BROOKLINE BANCORP INC
Form 10-Q
August 07, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

Commission file number 0-23695

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

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

(617) 425-4600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

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

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

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

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

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

At August 7, 2018, the number of shares of common stock, par value $0.01 per share, outstanding was 80,416,221.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
FORM 10-Q
Table of Contents

Table of Contents

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

	At June 30, 2018	At December 31, 2017
	(In Thousands Except Share Data)	
ASSETS		
Cash and due from banks	$32,724	$ 25,622
Short-term investments	22,754	35,383
Total cash and cash equivalents	55,478	61,005
Investment securities available-for-sale	558,602	540,124
Investment securities held-to-maturity (fair value of $113,903 and $108,523, respectively)	116,670	109,730
Total investment securities	675,272	649,854
Loans held-for-sale	1,034	2,628
Loans and leases:		
Commercial real estate loans	3,264,166	3,075,777
Commercial loans and leases	1,736,144	1,624,111
Consumer loans	1,170,964	1,030,791
Total loans and leases	6,171,274	5,730,679
Allowance for loan and lease losses	(57,981)	(58,592)
Net loans and leases	6,113,293	5,672,087
Restricted equity securities	68,343	59,369
Premises and equipment, net of accumulated depreciation of $66,991 and $63,423, respectively	79,194	80,283
Deferred tax asset	20,826	15,061
Goodwill	160,427	137,890
Identified intangible assets, net of accumulated amortization of $34,744 and $33,738, respectively	7,160	6,044
Other real estate owned ("OREO") and repossessed assets, net	4,352	4,419
Other assets	100,331	91,609
Total assets	$7,285,710	$ 6,780,249
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand checking accounts	$1,002,954	$ 942,583
Interest-bearing deposits:		
NOW accounts	346,936	350,568
Savings accounts	603,079	646,359
Money market accounts	1,704,652	1,724,363
Certificate of deposit accounts	1,540,659	1,207,470
Total interest-bearing deposits	4,195,326	3,928,760
Total deposits	5,198,280	4,871,343
Borrowed funds:		
Advances from the Federal Home Loan Bank of Boston ("FHLBB")	991,091	889,909
Subordinated debentures and notes	83,352	83,271
Other borrowed funds	36,480	47,639
Total borrowed funds	1,110,923	1,020,819

Mortgagors' escrow accounts	8,122	7,686
Accrued expenses and other liabilities	82,017	67,818
Total liabilities	6,399,342	5,967,666
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Brookline Bancorp, Inc. stockholders' equity:		
Common stock, $0.01 par value; 200,000,000 shares authorized; 85,177,172 shares issued and 81,695,695 shares issued, respectively	852	817
Additional paid-in capital	756,254	699,976
Retained earnings, partially restricted	185,734	161,217
Accumulated other comprehensive loss	(13,415)	(5,950)
Treasury stock, at cost; 4,409,501 shares and 4,440,665 shares, respectively	(51,454)	(51,454)
Unallocated common stock held by Employee Stock Ownership Plan ("ESOP"); 126,144 shares and 142,332 shares, respectively	(688)	(776)
Total Brookline Bancorp, Inc. stockholders' equity	877,283	803,830
Noncontrolling interest in subsidiary	9,085	8,753
Total stockholders' equity	886,368	812,583
Total liabilities and stockholders' equity	$7,285,710	$ 6,780,249

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In Thousands Except Share Data)			
Interest and dividend income:				
Loans and leases	$73,329	$ 61,138	$140,601	$ 119,696
Debt securities	3,563	3,156	6,886	6,156
Marketable and restricted equity securities	1,003	797	1,927	1,523
Short-term investments	179	95	299	162
Total interest and dividend income	78,074	65,186	149,713	127,537
Interest expense:				
Deposits	9,219	5,543	16,318	10,623
Borrowed funds	6,138	4,060	11,187	8,233
Total interest expense	15,357	9,603	27,505	18,856
Net interest income	62,717	55,583	122,208	108,681
Provision for credit losses	1,470	873	2,111	14,275
Net interest income after provision for credit losses	61,247	54,710	120,097	94,406
Non-interest income:				
Deposit fees	2,620	2,552	5,083	4,961
Loan fees	330	229	620	490
Loan level derivative income, net	571	186	1,437	588
Gain on sales of investment securities, net	—	—	1,162	11,393
Gain on sales of loans and leases held-for-sale	722	307	1,021	660
Other	1,283	1,203	2,371	2,293
Total non-interest income	5,526	4,477	11,694	20,385
Non-interest expense:				
Compensation and employee benefits	22,565	20,910	44,879	40,694
Occupancy	3,879	3,657	7,838	7,302
Equipment and data processing	4,368	4,164	8,986	8,227
Professional services	1,055	1,036	2,199	2,142
FDIC insurance	514	951	1,149	1,806
Advertising and marketing	1,118	857	2,175	1,674
Amortization of identified intangible assets	539	519	1,006	1,051
Merger and acquisition expense	334	—	3,239	—
Other	3,330	2,701	6,169	5,655
Total non-interest expense	37,702	34,795	77,640	68,551
Income before provision for income taxes	29,071	24,392	54,151	46,240
Provision for income taxes	7,342	8,759	12,994	16,594
Net income before noncontrolling interest in subsidiary	21,729	15,633	41,157	29,646
Less net income attributable to noncontrolling interest in subsidiary	898	753	1,693	1,321
Net income attributable to Brookline Bancorp, Inc.	$20,831	$ 14,880	$39,464	$ 28,325
Earnings per common share:				
Basic	$0.26	$ 0.20	$0.50	$ 0.39
Diluted	0.26	0.20	0.50	0.39
Weighted average common shares outstanding during the year:				
Basic	80,184,977	74,325,013	79,038,041	72,366,769
Diluted	80,505,614	74,810,088	79,342,463	72,837,971

Dividends declared per common share	$0.10	$ 0.09	$0.19	$ 0.18

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In Thousands)			
Net income before noncontrolling interest in subsidiary	$21,729	$15,633	$41,157	$29,646
Investment securities available-for-sale:				
Unrealized securities holding (losses) gains	(2,244)	1,693	(9,645)	2,563
Income tax expense (benefit)	495	(607)	2,127	(920)
Net unrealized securities holding (losses) gains before reclassification adjustments, net of taxes	(1,749)	1,086	(7,518)	1,643
Less reclassification adjustments for securities gains included in net income:				
Loss on sales of securities, net	—	—	(68)	—
Income tax benefit	—	—	15	—
Net reclassification adjustments for securities gains included in net income	—	—	(53)	—
Net unrealized securities holding (losses) gains	(1,749)	1,086	(7,465)	1,643
Comprehensive income	19,980	16,719	33,692	31,289
Net income attributable to noncontrolling interest in subsidiary	898	753	1,693	1,321
Comprehensive income attributable to Brookline Bancorp, Inc.	$19,082	$15,966	$31,999	$29,968

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Changes in Stockholders' Equity
Six Months Ended June 30, 2018 and 2017

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity	Noncontrolling Interest in Subsidiary	Total Stockholders' Equity
	(In Thousands)								
Balance at December 31, 2017	$817	$699,976	$161,217	$(5,950)	$(51,454)	$(776)	$803,830	$8,753	$812,583
Net income attributable to Brookline Bancorp, Inc.	—	—	39,464	—	—	—	39,464	—	39,464
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	1,693	1,693
Common stock issued for acquisition	35	55,146	—	—	—	—	55,181	—	55,181
Issuance of noncontrolling units	—	—	—	—	—	—	—	129	129
Other comprehensive income	—	—		(7,465)	—	—	(7,465)	—	(7,465)
Common stock dividends of $0.19 per share	—	—	(14,947)	—	—	—	(14,947)	—	(14,947)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,490)	(1,490)
Restricted stock awards, net of awards surrendered	—	946	—	—	—	—	946	—	946
Common stock held by ESOP committed to be released (16,188 shares)	—	186	—	—	—	88	274	—	274
Balance at June 30, 2018	$852	$756,254	$185,734	$(13,415)	$(51,454)	$(688)	$877,283	$9,085	$886,368

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

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

	Six Months Ended June 30,	
	2018	2017
	(In Thousands)	
Cash flows from operating activities:		
Net income attributable to Brookline Bancorp, Inc.	$39,464	$ 28,325
Adjustments to reconcile net income to net cash provided from operating activities:		
Net income attributable to noncontrolling interest in subsidiary	1,693	1,321
Provision for credit losses	2,111	14,275
Origination of loans and leases held-for-sale	(12,648)	(12,860)
Proceeds from sales of loans and leases held-for-sale, net	15,185	18,427
Deferred income tax benefit	(3,653)	(2,655)
Depreciation of premises and equipment	3,628	3,615
Amortization of investment securities premiums and discounts, net	875	746
Amortization of deferred loan and lease origination costs, net	3,417	3,265
Amortization of identified intangible assets	1,006	1,051
Amortization of debt issuance costs	50	50
Amortization (accretion) of acquisition fair value adjustments, net	212	(1,353)
Gain on sales of investment securities, net	(1,162)	(11,393)
Gain on sales of loans and leases held-for-sale	(1,021)	(660)
Loss on sales of OREO and other repossessed assets, net	—	25
Write-down of OREO and other repossessed assets	252	193
Compensation under recognition and retention plans	1,032	1,147
ESOP shares committed to be released	274	243
Net change in:		
Cash surrender value of bank-owned life insurance	(512)	(517)
Other assets	(8,210)	(7,541)
Accrued expenses and other liabilities	14,226	(1,420)
Net cash provided from operating activities	56,219	34,284
Cash flows from investing activities:		
Proceeds from sales of investment securities available-for-sale	1,470	—
Proceeds from maturities, calls, and principal repayments of investment securities available-for-sale	43,569	36,881
Purchases of investment securities available-for-sale	(73,852)	(52,448)
Proceeds from maturities, calls, and principal repayments of investment securities held to maturity	1,790	2,083
Purchases of investment securities held-to-maturity	(8,915)	(23,884)
Proceeds from redemption/sales of restricted equity securities	2,820	13,258
Purchase of restricted equity securities	(10,564)	(4,342)
Proceeds from sales of loans and leases held-for-investment, net	3,178	4,643
Net increase in loans and leases	(451,145)	(146,895)
Acquisitions, net of cash and cash equivalents acquired	(24,659)	—
Purchase of premises and equipment, net	(2,621)	(8,617)

(Continued)

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

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

	Six Months Ended June 30,	
	2018	2017
	(In Thousands)	
Proceeds from sales of OREO and other repossessed assets	1,241	1,374
Net cash used for investing activities	(517,688)	(177,947)
Cash flows from financing activities:		
(Decrease) increase in demand checking, NOW, savings and money market accounts	(6,252)	19,814
Increase in certificates of deposit	332,862	78,529
Proceeds from FHLBB advances	4,598,000	2,419,299
Repayment of FHLBB advances	(4,496,818)	(2,399,017)
(Decrease) increase in other borrowed funds, net	(11,159)	3,220
Increase in mortgagors' escrow accounts, net	436	69
Proceeds from issuance of common stock	—	82,009
Common stock issued for acquisition	55,181	—
Payment of dividends on common stock	(14,947)	(13,237)
Proceeds from issuance of noncontrolling units	129	118
Payment of dividends to owners of noncontrolling interest in subsidiary	(1,490)	(1,203)
Net cash provided from financing activities	455,942	189,601
Net (decrease) increase in cash and cash equivalents	(5,527)	45,938
Cash and cash equivalents at beginning of period	61,005	67,657
Cash and cash equivalents at end of period	$55,478	$113,595
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on deposits, borrowed funds and subordinated debt	$26,746	$20,049
Income taxes	10,719	21,878
Non-cash investing activities:		
Transfer from loans and leases held-for-sale to loans and leases	$—	$7,500
Transfer from loans to other real estate owned	1,426	5,066
Acquisition of First Commons Bank, N.A.:		
Fair value of assets acquired, net of cash and cash equivalents acquired	$292,025	$—
Fair value of liabilities assumed	278,988	—

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
At and for the Six Months Ended June 30, 2018 and 2017
(1) Basis of Presentation
Overview
Brookline Bancorp, Inc. (the "Company") is a bank holding company (within the meaning of the Bank Holding Company Act of 1956, as amended) and the parent of Brookline Bank, a Massachusetts-chartered savings bank; Bank Rhode Island ("BankRI"), a Rhode Island-chartered financial institution; and First Ipswich Bank ("First Ipswich"), a Massachusetts-chartered trust company (collectively referred to as the "Banks"). The Banks are all members of the Federal Reserve System. The Company is also the parent of Brookline Securities Corp. ("BSC"). The Company's primary business is to provide commercial, business and retail banking services to its corporate, municipal and retail customers through the Banks and its non-bank subsidiaries.
Brookline Bank, which includes its wholly-owned subsidiaries BBS Investment Corp., Longwood Securities Corp. ("LSC") and its 84.1%-owned subsidiary, Eastern Funding LLC ("Eastern Funding"), operates 25 full-service banking offices in the greater Boston metropolitan area with two additional lending offices. BankRI, which includes its wholly-owned subsidiaries, Acorn Insurance Agency, BRI Realty Corp., Macrolease Corporation ("Macrolease"), BRI Investment Corp. and its wholly-owned subsidiary, BRI MSC Corp., operates 20 full-service banking offices in the greater Providence, Rhode Island area. First Ipswich, which includes its wholly-owned subsidiaries First Ipswich Insurance Agency and First Ipswich Securities II Corp., operates six full-service banking offices on the north shore of eastern Massachusetts.
The Company's activities include acceptance of commercial, municipal and retail deposits, origination of mortgage loans on commercial and residential real estate located principally in all New England states, origination of commercial loans and leases to small- and mid-sized businesses, investment in debt and equity securities, and the offering of cash management and investment advisory services. The Company also provides specialty equipment financing through its subsidiaries Eastern Funding, which is based in New York City, New York, and Macrolease, which is based in Plainview, New York.
The Company and the Banks are supervised, examined and regulated by the Board of Governors of the Federal Reserve System ("FRB"). As a Massachusetts-chartered savings bank and trust company respectively, Brookline Bank and First Ipswich are also subject to regulation under the laws of the Commonwealth of Massachusetts and the jurisdiction of the Massachusetts Division of Banks. As a Rhode Island-chartered financial institution, BankRI is subject to regulation under the laws of the State of Rhode Island and the jurisdiction of the Banking Division of the Rhode Island Department of Business Regulation.
The Federal Deposit Insurance Corporation ("FDIC") offers insurance coverage on all deposits up to $250,000 per depositor at each of the Banks. As FDIC-insured depository institutions, the Banks are also secondarily subject to supervision, examination and regulation by the FDIC. Additionally, as a Massachusetts-chartered savings bank, the deposits of Brookline Bank are 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, 2017.

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

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

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

Reclassification

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

Recent Accounting Pronouncements

In July 2018, FASB issued Accounting Standards Update No. 2018-11, “Targeted Improvements” (“ASU 2018-11”) which allows for an optional transition method in which the provisions of Topic 842 would be applied upon the adoption date and would not have to be retroactively applied to the earliest reporting period presented in the consolidated financial statements. The Company intends to use the optional transition method for the adoption of Topic 842. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods therein. Early adoption is permitted. Management believes that this ASU does apply and has not determined the impact, if any, as of June 30, 2018. Management has assembled a project team to assess steps required for adoption. These steps will include a review of third party lease software service providers. This ASU 2018-11 will be implemented during Q1 of 2019 along with ASU 2016-02 Leases (Topic 842).

In July 2018, FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases. This ASU was issued to clarify the Codification or to correct unintended application of guidance within ASU 2016-02 Leases (Topic 842). This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods therein. Early adoption is permitted. Management believes that this ASU does apply and has not determined the impact, if any, as of June 30, 2018. Management has assembled a project team to assess steps required for adoption. The steps include a review of third party lease software service providers.

In February 2018, FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This ASU was issued to add improvements to update ASU 2016-01 to increase stakeholders’ awareness of the amendments and to expedite the improvements. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. Public business entities with fiscal years beginning between December 15, 2017 and June 15, 2018, are not required to adopt these amendments until the interim period beginning after June 15, 2018, and public business entities with fiscal years beginning between June 15, 2018, and December 15, 2018, are not required to adopt these amendments before adopting the amendments in Update 2016-01. Management has determined that ASU 2018-03 does apply and has determined the impact to be immaterial as of June 30, 2018.

In February 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" was issued to address a narrow-scope financial reporting issue that arose as a consequence of the change in the tax law. On December 22, 2017, the U.S. federal government enacted a tax bill, H.R.1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (the “Tax

Reform Act"). The ASU No. 2018-02 requires a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate. The amount of the reclassification would be the difference between the historical corporate income tax rate of 35 percent and the newly enacted 21 percent corporate income tax rate. The ASU No. 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years with early adoption permitted, including adoption in any interim period, for (i) public business entities for reporting periods for which financial statements have not yet been issued and (ii) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The changes are required to be applied retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs

Act of 2017 is recognized. Management early adopted this ASU as of December 31, 2017, which resulted in the reclassification from accumulated other comprehensive loss to retained earnings totaling $1.1 million, reflected in the Consolidated Statements of Changes in Stockholders' Equity.

In November 2017, the FASB issued ASU 2017-14, Income Statement-Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606): Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403. This ASU was issued to amend certain SEC paragraphs pursuant to the SEC Staff Accounting Bulletin No.116 and SEC Release No. 33-10403, which bring existing guidance into conformity with Topic 606, Revenue from Contract with Customers. The ASU was effective for annual periods beginning after December 15, 2017. Management has adopted this ASU as of January 1, 2018 and has determined the impact to be immaterial.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting. FASB issued this Update to address the diversity in practice as well as the cost and complexity when applying the guidance in Topic 718, Compensation - Stock Compensation, to a change to the terms or conditions of a share-based payment award. For public entities, this ASU is effective for annual reporting periods beginning after December 15, 2017. Management adopted this ASU as of January 1, 2018 and has determined the impact to be immaterial.

In March 2017, the FASB issued Accounting Standards Update ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715). This ASU was issued primarily to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. This ASU is effective for annual reporting periods beginning after December 15, 2017. Management adopted this ASU as of January 1, 2018 and has determined the impact to be immaterial.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350). This ASU was issued to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. For public entities, this ASU is effective for the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted and application should be on a prospective basis. Management has evaluated this ASU and as of December 31, 2017, the Company has adopted the ASU and determined the impact to be immaterial.

In June 2016, the FASB issued ASU 2016-13, Financial instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The intent of this ASU is to replace the current GAAP method of calculating credit losses. Current GAAP uses a higher threshold at which likely losses can be calculated and recorded. The new process will require institutions to account for likely losses that originally would not have been part of the calculation. The calculation will incorporate future forecasting in addition to historical and current measures. For public entities that file with the SEC, this ASU is effective for the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This ASU must be applied prospectively to debt securities marked as other than temporarily impaired. A retrospective approach will be applied cumulatively to retained earnings. Early adoption is permitted as of the fiscal years beginning after December 15, 2018. Management has determined that ASU 2016-13 does apply, but has not determined the impact, if any, as of June 30, 2018. In preparation for the adoption in 2020 of this ASU, management formed a steering committee to oversee the adoption of ASU 2016-13. The steering committee along with a project team has developed an approach for implementation and has selected a third party software service provider. The project team is in the testing phase of the third party software.

In February 2016, FASB issued ASU 2016-02, Leases. This ASU requires lessees to record most leases on their balance sheet but recognize expenses on their income statements in a manner similar to current accounting. This ASU also eliminates current real estate-specific provisions for all companies. For lessors, this ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods therein. Early adoption is permitted. Management believes that this ASU applies and has not determined the impact, if any, as of June 30, 2018. Management has assembled a project team to assess steps required for adoption. Management has compiled a complete listing of leases to be reviewed and assessed. As disclosed in Note 12, the Company was committed to $29.0 million of future minimum lease payments under these non-cancelable operating leases. Upon adoption of ASU 2016-02 on January 1, 2019, the Company expects to report increased assets and liabilities as a result of recognizing right of-use assets and lease liabilities in the Consolidated Balance Sheets. The Company does not expect a material change to the timing of expense recognition in the Consolidated Statements of Income.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments. This ASU significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods therein. Management adopted ASU 2016-01 as of January 1, 2018 and management has determined the impact to be immaterial.

Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), was issued in May 2014 and provides a revenue recognition framework for any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other accounting standards. As issued, ASU 2014-09 was effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period with early adoption not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, Accounting Standards Update No. 2015-14, "Deferral of the Effective Date" ("ASU 2015-14") was issued and delayed the effective date of ASU 2014-09 to annual and interim periods in fiscal years beginning after December 15, 2017. In 2016, Accounting Standards Update No. 2016-08, "Principal versus Agent Considerations" ("ASU 2016-08"), Accounting Standards Update No. 2016-10, "Identifying Performance Obligations and Licensing" ("ASU 2016-10") and Accounting Standards Update No. 2016-12, "Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12") were issued. These ASUs did not change the core principle for revenue recognition in Topic 606; instead, the amendments provided more detailed guidance in a few areas and additional implementation guidance and examples to reduce the degree of judgment necessary to comply with Topic 606. The effective date and transition requirements for ASU 2016-08, ASU 2016-10 and ASU 2016-12 were the same as those provided by ASU 2015-14. Management assembled a project team to address the changes pursuant to Topic 606. The project team completed a scope assessment and contract review for in-scope revenue streams. Topic 606 did not apply to several income generating streams. Management excluded from their analysis, income associated with financial instruments, gains on sale of investment securities and loans, gains on Low Income Housing Tax Credits ("LIHTC") and loan level derivative income. Revenue streams that were included were service charges on deposit accounts, loan fees, and income received through a third party relationship. Management adopted the provisions of ASU 2014-09 effective January 1, 2018, using the modified retrospective transition method. The adoption did not have a material impact on the Company's consolidated financial statements. See Note 13, "Revenue from Contracts with Customers," for further details.

(2) Acquisitions

First Commons Bank, N.A.

On March 1, 2018, the Company completed the acquisition (the "Transaction") of First Commons Bank. First Commons Bank was merged with and into the Company's subsidiary bank, Brookline Bank. First Commons Bank had two branch locations in Newton Centre and Wellesley, Massachusetts. These branch locations were closed on June 1, 2018 and consolidated into Brookline Bank's existing branch locations in Newton Centre and Wellesley, Massachusetts.

The Transaction qualified as a tax-free reorganization for federal income tax purposes. The total Transaction consideration was $56.0 million. First Commons Bank stockholders received, for each share of First Commons Bank common stock, the right to receive 1.089 shares of the Company's common stock with cash in lieu of fractional shares, options, and warrants, resulting in a total cash consideration payment of $851.0 thousand and an increase to the Company's outstanding shares of 3,481,477 shares.

The Company accounted for the Transaction using the estimated fair value of assets and liabilities assumed as of the acquisition date. The excess of consideration paid over the fair value of identifiable net assets was recorded as goodwill in the consolidated financial statements. Accordingly, the Company recorded merger and acquisition expenses of $0.3 million and $3.2 million during the three and six months ended June 30, 2018, respectively.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as of the date of the acquisition:

	Net Assets Acquired at Fair Value (In Thousands)
ASSETS	
Cash	$ 42,995
Restricted stock	1,884
Loans	262,095
Premises and equipment	583
Goodwill	23,005
Core deposit and other intangibles	2,122
Other assets	2,336
Total assets acquired	335,020
LIABILITIES	
Deposits	273,701
Borrowings	5,000
Other liabilities	287
Total liabilities assumed	278,988
Purchase price	$ 56,032

Fair values of the major categories of assets acquired and liabilities assumed were determined as follows:

Cash and Cash Equivalents

The fair values of cash and cash equivalents approximate the respective carrying amounts because the instruments are payable on demand or have short-term maturities.

Restricted Stock

The fair value of restricted stock approximate the respective carrying amount. The stock is comprised of $880 thousand of FHLBB stock and $1.0 million of FRB stock.

Loans

The loans acquired were recorded at fair value without a carryover of the allowance for loan losses. There were no credit related issues with the acquired portfolio. For the loan purchase accounting, management used the following assumptions: no specific credit mark valuations as determined by the Company's Credit Risk Management, segregation of portfolio into certain loan categories, loan level valuations versus a pooled approach, prepayment rate assumptions and market discount rates.

The Company recorded a $1.6 million discount from the results of the loan accounting valuation. There was $151.0 thousand and $178.0 thousand of accretion recorded during the three and six months ended June 30, 2018.

Deposits - Core Deposit Intangible ("CDI")

Accounts included in the CDI include demand deposits, NOW accounts, money market accounts and savings accounts. The fair value of the CDI was derived from using the following assumptions: account retention rates, alternative cost of funds, effective cost of funds, cost savings, present value of annual net cost savings and market discount rate.

The Company recorded a $2.1 million CDI from the results of the deposit valuation. There was $123.0 thousand and $164.0 thousand of amortization recorded during the three and six months ended June 30, 2018.

Certificates of Deposits

The certificates of deposits were recorded at fair value. The determination of the fair value was calculated using a discounted cash flow analysis, which involved present valuing the contractual payments over the remaining life of the certificate of deposit at market based-rates.

The Company recorded a $1.2 million premium from the results of the certificate of deposit valuation. There was $245.0 thousand and $327.0 thousand of accretion recorded during the three and six months ended June 30, 2018.

Borrowings

The borrowings at acquisition typically require a fair market valuation performed as of the acquisition date. The difference between the current recorded balance and the fair market value will be reflected as a fair value mark. The Company’s Treasury team performed two valuations to review the fair value mark. After reviewing the results, the fair value mark was immaterial and management decided not to record any fair market value adjustment on the acquired borrowings.

Table of Contents
BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

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

	At June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
GSE debentures	$184,716	$ —	$ 4,762	$179,954
GSE CMOs	118,782	14	5,918	112,878
GSE MBSs	187,181	175	5,718	181,638
SBA commercial loan asset-backed securities	57	—	—	57
Corporate debt obligations	50,752	1	1,058	49,695
U.S. Treasury bonds	33,550	117	251	33,416
Marketable equity securities	983	2	21	964
Total investment securities available-for-sale	$576,021	$ 309	$ 17,728	$558,602
Investment securities held-to-maturity:				
GSE debentures	$50,535	$ —	$ 1,614	$48,921
GSEs MBSs	12,785	—	376	12,409
Municipal obligations	52,850	12	787	52,075
Foreign government obligations	500	—	2	498
Total investment securities held-to-maturity	$116,670	$ 12	$ 2,779	$113,903

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
GSE debentures	$151,483	$ 70	$ 1,629	$149,924
GSE CMOs	131,082	27	4,087	127,022
GSE MBSs	191,281	354	2,322	189,313
SBA commercial loan asset-backed securities	73	—	1	72
Corporate debt obligations	62,811	110	238	62,683
U.S. Treasury bonds	8,785	7	62	8,730
Trust preferred securities	1,471	—	73	1,398
Marketable equity securities	978	13	9	982
Total investment securities available-for-sale	$547,964	$ 581	$ 8,421	$540,124
Investment securities held-to-maturity:				
GSE debentures	$41,612	$ —	$ 811	$40,801
GSEs MBSs	13,923	—	218	13,705
Municipal obligations	53,695	159	337	53,517
Foreign government obligations	500	—	—	500
Total investment securities held-to-maturity	$109,730	$ 159	$ 1,366	$108,523

As of June 30, 2018, the fair value of all investment securities available-for-sale was $558.6 million, with net unrealized losses of $17.4 million, compared to a fair value of $540.1 million and net unrealized losses of $7.8 million as of December 31, 2017. As of June 30, 2018, $524.2 million, or 93.8% of the portfolio, had gross unrealized losses of $17.7 million, compared to $469.2 million, or 86.9% of the portfolio, with gross unrealized losses of $8.4 million as of December 31, 2017.

As of June 30, 2018, the fair value of all investment securities held-to-maturity was $113.9 million, with net unrealized losses of $2.8 million, compared to a fair value of $108.5 million with net unrealized losses of $1.2 million as of December 31, 2017. As of June 30, 2018, $110.2 million, or 96.8% of the portfolio, had gross unrealized losses of $2.8 million. As of December 31, 2017, $92.9 million, or 85.6% of the portfolio had gross unrealized losses of $1.4 million.

Investment Securities as Collateral

As of June 30, 2018 and December 31, 2017, respectively, $470.5 million and $431.2 million of investment securities were pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits; swap agreements; FRB borrowings; and FHLBB borrowings. The Banks did not have any outstanding FRB borrowings as of June 30, 2018 and December 31, 2017.

Other-Than-Temporary Impairment ("OTTI")

Investment securities as of June 30, 2018 and December 31, 2017 that have been in a continuous unrealized loss position for less than twelve months or twelve months or longer are as follows:

	At June 30, 2018					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(In Thousands)					
Investment securities available-for-sale:						
GSE debentures	$165,043	$ 3,985	$14,912	$ 777	$179,955	$ 4,762
GSE CMOs	2,394	76	109,971	5,842	112,365	5,918
GSE MBSs	106,235	2,582	68,885	3,136	175,120	5,718
SBA commercial loan asset-backed securities	—	—	57	—	57	—
Corporate debt obligations	45,348	898	2,347	160	47,695	1,058
U.S. Treasury bonds	8,552	251	—	—	8,552	251
Marketable equity securities	—	—	491	21	491	21
Temporarily impaired investment securities available-for-sale	327,572	7,792	196,663	9,936	524,235	17,728
Investment securities held-to-maturity:						
GSE debentures	34,980	818	13,942	796	48,922	1,614
GSEs MBSs	1,841	41	10,420	335	12,261	376
Municipal obligations	41,909	520	6,630	267	48,539	787
Foreign government obligations	—	—	498	2	498	2
Temporarily impaired investment securities held-to-maturity	78,730	1,379	31,490	1,400	110,220	2,779
Total temporarily impaired investment securities	$406,302	$ 9,171	$228,153	$ 11,336	$634,455	$ 20,507

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

	December 31, 2017					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(In Thousands)					
Investment securities available-for-sale:						
GSE debentures	$120,409	$ 1,263	$12,481	$ 366	$132,890	$ 1,629
GSE CMOs	2,862	34	123,548	4,053	126,410	4,087
GSE MBSs	94,985	753	74,782	1,569	169,767	2,322
SBA commercial loan asset-backed securities	34	—	33	1	67	1
Corporate debt obligations	30,978	154	2,423	84	33,401	238
U.S. Treasury bonds	4,767	62	—	—	4,767	62
Trust preferred securities	—	—	1,398	73	1,398	73
Marketable equity securities	—	—	503	9	503	9
Temporarily impaired investment securities available-for-sale	254,035	2,266	215,168	6,155	469,203	8,421
Investment securities held-to-maturity:						
GSE debentures	26,594	281	14,208	530	40,802	811
GSEs MBSs	1,996	15	11,674	203	13,670	218
Municipal obligations	30,542	235	7,408	102	37,950	337
Foreign government obligations	—	—	500	—	500	—
Temporarily impaired investment securities held-to-maturity	59,132	531	33,790	835	92,922	1,366
Total temporarily impaired investment securities	$313,167	$ 2,797	$248,958	$ 6,990	$562,125	$ 9,787

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

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

Investment Securities Available-For-Sale Impairment Analysis

The following discussion summarizes, by investment security type, the basis for evaluating if the applicable investment securities within the Company’s available-for-sale portfolio were OTTI as of June 30, 2018. Based on the analysis below and the determination that, it is more likely than not that the Company will not sell or be required to sell the investment securities before recovery of its amortized cost. The Company's ability and intent to hold these investment securities until recovery is supported by the Company's strong capital and liquidity positions as well as its historically low portfolio turnover. As such, management has determined that the investment securities are not OTTI as of June 30, 2018. If market conditions for investment securities worsen or the creditworthiness of the underlying issuers deteriorates, it is possible that the Company may recognize additional OTTI in future periods.

U.S. Government-Sponsored Enterprises

The Company invests in securities issued by U.S. Government-sponsored enterprises ("GSEs"), including GSE debentures, mortgage-backed securities ("MBSs"), and collateralized mortgage obligations ("CMOs"). GSE securities include obligations issued by the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), the Government National Mortgage Association ("GNMA"), the FHLBB and the Federal Farm Credit Bank. As of June 30, 2018, only GNMA MBSs and CMOs, and Small Business Administration ("SBA") commercial loan asset-backed securities in our available-for-sale portfolio with an estimated fair value of $22.2 million were backed explicitly by the full faith and credit of the U.S. Government, compared to $23.7 million as of December 31, 2017.

As of June 30, 2018, the Company owned 60 GSE debentures with a total fair value of $180.0 million, and a net unrealized loss of $4.8 million. As of December 31, 2017, the Company held 48 GSE debentures with a total fair value of $149.9 million, with a net unrealized loss of $1.6 million. As of June 30, 2018, 60 of the 60 securities in this portfolio were in an unrealized loss position. As of December 31, 2017, 43 of the 48 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA/SBA) guarantee of the U.S Government. During the six months ended June 30, 2018, the Company purchased a total of $33.9 million GSE debentures. This compares to $42.1 million purchased during the same period in 2017.

As of June 30, 2018, the Company owned 62 GSE CMOs with a total fair value of $112.9 million and a net unrealized loss of $5.9 million. As of December 31, 2017, the Company held 62 GSE CMOs with a total fair value of $127.0 million with a net unrealized loss of $4.1 million. As of June 30, 2018, 50 of the 62 securities in this portfolio were in an unrealized loss position. As of December 31, 2017, 47 of the 62 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the six months ended June 30, 2018 and 2017, the Company did not purchase any GSE CMOs.

As of June 30, 2018, the Company owned 184 GSE MBSs with a total fair value of $181.6 million and a net unrealized loss of $5.5 million. As of December 31, 2017, the Company held 194 GSE MBSs with a total fair value of $189.3 million with a net unrealized loss of $2.0 million. As of June 30, 2018, 94 of the 184 securities in this portfolio were in an unrealized loss position. As of December 31, 2017, 82 of the 194 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the six months ended June 30, 2018, the Company purchased a total of $15.2 million GSE MBSs, as compared to the same period in 2017, when the Company did not purchase any GSE MBSs.

SBA Commercial Loan Asset-Backed

As of June 30, 2018, the Company owned five SBA securities with a total fair value of $0.1 million, which approximated amortized cost. As of December 31, 2017, the Company owned five SBA securities with a total fair value of $0.1 million, which approximated amortized cost. As of June 30, 2018, four of the five securities in this portfolio were in an unrealized loss position. As of December 31, 2017, four of the five securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the explicit guarantee of the U.S Government. During the six months ended June 30, 2018 and 2017, the Company did not purchase any SBA securities.

Corporate Obligations

The Company may invest in high-quality corporate obligations to provide portfolio diversification and improve the overall yield on the portfolio. As of June 30, 2018, the Company held 15 corporate obligation securities with a total fair value of $49.7 million and a net unrealized loss of $1.1 million. As of December 31, 2017, the Company held 19 corporate obligation securities with a total fair value of $62.7 million and a net unrealized loss of $0.1 million. As of June 30, 2018, 14 of the 15 securities in this portfolio were in an unrealized loss position. As of December 31, 2017, nine of the nineteen securities in this portfolio were in an unrealized loss position. Full collection of the obligations is expected because the financial condition of the issuers is sound, they have not defaulted on scheduled payments, the obligations are rated investment grade, and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost. During the six months ended June 30, 2018 the Company did not purchase any corporate obligations, as compared to the same period in 2017, when the Company purchased a total of $10.3 million corporate obligations.

U.S. Treasury Bonds

The Company invests in securities issued by the U.S. government. As of June 30, 2018, the Company owned seven U.S. Treasury bonds with a total fair value of $33.4 million and an unrealized loss of $0.1 million. This compares to two U.S. Treasury bonds with a total fair value of $8.7 million and an unrealized loss of $0.1 million as of December 31, 2017. During the six months ended June 30, 2018, the Company purchased a total of $24.7 million U.S. Treasury bonds, as compared to the same period in 2017, when the Company did not purchase any U.S. Treasury bonds.

Trust Preferred Securities

Trust preferred securities represent subordinated debt issued by financial institutions. As of June 30, 2018, the Company did not own any trust preferred securities. This compares to three trust preferred securities with a total fair value of $1.4 million and an unrealized loss of $0.1 million as of December 31, 2017.

Marketable Equity Securities

From time to time, the Company will invest in mutual funds for community reinvestment purposes. As of June 30, 2018 and December 31, 2017, the Company owned two marketable equity securities with a fair value of $1.0 million, which approximated amortized cost. As of June 30, 2018 and December 31, 2017, one of the two securities in this portfolio was in an unrealized loss position. During the six months ended June 30, 2018 and 2017, the Company did not purchase any marketable equity securities.

Investment Securities Held-to-Maturity Impairment Analysis

The following discussion summarizes by investment security type, the basis for evaluating if the applicable investment securities within the Company's held-to-maturity portfolio were OTTI at June 30, 2018. Management has the ability and the intent to hold the securities until maturity.

U.S. Government-Sponsored Enterprises

As of June 30, 2018, the Company owned 17 GSE debentures with a total fair value of $48.9 million and a net unrealized loss of $1.6 million. As of December 31, 2017, the Company owned 14 GSE debentures with a total fair value of $40.8 million and an unrealized loss of $0.8 million. As of June 30, 2018, all 17 securities in this portfolio were in an unrealized loss position. At December 31, 2017, all 14 of the securities in this portfolio were in unrealized loss positions. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the six months ended June 30, 2018 and 2017, the Company purchased a total of $8.9 million and $23.9 million in GSE debentures, respectively.

As of June 30, 2018, the Company owned 11 GSE MBSs with a total fair value of $12.4 million and an unrealized loss of $0.4 million. As of December 31, 2017, the Company owned 11 GSE MBSs with a total fair value of $13.7 million and an unrealized loss of $0.2 million. As of June 30, 2018 and December 31, 2017, eight of the eleven securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the six months ended June 30, 2018 and 2017, the Company did not purchase any GSE MBSs.

Municipal Obligations

The Company invests in certain state and municipal securities with high credit ratings for portfolio diversification and tax planning purposes. As of June 30, 2018, the Company owned 99 municipal obligation securities with a total fair value of $52.1 million and and a net unrealized loss of $0.8 million. As of December 31, 2017, the Company owned 100 municipal obligation securities with a total fair value of $53.5 million and an unrealized loss of $0.2 million. As of June 30, 2018, 91 of the 99 securities in this portfolio were in an unrealized loss position as compared to December 31, 2017, when 69 of the 100 securities were in an unrealized loss position. During the six months ended June 30, 2018 and 2017, the Company did not purchase any municipal obligations.

Foreign Government Obligations

As of June 30, 2018 and December 31, 2017, the Company owned one foreign government obligation security with a fair value of $0.5 million, which approximated cost. As of June 30, 2018 and December 31, 2017 respectively, the security was in an unrealized loss position. During the six months ended June 30, 2018 and 2017, the Company did not purchase any foreign government obligations.

Portfolio Maturities

The final stated maturities of the debt securities are as follows for the periods indicated:

	At June 30, 2018			At December 31, 2017		
	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	$19,041	$19,010	2.15 %	$23,612	$23,652	2.27 %
After 1 year through 5 years	183,154	179,310	2.14 %	142,772	142,029	2.05 %
After 5 years through 10 years	158,023	153,351	2.25 %	136,746	134,978	2.06 %
Over 10 years	214,820	205,967	2.17 %	243,856	238,483	2.06 %
	$575,038	$557,638	2.18 %	$546,986	$539,142	2.07 %
Investment securities held-to-maturity:						
Within 1 year	$5,174	$5,157	1.00 %	$918	$916	0.78 %
After 1 year through 5 years	59,564	58,545	1.83 %	58,335	57,939	1.74 %
After 5 years through 10 years	39,294	37,940	2.01 %	36,589	35,998	1.79 %
Over 10 years	12,638	12,261	2.29 %	13,888	13,670	1.98 %
	$116,670	$113,903	1.90 %	$109,730	$108,523	1.78 %

Actual maturities of debt securities will differ from those presented above since certain obligations amortize and may also provide the issuer the right to call or prepay the obligation prior to scheduled maturity without penalty. MBSs and CMOs are included above based on their final stated maturities; the actual maturities, however, may occur earlier due to anticipated prepayments and stated amortization of cash flows.

As of June 30, 2018, issuers of debt securities with an estimated fair value of $21.9 million had the right to call or prepay the obligations. Of the $21.9 million, approximately $8.9 million matures in 1 - 5 years, $13.0 million matures in 6 - 10 years, and none mature after ten years. As of December 31, 2017, issuers of debt securities with an estimated fair value of approximately $58.8 million had the right to call or prepay the obligations. Of the $58.8 million, $32.7 million matures in 1-5 years, $25.2 million matures in 6-10 years, and $0.9 million matures after ten years.

Security Sales

On February 3, 2017, the Company, through BSC, received $319 in cash and 14.876 shares of Community Bank Systems, Inc. (“CBU”) common stock in exchange for each of the 9,721 shares of Northeast Retirement Services, Inc. (“NRS”) stock held by BSC. The exchange was completed in accordance with the merger agreement entered into between NRS and CBU. As part of the merger agreement, the Company was restricted to selling 5,071 shares of CBU per day in the open market. During the quarter ended March 31, 2017, the Company completed the sale of all the CBU shares acquired in the merger. When securities are sold, the adjusted cost of the specific security sold is used to compute the gain or loss on the sale. The table below includes the activity with respect to the sale of the CBU shares.

On March 6, 2018, the Company, through its wholly owned subsidiary, BSC, received $0.6 million in cash and 11,303 shares of CBU common stock as settlement for the indemnification escrow on the 12 month anniversary date of the merger between NRS and CBU. The Company subsequently sold all 11,303 shares of the CBU stock and recognized a gain on the sale of $0.6 million.

18

Table of Contents
BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

During the month of March 2018, the Company, through Brookline Bank's wholly owned subsidiary, LSC, sold three trust preferred securities with a book value of $1.5 million for a loss of $0.1 million. The table below includes the activity with respect to the sale of the trust preferred securities and restricted equity securities.
Sales of investment and restricted equity securities are summarized as follows:

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(In Thousands)	
Sales of marketable and restricted equity securities	$2,700	$11,393
Gross gains from sales	1,230	11,612
Gross losses from sales	(68)	(219)
Gain on sales of securities, net	$1,162	$11,393

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

	At June 30, 2018								
	Originated			Acquired			Total		
	Balance	Weighted Average Coupon		Balance	Weighted Average Coupon		Balance	Weighted Average Coupon	
	(Dollars In Thousands)								
Commercial real estate loans:									
Commercial real estate	$2,129,815	4.41	%	$139,705	4.55	%	$2,269,520	4.42	%
Multi-family mortgage	766,614	4.34	%	49,697	4.49	%	816,311	4.35	%
Construction	143,888	5.06	%	34,447	6.69	%	178,335	5.37	%
Total commercial real estate loans	3,040,317	4.42	%	223,849	4.87	%	3,264,166	4.45	%
Commercial loans and leases:									
Commercial	727,962	4.66	%	34,002	5.45	%	761,964	4.70	%
Equipment financing	917,070	7.46	%	3,573	5.96	%	920,643	7.45	%
Condominium association	53,537	4.56	%	—	—	%	53,537	4.56	%
Total commercial loans and leases	1,698,569	6.17	%	37,575	5.50	%	1,736,144	6.16	%
Consumer loans:									
Residential mortgage	608,610	3.90	%	146,208	4.32	%	754,818	3.98	%
Home equity	330,195	4.61	%	52,402	5.14	%	382,597	4.68	%
Other consumer	33,441	4.97	%	108	17.79	%	33,549	5.01	%
Total consumer loans	972,246	4.18	%	198,718	4.54	%	1,170,964	4.24	%
Total loans and leases	$5,711,132	4.90	%	$460,142	4.78	%	$6,171,274	4.89	%

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

	At December 31, 2017								
	Originated			Acquired			Total		
	Balance	Weighted Average Coupon		Balance	Weighted Average Coupon		Balance	Weighted Average Coupon	
	(Dollars In Thousands)								
Commercial real estate loans:									
Commercial real estate	$2,069,392	4.17	%	$105,577	4.37	%	$2,174,969	4.18	%
Multi-family mortgage	735,921	4.09	%	24,749	4.48	%	760,670	4.10	%
Construction	140,138	4.58	%	—	—	%	140,138	4.58	%
Total commercial real estate loans	2,945,451	4.17	%	130,326	4.39	%	3,075,777	4.18	%
Commercial loans and leases:									
Commercial	696,825	4.35	%	8,179	5.77	%	705,004	4.37	%
Equipment financing	861,974	7.28	%	4,514	5.92	%	866,488	7.27	%
Condominium association	52,619	4.49	%	—	—	%	52,619	4.49	%
Total commercial loans and leases	1,611,418	5.92	%	12,693	5.82	%	1,624,111	5.92	%
Consumer loans:									
Residential mortgage	604,897	3.81	%	55,168	4.28	%	660,065	3.85	%
Home equity	314,189	4.16	%	41,765	4.62	%	355,954	4.21	%
Other consumer	14,667	5.51	%	105	18.00	%	14,772	5.60	%
Total consumer loans	933,753	3.95	%	97,038	4.44	%	1,030,791	4.00	%
Total loans and leases	$5,490,622	4.65	%	$240,057	4.49	%	$5,730,679	4.64	%

The net unamortized deferred loan origination fees and costs included in total loans and leases were $16 million and $15.5 million as of June 30, 2018 and December 31, 2017, respectively.
The Banks and subsidiaries lend primarily in all New England states, with the exception of equipment financing, 15.6% of which is in the greater New York and New Jersey metropolitan area and 84.4% of which is in other areas in the United States of America as of June 30, 2018.
Accretable Yield for the Acquired Loan Portfolio
The following table summarizes activity in the accretable yield for the acquired loan portfolio for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In Thousands)			
Balance at beginning of period	$9,653	$13,072	$10,522	$14,353
Accretion	(1,148)	(2,325)	(2,333)	(3,732)
Reclassification from nonaccretable difference as a result of changes in expected cash flows	308	2,955	624	3,081
Balance at end of period	$8,813	$13,702	$8,813	$13,702

On a quarterly basis, subsequent to acquisition, management reforecasts the expected cash flows for acquired ASC 310-30 loans, taking into account prepayment speeds, probability of default and loss given defaults. Management compares cash flow projections per the reforecast to the original cash flow projections and determines whether any reduction in cash flow expectations are due to deterioration, or if the change in cash flow expectation is related to noncredit events. This cash flow analysis is used to evaluate the need for a provision for loan and lease losses and/or prospective yield adjustments. During the three months ended June 30, 2018 and 2017, accretable yield adjustments totaling $0.3 million and $3.0 million, respectively, were made for certain loan pools. During the six months ended

June 30, 2018 and 2017, accretable yield adjustments totaling

20

Table of Contents
BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

$0.6 million and $3.1 million, respectively, were made for certain loan pools. These accretable yield adjustments, which are subject to continued re-assessment, will be recognized over the remaining lives of those pools.

Loans and Leases Pledged as Collateral

As of June 30, 2018 and December 31, 2017, there were $2.5 billion and $2.3 billion, respectively, of loans and leases pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits; swap agreements; FRB borrowings; and FHLBB borrowings. The Banks did not have any outstanding FRB borrowings as of June 30, 2018 and December 31, 2017.

(5) Allowance for Loan and Lease Losses

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

	Three Months Ended June 30, 2018			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at March 31, 2018	$27,361	$ 26,252	$ 5,101	$58,714
Charge-offs	(100)	(3,456)	(49)	(3,605)
Recoveries	—	1,152	123	1,275
Provision (credit) for loan and lease losses	(216)	2,172	(359)	1,597
Balance at June 30, 2018	$27,045	$ 26,120	$ 4,816	$57,981

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

	Six Months Ended June 30, 2018			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at December 31, 2017	$27,112	$ 26,333	$ 5,147	$58,592
Charge-offs	(103)	(4,189)	(105)	(4,397)
Recoveries	—	1,353	209	1,562
Provision (credit) for loan and lease losses	36	2,623	(435)	2,224
Balance at June 30, 2018	$27,045	$ 26,120	$ 4,816	$57,981

Table of Contents
BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

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

The liability for unfunded credit commitments, which is included in other liabilities, was $1.5 million and $1.7 million at June 30, 2018 and December 31, 2017, respectively. The changes in the liability for unfunded credit commitments reflect changes in the estimate of loss exposure associated with certain unfunded credit commitments. No credit commitments were charged off against the liability account in the six-month periods ended June 30, 2018 and 2017.

Provision for Credit Losses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In Thousands)			
Provision (credit) for loan and lease losses:				
Commercial real estate	$(216)	$(165)	$36	$62
Commercial	2,172	362	2,623	13,804
Consumer	(359)	593	(435)	386
Total provision for loan and lease losses	1,597	790	2,224	14,252
Unfunded credit commitments	(127)	83	(113)	23
Total provision for credit losses	$1,470	$873	$2,111	$14,275

Allowance for Loan and Lease Losses Methodology

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

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

The general allowance related to loans collectively evaluated for impairment is determined using a formula-based approach utilizing the risk ratings of individual credits and loss factors derived from historic portfolio loss rates, which include estimates of incurred losses over an estimated loss emergence period ("LEP"). The LEP was generated utilizing a charge-off

22

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

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

As of June 30, 2018, management believes that the methodology for calculating the allowance is sound and that the allowance provides a reasonable basis for determining and reporting on probable losses incurred in the Company’s loan portfolios.

As of June 30, 2018, the Company had a portfolio of approximately $15.3 million in loans secured by taxi medallions issued by the cities of Boston and Cambridge. As of December 31, 2017, this portfolio was approximately $19.7 million. Application-based mobile ride services, such as Uber and Lyft, have generated increased competition in the transportation sector, resulting in a reduction in taxi utilization and, as a result, a reduction in the collateral value and credit quality of taxi medallion loans. This has increased the likelihood that loans secured by taxi medallions may default, or that the borrowers may be unable to repay these loans at maturity, potentially resulting in an increase in past due loans, TDRs, and charge-offs. The Company’s allowance calculation included a further segmentation of the commercial loans and leases to reflect the increased risk in the Company’s taxi medallion portfolio. This allowance calculation segmentation represents management’s estimations of the current risks associated with the portfolio.

As of June 30, 2018, the Company had an allowance for loan and lease losses associated with taxi medallion loans of $1.7 million of which $1.0 million were specific reserves and $0.7 million was a general reserve. As of December 31, 2017, the Company had an allowance for loan and lease losses associated with taxi medallion loans of $3.8 million of which $2.7 million were specific reserves and $1.1 million was a general reserve. The decrease in the allowance for loan and leases associated with taxi medallion loans was primarily driven by the decrease in specific reserves due to the charge-offs in the taxi medallion portfolio. The total TDRs secured by taxi medallions increased by $0.8 million from $3.7 million at December 31, 2017 to $4.5 million at June 30, 2018 due to two taxi medallion relationships which were restructured during the first six months of 2018. The total loans and leases secured by taxi medallions that were placed on nonaccrual decreased by $2.9 million to $4.9 million at June 30, 2018 from $7.8 million at December 31, 2017 due to the charge-offs of non-accruing taxi medallion relationships. Further declines in demand for taxi services or further deterioration in the value of taxi medallions may result in higher delinquencies and losses beyond that provided for in the allowance for loan and lease losses.

The general allowance for loan and lease losses was $55.5 million as of June 30, 2018 and December 31, 2017. The specific allowance for loan and lease losses was $2.5 million as of June 30, 2018, compared to $3.1 million as of December 31, 2017. The specific allowance decreased by $0.6 million during the six months ended June 30, 2018, primarily due to changes in the underlying collateral value of taxi medallions and charge-offs taken during the six months ended June 30, 2018.

Credit Quality Assessment

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

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

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

1 -4 Rating—Pass

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

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

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

6 Rating—Substandard

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

7 Rating—Doubtful

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

8 Rating—Definite Loss

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

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

Table of Contents
BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

Credit Quality Information
The following tables present the recorded investment in loans in each class as of June 30, 2018, by credit quality indicator.

	At June 30, 2018							
	Commercial Real Estate	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer	Total
	(In Thousands)							
Originated:								
Loan rating:								
Pass	$2,120,978	$766,046	$ 143,248	$ 700,382	$905,474	$ 53,537	$ 33,436	$4,723,101
OAEM	4,549	—	—	12,973	2,089	—	—	19,611
Substandard	4,288	568	640	13,681	7,072	—	5	26,254
Doubtful	—	—	—	926	2,435	—	—	3,361
Total originated	2,129,815	766,614	143,888	727,962	917,070	53,537	33,441	4,772,327
Acquired:								
Loan rating:								
Pass	129,262	49,504	34,447	32,450	3,563	—	108	249,334
OAEM	778	—	—	249	—	—	—	1,027
Substandard	9,665	193	—	1,303	10	—	—	11,171
Doubtful	—	—	—	—	—	—	—	—
Total acquired	139,705	49,697	34,447	34,002	3,573	—	108	261,532
Total loans	$2,269,520	$816,311	$ 178,335	$ 761,964	$920,643	$ 53,537	$ 33,549	$5,033,859

As of June 30, 2018, there were no loans categorized as definite loss.

Table of Contents
BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

	At June 30, 2018					
	Residential Mortgage			Home Equity		
	(Dollars In Thousands)					
Originated:						
Loan-to-value ratio:						
Less than 50%	$153,935	20.4	%	$146,428	38.4	%
50% - 69%	265,129	35.1	%	82,402	21.5	%
70% - 79%	165,350	21.9	%	71,729	18.7	%
80% and over	23,187	3.1	%	29,636	7.7	%
Data not available*	1,009	0.1	%	—	—	%
Total originated	608,610	80.6	%	330,195	86.3	%
Acquired:						
Loan-to-value ratio:						
Less than 50%	38,132	5.1	%	29,518	7.7	%
50%—69%	58,217	7.7	%	14,932	3.9	%
70%—79%	34,231	4.5	%	1,614	0.4	%
80% and over	7,806	1.0	%	1,082	0.3	%
Data not available*	7,822	1.1	%	5,256	1.4	%
Total acquired	146,208	19.4	%	52,402	13.7	%
Total loans	$754,818	100.0	%	$382,597	100.0	%

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

Table of Contents
BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

The following tables present the recorded investment in loans in each class as of December 31, 2017, by credit quality indicator.

	At December 31, 2017							
	Commercial Real Estate	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer	Total
	(In Thousands)							
Originated:								
Loan rating:								
Pass	$2,054,376	$735,313	$ 139,278	$ 670,265	$ 850,006	$ 52,619	$ 14,628	$4,516,485
OAEM	8,889	—	—	7,691	3,630	—	—	20,210
Substandard	5,926	608	860	17,681	5,012	—	39	30,126
Doubtful	201	—	—	1,188	3,326	—	—	4,715
Total originated	2,069,392	735,921	140,138	696,825	861,974	52,619	14,667	4,571,536
Acquired:								
Loan rating:								
Pass	94,244	24,459	—	6,643	4,501	—	104	129,951
OAEM	9,839	—	—	265	—	—	1	10,105
Substandard	1,494	290	—	1,271	13	—	—	3,068
Doubtful	—	—	—	—	—	—	—	—
Total acquired	105,577	24,749	—	8,179	4,514	—	105	143,124
Total loans	$2,174,969	$760,670	$ 140,138	$ 705,004	$ 866,488	$ 52,619	$ 14,772	$4,714,660

As of December 31, 2017, there were no loans categorized as definite loss.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

	At December 31, 2017					
	Residential Mortgage			Home Equity		
	(Dollars In Thousands)					
Originated:						
Loan-to-value ratio:						
Less than 50%	$153,373	23.2	%	$148,137	41.6	%
50%—69%	265,328	40.2	%	75,099	21.1	%
70%—79%	168,272	25.5	%	63,742	17.9	%
80% and over	16,547	2.5	%	27,122	7.6	%
Data not available*	1,377	0.2	%	89	—	%
Total originated	604,897	91.6	%	314,189	88.2	%
Acquired:						
Loan-to-value ratio:						
Less than 50%	16,521	2.5	%	25,312	7.1	%
50%—69%	19,182	2.9	%	13,883	3.9	%
70%—79%	10,507	1.6	%	943	0.3	%
80% and over	7,893	1.2	%	582	0.2	%
Data not available*	1,065	0.2	%	1,045	0.3	%
Total acquired	55,168	8.4	%	41,765	11.8	%
Total loans	$660,065	100.0	%	$355,954	100.0	%

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

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

	At June 30, 2018	At December 31, 2017
	(In Thousands)	
Recorded investment in mortgage loans collateralized by residential real estate property that are in the process of foreclosure	$ —	$ 633

There were no foreclosed residential real estate property held by the creditor at June 30, 2018 or December 31, 2017.

Table of Contents
BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

Age Analysis of Past Due Loans and Leases
The following tables present an age analysis of the recorded investment in total loans and leases as of June 30, 2018 and December 31, 2017.

	At June 30, 2018							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Originated:								
Commercial real estate loans:								
Commercial real estate	$713	$—	$1,743	$2,456	$2,127,359	$2,129,815	$—	$ 3,652
Multi-family mortgage	4,548	42	—	4,590	762,024	766,614	—	568
Construction	325	—	640	965	142,923	143,888	—	640
Total commercial real estate loans	5,586	42	2,383	8,011	3,032,306	3,040,317	—	4,860
Commercial loans and leases:								
Commercial	2,325	1,096	4,357	7,778	720,184	727,962	—	8,293
Equipment financing	3,577	1,549	5,673	10,799	906,271	917,070	9	8,825
Condominium association	825	161	—	986	52,551	53,537	—	—
Total commercial loans and leases	6,727	2,806	10,030	19,563	1,679,006	1,698,569	9	17,118
Consumer loans:								
Residential mortgage	628	303	1,033	1,964	606,646	608,610	—	1,571
Home equity	348	50	472	870	329,325	330,195	421	147
Other consumer	79	20	8	107	33,334	33,441	4	5
Total consumer loans	1,055	373	1,513	2,941	969,305	972,246	425	1,723
Total originated loans and leases	$13,368	$3,221	$13,926	$30,515	$5,680,617	$5,711,132	$434	$ 23,701

Table of Contents
BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

	At June 30, 2018							
	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	$246	$89	$9,389	$9,724	$129,981	$139,705	$ 9,319	$ 122
Multi-family mortgage	504	—	—	504	49,193	49,697	—	—
Construction	—	—	—	—	34,447	34,447	—	—
Total commercial real estate loans	750	89	9,389	10,228	213,621	223,849	9,319	122
Commercial loans and leases:								
Commercial	1,567	37	816	2,420	31,582	34,002	1	1,194
Equipment financing	—	—	10	10	3,563	3,573	10	—
Total commercial loans and leases	1,567	37	826	2,430	35,145	37,575	11	1,194
Consumer loans:								
Residential mortgage	1,191	348	2,434	3,973	142,235	146,208	2,436	—
Home equity	964	89	281	1,334	51,068	52,402	140	776
Other consumer	—	—	—	—	108	108	—	—
Total consumer loans	2,155	437	2,715	5,307	193,411	198,718	2,576	776
Total acquired loans and leases	$4,472	$563	$12,930	$17,965	$442,177	$460,142	$ 11,906	$ 2,092
Total loans and leases	$17,840	$3,784	$26,856	$48,480	$6,122,794	$6,171,274	$ 12,340	$ 25,793

30

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

	At December 31, 2017							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Originated:								
Commercial real estate loans:								
Commercial real estate	$3,294	$391	$1,843	$5,528	$2,063,864	$2,069,392	$—	$ 3,182
Multi-family mortgage	6,141	2,590	—	8,731	727,190	735,921	—	608
Construction	6,537	330	860	7,727	132,411	140,138	—	860
Total commercial real estate loans	15,972	3,311	2,703	21,986	2,923,465	2,945,451	—	4,650
Commercial loans and leases:								
Commercial	1,344	597	7,724	9,665	687,160	696,825	—	10,365
Equipment financing	3,214	2,494	3,203	8,911	853,063	861,974	224	8,106
Condominium association	857	262	—	1,119	51,500	52,619	—	—
Total commercial loans and leases	5,415	3,353	10,927	19,695	1,591,723	1,611,418	224	18,471
Consumer loans:								
Residential mortgage	1,256	166	728	2,150	602,747	604,897	—	1,979
Home equity	643	19	32	694	313,495	314,189	1	132
Other consumer	238	20	28	286	14,381	14,667	—	43
Total consumer loans	2,137	205	788	3,130	930,623	933,753	1	2,154
Total originated loans and leases	$23,524	$6,869	$14,418	$44,811	$5,445,811	$5,490,622	$225	$ 25,275

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements (Continued)
At and for the Six Months Ended June 30, 2018 and 2017

	At December 31, 2017							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Acquired:								
Commercial real estate loans:								
Commercial real estate	$1,008	$ —	$ 656	$1,664	$103,913	$105,577	$ 586	$ 131
Multi-family mortgage	—	—	3	3	24,746	24,749	3	—
Total commercial real estate loans	1,008	—	659	1,667	128,659	130,326	589	131
Commercial loans and leases:								
Commercial	—	44	1,022	1,066	7,113	8,179	17	1,254
Equipment financing	—	—	13	13	4,501	4,514	13	—
Total commercial loans and leases	—	44	1,035	1,079	11,614	12,693		