales of debt securities	\$—	\$5,083
Gross gains from sales	—	302
Gross losses from sales	—	315
Loss on sales of securities, net	\$—	\$(13)

(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, 2015		Acquired	Weighted	Total	Weighted	
	Originated						
	Balance	Coupon	Balance	Coupon	Balance	Coupon	
	(Dollars in Thousands)						
Commercial real estate loans:							
Commercial real estate mortgage	\$1,598,116	4.01	% \$212,434	4.18	% \$1,810,550	4.03	%
Multi-family mortgage	576,297	4.02	% 38,263	4.34	% 614,560	4.04	%
Construction	137,695	3.51	% 566	5.04	% 138,261	3.52	%
Total commercial real estate loans	2,312,108	3.98	% 251,263	4.21	% 2,563,371	4.00	%
Commercial loans and leases:							
Commercial	560,088	3.84	% 20,623	5.51	% 580,711	3.90	%
Equipment financing	674,449	6.86	% 9,882	6.01	% 684,331	6.84	%
Condominium association	57,562	4.52	% —	—	% 57,562	4.52	%
Total commercial loans and leases	1,292,099	5.45	% 30,505	5.67	% 1,322,604	5.45	%
Indirect automobile loans	16,294	5.55	% —	—	% 16,294	5.55	%
Consumer loans:							
Residential mortgage	513,645	3.63	% 92,418	3.86	% 606,063	3.66	%
Home equity	224,777	3.29	% 83,594	3.88	% 308,371	3.45	%
Other consumer	12,307	4.91	% 142	17.21	% 12,449	5.06	%
Total consumer loans	750,729	3.55	% 176,154	3.88	% 926,883	3.61	%
Total loans and leases	\$4,371,230	4.35	% \$457,922	4.18	% \$4,829,152	4.33	%

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	At December 31, 2014		Acquired	Weighted	Total	Weighted	
	Originated						
	Balance	Average	Balance	Average	Balance	Average	
		Coupon		Coupon		Coupon	
	(Dollars in Thousands)						
Commercial real estate loans:							
Commercial real estate mortgage	\$1,425,621	4.18	% \$254,461	4.29	% \$1,680,082	4.20	%
Multi-family mortgage	576,214	4.11	% 63,492	4.50	% 639,706	4.15	%
Construction	146,074	3.79	% 1,939	5.50	% 148,013	3.81	%
Total commercial real estate loans	2,147,909	4.13	% 319,892	4.34	% 2,467,801	4.16	%
Commercial loans and leases:							
Commercial	462,730	3.88	% 51,347	4.14	% 514,077	3.91	%
Equipment financing	587,496	6.92	% 13,928	6.22	% 601,424	6.90	%
Condominium association	51,593	4.60	% —	—	% 51,593	4.60	%
Total commercial loans and leases	1,101,819	5.53	% 65,275	4.58	% 1,167,094	5.48	%
Indirect automobile loans	316,987	4.47	% —	—	% 316,987	4.47	%
Consumer loans:							
Residential mortgage	472,078	3.60	% 99,842	3.77	% 571,920	3.63	%
Home equity	181,580	3.35	% 105,478	3.85	% 287,058	3.53	%
Other consumer	11,580	5.13	% 167	16.35	% 11,747	5.29	%
Total consumer loans	665,238	3.56	% 205,487	3.82	% 870,725	3.62	%
Total loans and leases	\$4,231,953	4.43	% \$590,654				