BROOKLINE BANCORP INC
Form 10-Q
May 11, 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 March 31, 2015

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, or a smaller reporting company.

Large accelerated filer x   Accelerated filer o   Non-accelerated filer o Smaller Reporting Company 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 May 11, 2015, the number of shares of common stock, par value $0.01 per share, outstanding was 70,049,670.

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

	At March 31, 2015	At December 31, 2014
ASSETS	(In Thousands Except Share Data)	
Cash and due from banks	$35,118	$36,893
Short-term investments	162,003	25,830
Total cash and cash equivalents	197,121	62,723
Investment securities available-for-sale	565,115	550,761
Investment securities held-to-maturity (fair value of $500)	500	500
Total investment securities	565,615	551,261
Loans and leases held-for-sale	787	1,537
Loans and leases:		
Commercial real estate loans	2,500,887	2,467,801
Commercial loans and leases	1,227,352	1,167,094
Indirect automobile loans	23,335	316,987
Consumer loans	883,020	870,725
Total loans and leases	4,634,594	4,822,607
Allowance for loan and lease losses	(55,106)	(53,659)
Net loans and leases	4,579,488	4,768,948
Restricted equity securities	74,804	74,804
Premises and equipment, net of accumulated depreciation of $46,460 and $44,668, respectively	79,252	80,619
Deferred tax asset	25,834	27,687
Goodwill	137,890	137,890
Identified intangible assets, net of accumulated amortization of $26,976 and $26,238, respectively	12,806	13,544
Other real estate owned ("OREO") and repossessed assets, net	2,023	1,456
Other assets*	79,526	80,479
Total assets*	$5,755,146	$5,800,948
LIABILITIES AND EQUITY		
Deposits:		
Non-interest-bearing deposits:		
Demand checking accounts	$729,932	$726,118
Interest-bearing deposits:		
NOW accounts	237,200	235,063
Savings accounts	571,030	531,727
Money market accounts	1,525,053	1,518,490
Certificate of deposit accounts	1,051,580	946,708
Total interest-bearing deposits	3,384,863	3,231,988
Total deposits	4,114,795	3,958,106
Borrowed funds:		
Advances from the Federal Home Loan Bank of Boston ("FHLBB")	806,491	1,004,026
Subordinated debentures and notes	82,806	82,763
Other borrowed funds	35,628	39,615
Total borrowed funds	924,925	1,126,404

Mortgagors’ escrow accounts	8,414	8,501
Accrued expenses and other liabilities	51,046	61,332
Total liabilities	5,099,180	5,154,343
Commitments and contingencies (Note 13)		
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	617,845	617,475
Retained earnings, partially restricted*	90,589	84,860
Accumulated other comprehensive income (loss)	1,747	(1,622)
Treasury stock, at cost; 5,042,238 shares and 5,040,571 shares, respectively	(58,301)	(58,282)
Unallocated common stock held by the Employee Stock Ownership Plan ("ESOP"); 241,803 shares and 251,382 shares, respectively	(1,318)	(1,370)
Total Brookline Bancorp, Inc. stockholders’ equity*	651,319	641,818
Noncontrolling interest in subsidiary	4,647	4,787
Total stockholders' equity*	655,966	646,605
Total liabilities and stockholders' equity*	$5,755,146	$5,800,948

(*) Previously reported amounts 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 March 31, 2015	2014
	(In Thousands Except Share Data)	
Interest and dividend income:		
Loans and leases	$ 53,381	$ 51,942
Debt securities	2,683	2,259
Marketable and restricted equity securities	524	449
Short-term investments	21	44
Total interest and dividend income	56,609	54,694
Interest expense:		
Deposits	4,304	4,291
Borrowed funds	3,777	2,669
Total interest expense	8,081	6,960
Net interest income	48,528	47,734
Provision for credit losses	2,263	2,443
Net interest income after provision for credit losses	46,265	45,291
Non-interest income:		
Deposit fees	2,066	1,959
Loan fees	342	434
Gain on sales of loans and leases held-for-sale	869	602
Gain on sale/disposals of premises and equipment, net	—	1,510
Other	1,193	1,123
Total non-interest income*	4,470	5,628
Non-interest expense:		
Compensation and employee benefits	17,524	18,032
Occupancy	3,472	4,405
Equipment and data processing	4,020	4,377
Professional services	1,094	1,727
FDIC insurance	867	860
Advertising and marketing	748	665
Amortization of identified intangible assets	738	861
Other*	2,863	2,649
Total non-interest expense*	31,326	33,576
Income before provision for income taxes*	19,409	17,343
Provision for income taxes*	7,104	6,379
Net income before noncontrolling interest in subsidiary*	12,305	10,964
Less net income attributable to noncontrolling interest in subsidiary	602	422
Net income attributable to Brookline Bancorp, Inc.*	$ 11,703	$ 10,542
Earnings per common share:		
Basic*	$ 0.17	$ 0.15

Diluted*	0.17	0.15
Weighted average common shares outstanding during the period:		
Basic	70,036,090	69,875,473
Diluted	70,164,105	69,983,999
Dividends declared per common share	$ 0.085	$ 0.085

(*) Previously reported amounts 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 Comprehensive Income

	Three Months Ended March 31,	
	2015	2014
	(In Thousands)	
Net income before noncontrolling interest in subsidiary*	$12,305	$10,964
Other comprehensive income, net of taxes:		
Investment securities available-for-sale:		
Unrealized securities holding gains	5,371	3,293
Income tax expense	(2,002)	(1,262)
Net unrealized securities holding gains	3,369	2,031
Postretirement benefits:		
Adjustment of accumulated obligation for postretirement benefits	—	(85)
Income tax benefit	—	33
Net adjustment of accumulated obligation for postretirement benefits	—	(52)
Other comprehensive income, net of taxes	3,369	1,979
Comprehensive income*	15,674	12,943
Net income attributable to noncontrolling interest in subsidiary	602	422
Comprehensive income attributable to Brookline Bancorp, Inc.*	$15,072	$12,521

(*) Previously reported amounts 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
Three Months Ended March 31, 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.	—	—	11,703	—	—	—	11,703	—	11,703
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	602	602
Other comprehensive income	—	—	—	3,369	—	—	3,369	—	3,369
Common stock dividends of $0.085 per share	—	—	(5,974)	—	—	—	(5,974)	—	(5,974)
Dividend to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(742)	(742)
Compensation under recognition and retention plans	—	329	—	—	(19)	—	310	—	310
Common stock held by ESOP committed to be released (9,579 shares)	—	41	—		—	52	93	—	93
Balance at March 31, 2015	$757	$617,845	$90,589	$ 1,747	$(58,301)	$ (1,318)	$ 651,319	$ 4,647	$655,966

(*) Previously reported amounts 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)
Three Months Ended March 31, 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, 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.	—	—	10,542	—	—	—	10,542	—	10,542
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	422	422
Other comprehensive loss	—	—	—	1,979	—	—	1,979	—	1,979
Common stock dividends of $0.085 per share	—	—	(5,964)	—	—	—	(5,964)	—	(5,964)
Dividend to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(805)	(805)
Compensation under recognition and retention plans	—	401	—	—	—	—	401	—	401
Common stock held by ESOP committed to be released (10,071 shares)	—	39	—	—	—	55	94	—	94
Balance at March 31, 2014	$757	$617,978	$70,026	$ (5,936)	$(59,826)	$ (1,535)	$ 621,464	$ 3,921	$625,385

(*) Previously reported amounts 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

	Three Months Ended March 31,	
	2015	2014
	(In Thousands)	
Cash flows from operating activities:		
Net income attributable to Brookline Bancorp, Inc. *	$11,703	$10,542
Adjustments to reconcile net income to net cash provided from operating activities:		
Net income attributable to noncontrolling interest in subsidiary	602	422
Provision for credit losses	2,263	2,443
Origination of loans and leases held-for-sale	(5,185)	(652)
Proceeds from loans and leases held-for-sale, net	273,446	14,449
Proceeds from sales of other real estate owned and repossessed assets	2,647	3,879
Deferred income tax (benefit) expense	(149)	1,261
Depreciation of premises and equipment	1,792	1,670
Amortization of investment securities premiums and discounts, net	509	698
Amortization of deferred loan and lease origination costs, net	1,860	2,439
Amortization of identified intangible assets	738	861
Amortization of debt issuance costs	25	—
Accretion of acquisition fair value adjustments, net	(1,875)	(4,841)
Gain on sales of loans and leases held-for-sale	(869)	(602)
Gain on sales of OREO and repossessed assets, net	—	(16)
Write-down of OREO and repossessed assets	38	111
Gain on sale/disposals of premises and equipment, net	—	(1,510)
Compensation under recognition and retention plans	366	401
ESOP shares committed to be released	93	94
Net change in:		
Cash surrender value of bank-owned life insurance	(263)	(258)
Other assets *	1,216	3,373
Accrued expenses and other liabilities	(10,525)	(5,893)
Net cash provided from operating activities *	278,432	28,871
Cash flows from investing activities:		
Proceeds from maturities, calls and principal repayments of investment securities available-for-sale	19,974	16,466
Purchases of investment securities available-for-sale	(29,466)	(48,516)
Proceeds from maturities, calls, and principal repayments of investment securities held-to-maturity	—	500
Purchases of investment securities held-to-maturity	—	(500)
Net increase in loans and leases	(83,175)	(102,081)
Proceeds from sales of premises and equipment	—	1,972
Purchase of premises and equipment, net	(466)	(3,069)
Net cash used for investing activities	(93,133)	(135,228)

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

	Three Months Ended March 31,	
	2015	2014
	(In Thousands)	
Cash flows from financing activities:		
Increase in demand checking, NOW, savings and money market accounts	51,817	29,539
Increase/(decrease) in certificates of deposit	104,915	(16,961)
Proceeds from FHLBB advances	1,587,500	594,501
Repayment of FHLBB advances	(1,784,343)	(506,629)
Decrease in other borrowed funds, net	(3,987)	(7,700)
(Decrease)/increase in mortgagors’ escrow accounts, net	(87)	807
Payment of dividends on common stock	(5,974)	(5,964)
Payment of dividends to owners of noncontrolling interest in subsidiary	(742)	(805)
Net cash (used for)/provided from financing activities	(50,901)	86,788
Net increase/(decrease) in cash and cash equivalents	134,398	(19,569)
Cash and cash equivalents at beginning of period	62,723	92,505
Cash and cash equivalents at end of period	$197,121	$72,936
Supplemental disclosures of cash flows information:		
Cash paid during the period for:		
Interest on deposits, borrowed funds and subordinated debt	$9,996	$7,747
Income taxes	3,216	599
Non-cash investing activities:		
Transfer from loans and leases to loans and leases held-for-sale	$266,421	$—
Transfer from loans to other real estate owned	3,252	3,686

(*) Previously reported amounts 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
Notes to Unaudited Consolidated Financial Statements
At and for the Three Months Ended March 31, 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” and formerly known as the First National Bank of Ipswich), a Massachusetts-chartered savings bank (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 84.7%-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 BRI Investment Corp., Macrolease Corporation (“Macrolease”), Acorn Insurance Agency, BRI Realty Corp. and 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 Massachusetts-chartered banks, 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 bank, 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 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, 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 Three Months Ended March 31, 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, which did not change stockholders' equity and net income reported.

(2) Recent Accounting Pronouncements

During the quarter ended March 31, 2015, the Financial Accounting Standards Board (“FASB”) issued no new Accounting Standards Updates ("ASUs") that were applicable to the Company. Refer to page F-20 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for applicable ASUs issued in 2014.

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.

(3) Investment Securities

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

	At March 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Debt securities:				
GSEs	$22,890	$363	$—	$23,253
GSE CMOs	229,591	342	2,090	227,843
GSE MBSs	267,648	3,783	397	271,034
SBA commercial loan asset-backed securities	199	—	2	197
Corporate debt obligations	39,829	712	—	40,541
Trust preferred securities	1,464	—	202	1,262
Total debt securities	561,621	5,200	2,691	564,130

Marketable equity securities	950	35	—	985
Total investment securities available-for-sale	$562,571	$5,235	$2,691	$565,115
Investment securities held-to-maturity	$500	$—	$—	$500

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	At December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
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	$500	$—	$—	$500

At March 31, 2015, the fair value of all investment securities available-for-sale was $565.1 million, with net unrealized gains of $2.5 million, compared to a fair value of $550.8 million and net unrealized losses of $2.8 million at December 31, 2014. At March 31, 2015, $194.0 million, or 34.3% of the portfolio, had gross unrealized losses of $2.7 million, compared to $335.7 million, or 60.9%, with gross unrealized losses of $6.0 million at December 31, 2014.

Investment Securities as Collateral

At March 31, 2015 and December 31, 2014, respectively, $483.9 million and $473.1 million of investment securities available-for-sale 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 March 31, 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 March 31, 2015					
	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:						
GSE CMOs	$40,851	$160	$116,877	$1,930	$157,728	$2,090
GSE MBSs	15,485	45	19,319	352	34,804	397
SBA commercial loan asset-backed securities	7	—	180	2	187	2
Trust preferred securities	—	—	1,262	202	1,262	202

Total temporarily impaired investment securities	$56,343	$205	$137,638	$2,486	$193,981	$2,691

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	At December 31, 2014					
	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:						
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	$104,357	$293	$231,326	$5,662	$335,683	$5,955

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 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.

At March 31, 2015, 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 March 31, 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.

Debt Securities

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 March 31, 2015, only GNMA MBSs and CMOs, and Small Business Administration (“SBA”) commercial loan asset-backed securities with an estimated fair value of $25.4 million were backed explicitly by the full faith and credit of the U.S. Government, compared to $26.2 million at December 31, 2014.

At March 31, 2015, the Company held GSE debentures with a total fair value of $23.3 million and 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 March 31, 2015, none of the eight securities in this portfolio were 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.

At March 31, 2015, the Company held GSE mortgage-related securities with a total fair value of $498.9 million and a net unrealized gain of $1.6 million. This compares to a total fair value of $485.2 million and a net unrealized loss of $3.1 million at December 31, 2014. At March 31, 2015, 53 of the 257 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 three months ended March 31, 2015, the Company purchased $29.5 million in GSE CMOs and GSE MBSs. This compares to a total of $36.5 million during the same period in 2014.

SBA Commercial Loan Asset-Backed Securities

At March 31, 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 March 31, 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 thirteen corporate obligation securities with a total fair value of $40.5 million and a net unrealized gain of $0.7 million at March 31, 2015. This compares to thirteen corporate obligation securities with a total fair value of $40.2 million and a net unrealized gain of $0.4 million at December 31, 2014. At March 31, 2015, none of the thirteen securities in this portfolio were in unrealized loss positions. At December 31, 2014, one of the thirteen securities in this portfolio is in unrealized loss position. 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. During the three months ended March 31, 2015, the Company did not purchase any 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 March 31, 2015, the Company owned two trust preferred securities with a total fair value of $1.3 million and total net unrealized loss of $0.2 million. This compares to two trust preferred securities with a total fair value of $1.2 million and a total net unrealized loss of $0.2 million at December 31, 2014. At March 31, 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 March 31, 2015 and December 31, 2014, the Company owned marketable equity securities with a fair value of $1.0 million, which approximated amortized cost. At March 31, 2015 and December 31, 2014, none of the securities in this portfolio was in an unrealized loss position.

Investment Securities Held-to-Maturity

At March 31, 2015 and December 31, 2014, the Company owned a held-to-maturity investment security with a carrying value of $0.5 million and a fair value of $0.5 million. This investment security matures in March 2016 and carries an interest rate of 1.3%.

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Portfolio Maturities

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

	At March 31, 2015				At December 31, 2014			
	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	$5,985	$6,027	2.42	%	$3,057	$3,081	3.00	%
After 1 year through 5 years	55,299	56,593	2.46	%	55,631	56,586	2.48	%
After 5 years through 10 years	94,946	96,674	1.98	%	103,268	104,208	2.00	%
Over 10 years	405,392	404,837	1.91	%	390,685	385,913	1.91	%
	$561,622	$564,131	1.98	%	$552,641	$549,788	1.99	%
Investment securities held-to-maturity:								
Within 1 year	$500	$500	1.30	%	$—	$—	—	%
After 1 year through 5 years	—	—	—	%	500	500	1.30	%
	$500	$500	1.30	%	$500	$500	1.30	%

Actual maturities of debt securities may differ from those presented above since certain obligations provide the issuer the right to call or prepay the obligation prior to scheduled maturity without penalty. At March 31, 2015, issuers of debt securities with an estimated fair value of $12.0 million had the right to call or prepay the obligations. Of the $12.0 million, $8.0 million matures in 1 - 5 years and $4.0 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. MBSs and CMOs are included above based on their contractual maturities; the remaining lives, however, are expected to be shorter due to anticipated prepayments.

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 on loss on the sale. There were no security sales during the three-month periods ended March 31, 2015 and 2014.

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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 March 31, 2015					
	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 mortgage	$1,471,054	4.16 %	$243,086	4.24 %	$1,714,140	4.17 %
Multi-family mortgage	590,590	4.10 %	61,910	4.48 %	652,500	4.13 %
Construction	132,229	3.71 %	2,018	5.42 %	134,247	3.73 %
Total commercial real estate loans	2,193,873	4.12 %	307,014	4.30 %	2,500,887	4.14 %
Commercial loans and leases:						
Commercial	515,375	3.85 %	44,969	4.33 %	560,344	3.89 %
Equipment financing	602,045	6.88 %	12,256	6.14 %	614,301	6.87 %
Condominium association	52,707	4.59 %	—	— %	52,707	4.59 %
Total commercial loans and leases	1,170,127	5.44 %	57,225	4.72 %	1,227,352	5.41 %
Indirect automobile loans	23,335	5.69 %	—	— %	23,335	5.69 %
Consumer loans:						
Residential mortgage	482,774	3.59 %	96,220	3.81 %	578,994	3.63 %
Home equity	191,715	3.35 %	100,483	3.85 %	292,198	3.53 %
Other consumer	11,666	4.95 %	162	16.61 %	11,828	5.11 %
Total consumer loans	686,155	3.55 %	196,865	3.84 %	883,020	3.62 %
Total loans and leases	$4,073,490	4.41 %	$561,104	4.18 %	$4,634,594	4.39 %

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	At December 31, 2014					
	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 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	4.19 %	$4,822,607	4.40 %

The Company lends primarily in the eastern half of Massachusetts, southern New Hampshire and Rhode Island, with the exception of equipment financing, 35.5% of which is in the greater New York/New Jersey metropolitan area and 64.5% of which is in other areas in the United States of America at March 31, 2015, compared to 35.9% of which is in the greater New York/New Jersey metropolitan area and 64.1% of which is in other areas in the United States of America at December 31, 2014.

Competition for the indirect automobile loans increased significantly as credit unions and large national banks entered indirect automobile lending in a search for additional sources of income. That competition drove interest rates down and, in some cases, changed the manner in which interest rates are developed, from including a dealer-shared spread to imposing a dealer-based fee to originate the loan. Given this market condition, management ceased the Company's origination of indirect automobile loans in December 2014. For the quarter ended March 31, 2015, the Company sold over 90% of the portfolio for $255.2 million, which resulted in a loss of $11.8 thousand. Refer to Note 5, "Allowance for Loan and Lease Losses" for the impact of the sale on the Company's allowance for loan and lease losses.

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 March 31,	
	2015	2014
	(In Thousands)	
Balance at beginning of period	$32,044	$45,789
Reclassification from nonaccretable difference for loans with improved cash flows	1,440	1,440
Accretion	(2,824)	(4,728)
Balance at end of period	$30,660	$42,501

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 is due to credit deterioration, or if the change in cash flow is related to noncredit events. This cash flow analysis is used to evaluate the need for a loan loss provision and/or prospective yield adjustments. During the three months ended March 31, 2015 and 2014, accretable yield adjustments totaling $1.4 million were made for certain loan pools. These prospective accretable yield adjustments, which are subject to continued re-assessment, will be recognized over the remaining lives of those pools.

The aggregate remaining nonaccretable difference (representing both principal and interest) applicable to acquired loans and leases totaled $2.1 million and $3.6 million at March 31, 2015 and December 31, 2014, respectively.

Loans and Leases Pledged as Collateral

At March 31, 2015 and December 31, 2014, there were $2.0 billion and $1.6 billion, respectively, of loans and leases pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits; swap agreements; and FHLBB borrowings. The Banks did not have any outstanding FRB borrowings at March 31, 2015 and December 31, 2014.

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(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 March 31, 2015					
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Unallocated	Total
	(In Thousands)					
Balance at December 31, 2014	$29,594	$15,957	$2,331	$3,359	$2,418	$53,659
Charge-offs	(388)	(450)	(820)	(7)	—	(1,665)
Recoveries	—	212	581	18	—	811
Provision (credit) for loan and lease losses	254	3,365	(1,634)	249	67	2,301
Balance at March 31, 2015	$29,460	$19,084	$458	$3,619	$2,485	$55,106

	Three Months Ended March 31, 2014					
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Unallocated	Total
	(In Thousands)					
Balance at December 31, 2013	$23,022	$15,220	$3,924	$3,375	$2,932	$48,473
Charge-offs	—	(551)	(289)	(210)	—	(1,050)
Recoveries	—	251	104	29	—	384
Provision for loan and lease losses	1,836	624	(75)	(84)	116	2,417
Balance at March 31, 2014	$24,858	$15,544	$3,664	$3,110	$3,048	$50,224

The liability for unfunded credit commitments, which is included in other liabilities, was $1.2 million, $1.3 million and $1.1 million at March 31, 2015, December 31, 2014 and March 31, 2014, respectively. The liability for unfunded credit commitments reflects 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 three-month periods ended March 31, 2015 and 2014.

Provision for Credit Losses

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

	Three Months Ended March 31,	
	2015	2014
	(In Thousands)	
Provision (credit) for loan and lease losses:		
Commercial real estate	$254	$1,836
Commercial	3,365	624
Indirect automobile	(1,634)	(75)
Consumer	249	(84)
Unallocated	67	116

Total provision for loan and lease losses	2,301	2,417
Unfunded credit commitments	(38)	26
Total provision for credit losses	$2,263	$2,443

Procedure for Placing Loans and Leases on Nonaccrual

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

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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.

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.

The allowance for loan and lease losses consists of general, specific and unallocated reserves 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. 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 pools: (1) commercial real estate loans, (2) commercial loans and leases, (3) indirect automobile loans and (4) 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 mortgage loans, multi-family mortgage loans and construction loans. Commercial loans and leases are divided into three classes: commercial loans, equipment financing, and loans to condominium associations. The indirect automobile loan segment is not divided into classes. 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.

General Allowance

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 includes estimates of incurred losses over an estimated loss emergence period (“LEP”). The LEP was generated utilizing a charge-off look-back analyses 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 a LEP that incurred losses should be carried for each portfolio. Other relevant qualitative factors include, but are not limited to, historic levels and trends in loan charge-offs and recoveries; past-due loans; risk-rated loans; classified loans and impaired loans; the pace of loan growth; underwriting policies and adherence to such policies; changes in credit concentration; the experience of lending personnel and management; trends in the economy and employment; business conditions; industry conditions; and political, legislative and regulatory changes. The general allowance related to the acquired loans collectively evaluated for impairment are 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.

The general allowance for loan and lease losses was $49.7 million at March 31, 2015, compared to $50.1 million at December 31, 2014. The general portion of the allowance for loan and lease losses decreased by $0.4 million during the three months ended March 31, 2015, largely a result of the sale of the indirect automobile portfolio, partially offset by growth in commercial real estate and commercial loan and lease portfolios. The sale of the indirect automobile portfolio resulted in a release of $1.9 million in the general allowance for loan and lease losses.

Specific Allowance

Specific valuation allowances are established for impaired originated loans with book values greater than the discounted present value of expected future cash flows or, in the case of collateral-dependent impaired loans, for any excess of a loan's book balance and the fair value of its underlying collateral. Specific valuation allowances are established for acquired loans

with deterioration in the discounted present value of expected future cash flows since acquisitions or, in the case of collateral dependent impaired loans, for any increase in the excess of a loan's book balance greater than the fair value of its underlying collateral. A specific valuation allowance for losses on troubled debt restructured 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 deemed necessary.

The specific allowance for loan and lease losses was $2.9 million at March 31, 2015, compared to $1.2 million at December 31, 2014. The specific allowance increased by $1.7 million during the three months ended March 31, 2015, primarily due to one commercial relationship which was downgraded during the three months ended March 31, 2015.

Unallocated Allowance

Determination of the unallocated portion of the allowance is a subjective process. Management believes the unallocated allowance is an important component of the total allowance because it addresses the probable inherent risk of loss that exists in that part of the Company's loan portfolio with repayment terms that extend over many years. It also helps to minimize the risk related to the margin of imprecision inherent in the estimation of the allocated components of the allowance. The Company has not allocated the unallocated portion of the allowance to the various loan categories and classes because such an allocation would imply a degree of precision that does not exist.

The unallocated allowance for loan and lease losses was $2.5 million at March 31, 2015, compared to $2.4 million at December 31, 2014. The unallocated portion of the allowance for loan and lease losses increased by $0.1 million during the three months ended March 31, 2015, largely as the result of the increase in overall allowance for loan and lease losses.

Credit Quality Assessment

At the time of loan origination, a rating is assigned based on the financial strength of the borrower and the value of assets pledged as collateral. The Company continually monitors the asset 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 the commercial real estate mortgage, multi-family mortgage, construction, commercial, equipment financing, condominium association and other consumer loan and lease classes, 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 of the commercial real estate and commercial loan portfolios. The results of these reviews are reported to the Board of Directors. For consumer loans, the Company primarily relies on payment status for monitoring credit risk.

The ratings categories used for assessing credit risk in the commercial real estate mortgage, 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.

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5 Rating — Other Asset 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 uncollectable 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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The following tables present the recorded investment in loans in each class at March 31, 2015 by credit quality indicator.

	At March 31, 2015						
	Commercial Real Estate Mortgage	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer
	(In Thousands)						
Originated:							
Loan rating:							
Pass	$1,454,500	$589,373	$132,229	$499,770	$598,603	$52,707	$11,621
OAEM	13,368	1,217	—	6,665	896	—	—
Substandard	3,186	—	—	7,997	1,106	—	45
Doubtful	—	—	—	943	1,440	—	—
Total originated	1,471,054	590,590	132,229	515,375	602,045	52,707	11,666
Acquired:							
Loan rating:							
Pass	226,510	59,169	1,791	39,101	12,186	—	162
OAEM	8,177	1,008	227	1,568	—	—	—
Substandard	7,978	1,733	—	4,208	70	—	—
Doubtful	421	—	—	92	—	—	—
Total acquired	243,086	61,910	2,018	44,969	12,256	—	162
Total loans	$1,714,140	$652,500	$134,247	$560,344	$614,301	$52,707	$11,828

At March 31, 2015, there were no loans categorized as definite loss.

	At March 31, 2015		
	Indirect Automobile		
	(In Thousands)	(Percent)	
Originated:			
Credit score:			
Over 700	$15,915	68.2	%
661-700	5,403	23.2	%
660 and below	1,781	7.6	%
Data not available	236	1.0	%
Total loans	$23,335	100.0	%

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	At March 31, 2015					
	Residential Mortgage			Home Equity		
	(In Thousands)	(Percent)		(In Thousands)	(Percent)	
Originated:						
Loan-to-value ratio:						
Less than 50%	$105,225	18.1	%	$122,455	41.9	%
50% - 69%	194,651	33.6	%	37,398	12.8	%
70% - 79%	162,574	28.1	%	27,437	9.4	%
80% and over	18,015	3.1	%	3,352	1.2	%
Data not available	2,309	0.4	%	1,073	0.4	%
Total originated	482,774	83.3	%	191,715	65.7	%
Acquired:						
Loan-to-value ratio:						
Less than 50%	18,962	3.3	%	66,105	22.6	%
50% - 69%	34,476	6.0	%	23,163	7.9	%
70% - 79%	22,022	3.8	%	9,040	3.1	%
80% and over	16,114	2.8	%	1,170	0.4	%
Data not available	4,646	0.8	%	1,005	0.3	%
Total acquired	96,220	16.7	%	100,483	34.3	%
Total loans	$578,994	100.0	%	$292,198	100.0	%

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
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At and for the Three Months Ended March 31, 2015 and 2014

The following tables present the recorded investment in loans in each class at December 31, 2014 by credit quality indicator.

	At December 31, 2014						
	Commercial Real Estate Mortgage	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer
	(In Thousands)						
Originated:							
Loan rating:							
Pass	$1,402,121	$574,972	$146,074	$447,778	$583,340	$51,593	$11,540
OAEM	22,491	1,242	—	12,193	932	—	—
Substandard	1,009	—	—	1,671	2,338	—	40
Doubtful	—	—	—	1,088	886	—	—
Total originated	1,425,621	576,214	146,074	462,730	587,496	51,593	11,580
Acquired:							
Loan rating:							
Pass	237,439	60,837	1,709	43,925	13,795	—	167
OAEM	8,351	713	230	1,852	—	—	—
Substandard	8,250	1,942	—	5,424	133	—	—
Doubtful	421	—	—	146	—	—	—
Total acquired	254,461	63,492	1,939	51,347	13,928	—	167
Total loans	$1,680,082	$639,706	$148,013	$514,077	$601,424	$51,593	$11,747

At December 31, 2014, there were no loans categorized as definite loss.

	At December 31, 2014		
	Indirect Automobile		
	(In Thousands)	(Percent)	
Originated:			
Credit score:			
Over 700	$262,160	82.7	%
661-700	43,422	13.7	%
660 and below	9,927	3.1	%
Data not available	1,478	0.5	%
Total loans	$316,987	100.0	%

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
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	At December 31, 2014					
	Residential Mortgage			Home Equity		
	(In Thousands)	(Percent)		(In Thousands)	(Percent)	
Originated:						
Loan-to-value ratio:						
Less than 50%	$105,342	18.4	%	$113,541	39.6	%
50% - 69%	179,319	31.4	%	35,660	12.4	%
70% - 79%	166,467	29.1	%	27,123	9.4	%
80% and over	19,335	3.4	%	4,195	1.5	%
Data not available	1,615	0.3	%	1,061	0.4	%
Total originated	472,078	82.6	%	181,580	63.2	%
Acquired:						
Loan-to-value ratio:						
Less than 50%	19,574	3.4	%	70,293	24.5	%
50% - 69%	35,131	6.2	%	22,581	7.9	%
70% - 79%	22,972	4.0	%	10,569	3.7	%
80% and over	16,268	2.8	%	1,178	0.4	%
Data not available	5,897	1.0	%	857	0.3	%
Total acquired	99,842	17.4	%	105,478	36.8	%
Total loans	$571,920	100.0	%	$287,058	100.0	%

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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 at March 31, 2015 and December 31, 2014.

	At March 31, 2015							
	Past Due						Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases		
	(In Thousands)							
Originated:								
Commercial real estate loans:								
Commercial real estate mortgage	$179	$1,122	$200	$1,501	$1,469,553	$1,471,054	$ —	$3,135
Multi-family mortgage	—	—	—	—	590,590	590,590	—	—
Construction	—	—	—	—	132,229	132,229	—	—
Total commercial real estate loans	179	1,122	200	1,501	2,192,372	2,193,873	—	3,135
Commercial loans and leases:								
Commercial	793	52	2,080	2,925	512,450	515,375	—	8,810
Equipment financing	1,659	355	1,775	3,789	598,256	602,045	—	2,321
Condominium association	363	—	—	363	52,344	52,707	—	—
Total commercial loans and leases	2,815	407	3,855	7,077	1,163,050	1,170,127	—	11,131
Indirect automobile	1,957	624	130	2,711	20,624	23,335	—	468
Consumer loans:								
Residential mortgage	173	329	499	1,001	481,773	482,774	—	2,290
Home equity	159	—	204	363	191,352	191,715	—	235
Other consumer	24	6	37	67	11,599	11,666	—	45
Total consumer loans	356	335	740	1,431	684,724	686,155	—	2,570
Total originated loans and leases	$5,307	$2,488	$4,925	$12,720	$4,060,770	$4,073,490	$ —	$17,304

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
At and for the Three Months Ended March 31, 2015 and 2014

	At March 31, 2015							
	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 mortgage	$3,186	$387	$3,180	$6,753	$236,333	$243,086	$3,065	$115
Multi-family mortgage	690	—	2,188	2,878	59,032	61,910	2,188	—
Construction	—	227	—	227	1,791	2,018	—	—
Total commercial real estate loans	3,876	614	5,368	9,858	297,156	307,014	5,253	115
Commercial loans and leases:								
Commercial	348	594	3,309	4,251	40,718	44,969	624	3,229
Equipment financing	—	—	62	62	12,194	12,256	72	—
Total commercial loans and leases	348	594	3,371	4,313	52,912	57,225	696	