BERKSHIRE HILLS BANCORP INC
Form 10-Q
May 10, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2018

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-15781

BERKSHIRE HILLS BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-3510455
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
60 State Street, Boston, Massachusetts	02109
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (800) 773-5601, ext. 133773

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 ý 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 ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filers," "accelerated filers," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ý Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o
Emerging growth company o

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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 ý

The Registrant had 45,423,597 shares of common stock, par value $0.01 per share, outstanding as of May 7, 2018.

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PART I
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	March 31, 2018	December 31, 2017
Assets		
Cash and due from banks	$88,193	$91,122
Short-term investments	35,694	157,641
Total cash and cash equivalents	123,887	248,763
Trading security, at fair value	11,795	12,277
Securities available for sale and other, at fair value	1,460,660	1,426,099
Securities held to maturity (fair values of $394,296 and $405,276)	395,337	397,103
Federal Home Loan Bank stock and other restricted securities	64,038	63,085
Total securities	1,931,830	1,898,564
Loans held for sale, at fair value	98,440	153,620
Commercial real estate	3,266,737	3,264,742
Commercial and industrial loans	1,818,974	1,803,939
Residential mortgages	2,181,807	2,102,807
Consumer loans	1,108,899	1,127,850
Total loans	8,376,417	8,299,338
Less: Allowance for loan losses	(53,859)	(51,834)
Net loans	8,322,558	8,247,504
Premises and equipment, net	111,237	109,352
Goodwill	519,128	519,287
Other intangible assets	37,085	38,296
Cash surrender value of bank-owned life insurance policies	192,379	191,221
Deferred tax assets, net	51,679	47,061
Other assets	131,024	117,083
Total assets	$11,519,247	$11,570,751
Liabilities		
Demand deposits	$1,575,243	$1,606,656
NOW and other deposits	715,581	734,558
Money market deposits	2,749,763	2,776,157
Savings deposits	756,711	741,954
Time deposits	2,885,969	2,890,205
Total deposits	8,683,267	8,749,530
Short-term debt	835,891	667,300
Long-term Federal Home Loan Bank advances	289,969	380,436
Subordinated borrowings	89,384	89,339
Total borrowings	1,215,244	1,137,075
Other liabilities	123,079	187,882
Total liabilities	$10,021,590	$10,074,487

(continued)

Shareholders' equity		
Preferred Stock (Series B non-voting convertible preferred stock - $0.01 par value; 1,000,000 shares authorized, 521,607 shares issued and outstanding in 2018; 1,000,000 shares authorized, 521,607 shares issued and outstanding in 2017	40,633	40,633
Common stock ($.01 par value; 50,000,000 shares authorized and 46,211,894 shares issued and 45,360,369 shares outstanding in 2018; 50,000,000 shares authorized, 46,211,894 shares issued and 45,290,433 shares outstanding in 2017)	460	460
Additional paid-in capital - common stock	1,243,590	1,242,487
Unearned compensation	(8,476)	(6,531)
Retained earnings	259,499	239,179
Accumulated other comprehensive (loss) income	(15,427)	4,161
Treasury stock, at cost (851,525 shares in 2018 and 921,461 shares in 2017)	(22,622)	(24,125)
Total shareholders' equity	1,497,657	1,496,264
Total liabilities and shareholders' equity	$11,519,247	$11,570,751

The accompanying notes are an integral part of these consolidated financial statements.

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BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
(In thousands, except per share data)	2018	2017
Interest and dividend income		
Loans	$92,835	$68,943
Securities and other	14,405	11,766
Total interest and dividend income	107,240	80,709
Interest expense		
Deposits	15,325	9,098
Borrowings	6,445	4,725
Total interest expense	21,770	13,823
Net interest income	85,470	66,886
Non-interest income		
Mortgage banking originations	10,147	12,678
Loan related income	5,438	4,179
Deposit related fees	8,066	6,204
Insurance commissions and fees	3,025	3,136
Wealth management fees	2,597	2,526
Total fee income	29,273	28,723
Other, net	1,268	93
(Loss)/gain on securities, net	(1,502)	12,570
Gain on sale of business operations and other assets, net	481	—
Loss on termination of hedges	—	(6,629)
Total non-interest income	29,520	34,757
Total net revenue	114,990	101,643
Provision for loan losses	5,575	5,095
Non-interest expense		
Compensation and benefits	42,184	36,119
Occupancy and equipment	10,082	9,026
Technology and communications	6,830	6,087
Marketing and promotion	2,612	1,999
Professional services	2,053	2,451
FDIC premiums and assessments	1,195	1,298
Other real estate owned and foreclosures	67	28
Amortization of intangible assets	1,268	801
Acquisition, restructuring, and other expenses	5,093	11,682
Other	5,485	4,835
Total non-interest expense	76,869	74,326
Income before income taxes	32,546	22,222
Income tax expense	7,298	6,762
Net income	$25,248	$15,460
Preferred stock dividend	230	—
Income available to common shareholders	25,018	15,460
Earnings per share:		

Basic	$0.55	$0.44
Diluted	$0.55	$0.44
Weighted average shares outstanding:		
Basic	45,966	35,280
Diluted	46,200	35,452

The accompanying notes are an integral part of these consolidated financial statements.

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BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31,	
(In thousands)	2018	2017
Net income	$25,248	$15,460
Other comprehensive income, before tax:		
Changes in unrealized loss on debt securities available-for-sale	(19,162)	(9,433)
Changes in unrealized loss on derivative hedges	—	6,573
Income taxes related to other comprehensive income:		
Changes in unrealized loss on debt securities available-for-sale	4,931	3,540
Changes in unrealized gains on derivative hedges	—	(2,588)
Total other comprehensive loss	(14,231)	(1,908)
Total comprehensive income	$11,017	$13,552

The accompanying notes are an integral part of these consolidated financial statements.

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BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Preferred stock		Common stock		Additional paid-in	Unearned	Retained	Accumulated other comprehensive	Treasury	
(In thousands)	Shares	Amount	Shares	Amount	capital	compensation	earnings	income/(loss)	stock	Total
Balance at December 31, 2016	—	—	35,673	$366	$898,989	$(6,374)	$217,494	$9,766	$(26,943)	$1,093,298
Comprehensive income:										
Net income	—	—	—	—	—	—	15,460	—	—	15,460
Other comprehensive loss	—	—	—	—	—	—	—	(1,908)	—	(1,908)
Total comprehensive income	—	—	—	—	—	—	15,460	(1,908)	—	13,552
Cash dividends declared ($0.21 per share)	—	—	—	—	—	—	(7,506)	—	—	(7,506)
Forfeited shares	—	—	(2)	—	20	60	—	—	(80)	—
Exercise of stock options	—	—	6	—	—	—	(71)	—	152	81
Restricted stock grants	—	—	81	—	807	(2,859)	—	—	2,052	—
Stock-based compensation	—	—	—	—	—	1,202	—	—	—	1,202
Other, net	—	—	(29)	—	15	—	(70)	—	(1,019)	(1,074)
Balance at March 31, 2017	—	—	35,729	$366	$899,831	$(7,971)	$225,307	$7,858	$(25,838)	$1,099,553
Balance at December 31, 2017	522	$40,633	45,290	$460	$1,242,487	$(6,531)	$239,179	$4,161	$(24,125)	$1,496,264
Comprehensive income:										
Net income	—	—	—	—	—	—	25,248	—	—	25,248
Other comprehensive loss	—	—	—	—	—	—	—	(14,231)	—	(14,231)
Total comprehensive income	—	—	—	—	—	—	25,248	(14,231)	—	11,017
Adoption of ASU No	—	—	—	—	—	—	6,253	(6,253)	—	—

2016-01, Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Liabilities										
Adoption of ASU No 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	—	—	—	—	—	—	(896)	896	—	—
Cash dividends declared on common shares ($0.22 per share)	—	—	—	—	—	—	(9,982)	—	—	(9,982)
Cash dividends declared on preferred shares ($0.44 per share)	—	—	—	—	—	—	(230)	—	—	(230)
Forfeited shares	—	—	(4)	—	31	125	—	—	(156)	—
Exercise of stock options	—	—	5	—	—	—	(73)	—	149	76
Restricted stock grants	—	—	92	—	1,056	(3,452)	—	—	2,396	—
Stock-based compensation	—	—	—	—	—	1,382	—	—	—	1,382
Other, net	—	—	(23)	—	16	—	—	—	(886)	(870)
Balance at March 31, 2018	522	$40,633	45,360	$460	$1,243,590	$(8,476)	$259,499	$(15,427)	$(22,622)	$1,497,657

The accompanying notes are an integral part of these consolidated financial statements.

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BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
(In thousands)	2018	2017
Cash flows from operating activities:		
Net income	$ 25,248	$ 15,460
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	5,575	5,095
Net amortization of securities	743	626
Change in unamortized net loan costs and premiums	577	1,227
Premises and equipment depreciation and amortization expense	2,556	2,467
Stock-based compensation expense	1,382	1,202
Accretion of purchase accounting entries, net	(3,838)	(4,597)
Amortization of other intangibles	1,268	801
Income from cash surrender value of bank-owned life insurance policies	(1,158)	(967)
Securities losses (gains), net	1,502	(12,570)
Originations of loans held for sale	(479,692)	(429,181)
Proceeds from sale of loans held for sale	545,019	472,791
Net gain on sale of loans and other mortgage banking income	(10,147)	(12,678)
Loss on disposition of assets	—	662
Loss on sale of real estate	—	13
	506	1,329

Amortization of interest in tax-advantaged projects				
Net change in other	(3,908	)	6,965	
Net cash provided by operating activities	85,633		48,645	
Cash flows from investing activities:				
Net decrease in trading security	165		157	
Proceeds from sales of securities available for sale	—		26,085	
Proceeds from maturities, calls, and prepayments of securities available for sale	44,069		44,794	
Purchases of securities available for sale and other	(116,423	)	(151,731	)
Purchases of marketable equity securities	(12,688	)	—	
Proceeds from sales of marketable equity securities	26,096		—	
Proceeds from maturities, calls, and prepayments of securities held to maturity	2,885		3,791	
Purchases of securities held to maturity	(1,618	)	(1,037	)
Net change in loans	(149,774	)	(82,329	)
Proceeds from surrender of bank-owned life insurance	—		310	
Proceeds from sale of Federal Home Loan Bank stock	16,661		1,636	
Purchase of Federal Home Loan Bank stock	(17,614	)	(6,931	)
Net investment in limited partnership tax credits	—		(354	)
	(4,376	)	(5,070	)

Purchase of premises and equipment, net				
Payment to terminate cash flow hedges	—		6,573	
Proceeds from sale of other real estate	—		102	
Net cash (used) by investing activities (continued)	(212,617	)	(164,004	)

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	Three Months Ended March 31,	
(In thousands)	2018	2017
Cash flows from financing activities:		
Net (decrease) increase in deposits	(65,870)	34,757
Proceeds from Federal Home Loan Bank advances and other borrowings	1,235,892	2,291,600
Repayments of Federal Home Loan Bank advances and other borrowings	(1,157,778)	(2,221,603)
Exercise of stock options	76	81
Common and preferred stock cash dividends paid	(10,212)	(7,506)
Acquisition contingent consideration paid	—	(1,700)
Net cash provided by financing activities	2,108	95,629
Net change in cash and cash equivalents	(124,876)	(19,732)
Cash and cash equivalents at beginning of period	248,763	113,075
Cash and cash equivalents at end of period	$123,887	$93,343
Supplemental cash flow information:		
Interest paid on deposits	$15,345	$9,253
Interest paid on borrowed funds	6,725	5,084
Income taxes paid (refund), net	1,065	(3,685)
Other non-cash changes:		
Other net comprehensive income	(14,231)	(1,908)
Real estate owned acquired in settlement of loans	—	35

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The consolidated financial statements (the “financial statements”) of Berkshire Hills Bancorp, Inc. and its subsidiaries (the “Company” or “Berkshire”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Company is a Delaware corporation and the holding company for Berkshire Bank (the “Bank”), a Massachusetts-chartered trust company headquartered in Boston, Massachusetts, and Berkshire Insurance Group, Inc. These financial statements include the accounts of the Company, its wholly-owned subsidiaries and the Bank’s consolidated subsidiaries. In consolidation, all significant intercompany accounts and transactions are eliminated. All material wholly-owned and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these consolidated financial statements were issued.

These interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X, and accordingly, certain information and footnote disclosures normally included in financial statements prepared according to GAAP have been omitted.

The results for any interim period are not necessarily indicative of results for the full year. These consolidated financial statements should be read in conjunction with the audited financial statements and note disclosures Berkshire Hills Bancorp, Inc. previously filed with the Securities and Exchange Commission in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. In management’s opinion, all adjustment’s necessary for a fair statement are reflected in the interim periods presented.

Reclassifications

Certain items in prior financial statements have been reclassified to conform to the current presentation.

Prior Period Acquisition

The Company completed the acquisition of Commerce Bancshares Corp. (“Commerce”), the parent company of Commerce Bank & Trust Company (“Commerce Bank”), at the close of business on October 13, 2017. With this acquisition, the Company established a market position in Worcester, New England’s second largest city. Additionally, this acquisition was a catalyst for the Company’s decision to relocate its corporate headquarters to Boston and to expand its Greater Boston market initiatives. This acquisition also increased the Company’s total assets over the $10 billion Dodd Frank Act threshold for additional regulatory requirements.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. Due to the complexity in valuing the acquired loans and the significant amount of data inputs required, the valuation of the loans is not yet final. Fair value estimates are based on the information available, and are subject to change up to one year after the closing date of the acquisition as additional information relative to the closing date fair values become available. In the first quarter of 2018 the Company did not recognize a material measurement period adjustment. Management continues to review initial estimates on certain areas such as loan valuations and the deferred tax asset.

Recently Adopted Accounting Principles

Effective January 1, 2018, the following new accounting guidance was adopted by the Company:

- ASU No. 2014-09, Revenue from Contracts with Customers (additional information is disclosed in Note 14 - Revenue of the Consolidated Financial Statements);
- ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities

The adoption of these accounting standards did not have a material impact on the Company's financial statements.

In February 2018, the FASB issued ASU No. 2018-02, “Income statement - Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income” which will allow a reclassification from accumulated other comprehensive income (“AOCI”) to retained earnings for stranded tax effects

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

resulting from the Tax Cuts and Jobs Act of 2017. These amendments are effective for all entities for fiscal years beginning after December 15, 2018. For interim periods within those fiscal years, early adoption of the amendment is permitted including public business entities for reporting periods for which financial statements have not yet been issued. The Company elected to early adopt ASU 2018-02 during the first quarter of 2018, and elected to reclassify the income tax effects of the Tax Cuts and Jobs Act of 2017 from AOCI to retained earnings. The reclassification increased AOCI and decreased retained earnings by $896 thousand, with no net effect on total shareholders' equity.

Future Application of Accounting Pronouncements
In February 2016, the FASB issued ASU No. 2016-02, "Leases". The new pronouncement improves the transparency and comparability of financial reporting around leasing transactions and more closely aligns accounting for leases with the recently issued International Financial Reporting Standard. The pronouncement affects all entities that are participants to leasing agreements. From a lessee accounting perspective, the ASU requires a lessee to recognize assets and liabilities on the balance sheet for operating leases and changes many key definitions, including the definition of a lease. The ASU includes a short-term lease exception for leases with a term of twelve months or less, in which a lessee can make an accounting policy election not to recognize lease assets and lease liabilities. Lessees will continue to differentiate between finance leases (previously referred to as capital leases) and operating leases, using classification criteria that are substantially similar to the previous guidance. For lessees, the recognition, measurement, and presentation of expenses and cash flows arising from a lease have not significantly changed from previous GAAP. From a lessor accounting perspective, the guidance is largely unchanged, except for targeted improvements to align with new terminology under lessee accounting and with the updated revenue recognition guidance in Topic 606. For sale-leaseback transactions, for a sale to occur the transfer must meet the sale criteria under the new revenue standard, ASC 606. Entities will not be required to reassess transactions previously accounted under then existing guidance.

Additionally, the ASU includes additional quantitative and qualitative disclosures required by lessees and lessors to help users better understand the amount, timing, and uncertainty of cash flows arising from leases. ASU No. 2016-02 is effective for fiscal years beginning after December 31, 2018, and interim periods within those fiscal years. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply as well as transition guidance specific to nonstandard leasing transactions. The Company is currently evaluating the provisions of ASU No. 2016-02 to determine the potential impact the new standard will have on the Company's consolidated financial statements. It is expected that assets and liabilities will increase based on the present value of remaining lease payments for leases in place at the adoption date; however, this is not expected to be material to the Company's results of operations or financial position. The Company continues to identify a complete inventory of arrangements containing a lease and accumulating the lease data necessary to apply the guidance. We will continue to review contracts up through the effective date and may identify additional leases or leases embedded in arrangements that will be within the scope of the new guidance.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This ASU improves financial reporting by requiring timelier recording of credit losses on loans and other financial instruments. The ASU requires companies to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Forward-looking information will now be used in credit loss estimates. The ASU requires enhanced disclosures to provide better understanding surrounding significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a company's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. Most debt instruments will require a cumulative-effect adjustment to retained earnings on the statement of financial position as of the beginning of the first reporting period in which the guidance is adopted (modified retrospective approach). However, there is instrument-specific transition guidance. ASU No. 2016-13 is effective for interim and annual periods beginning after December 15, 2019. Early application will be permitted for interim and annual periods beginning after December 15, 2018. The Company is evaluating the provisions of ASU No. 2016-13, and will closely monitor developments and additional

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

guidance to determine the potential impact on the Company's consolidated financial statements. The Company expects the primary changes to be the application of the expected credit loss model to the financial statements. In addition, the Company expects the guidance to change the presentation of credit losses within the available-for-sale fixed maturities portfolio through an allowance method rather than as a direct write-down. The expected credit loss model will require a financial asset to be presented at the net amount expected to be collected. The allowance method for available-for-sale debt securities will allow the Company to record reversals of credit losses if the estimate of credit losses declines. The Company is in the process of identifying and implementing required changes to loan loss estimation models and processes and evaluating the impact of this new accounting guidance, which at the date of adoption is expected to increase the allowance for credit losses with a resulting negative adjustment to retained earnings.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles: Goodwill and Other: Simplifying the Test for Goodwill Impairment.” The ASU simplifies the test for goodwill impairment by eliminating the second step of the current two-step method. Under the new accounting guidance, entities will compare the fair value of a reporting unit with its carrying amount. If the carrying amount exceeds the reporting unit’s fair value, the entity is required to recognize an impairment charge for this amount. Current guidance requires an entity to proceed to a second step, whereby the entity would determine the fair value of its assets and liabilities. The new method applies to all reporting units. The performance of a qualitative assessment is still allowable. This accounting guidance is effective prospectively for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Company does not expect adoption to have a material effect on our consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities.” The purpose of this updated guidance is to better align a company’s financial reporting for hedging activities with the economic objectives of those activities. ASU No. 2017-12 is effective for public business entities for fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted. ASU 2017-12 requires a modified retrospective transition method in which the Company will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the consolidated balance sheet as of the date of adoption. While the Company continues to assess all potential impacts of the standard, we currently expect adoption to have an immaterial impact on our consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. TRADING SECURITY

The Company holds a tax advantaged economic development bond accounted for at fair value. The security had an amortized cost of $10.6 million and $10.8 million, and a fair value of $11.8 million and $12.3 million, at March 31, 2018 and December 31, 2017, respectively. As discussed further in Note 11 - Derivative Financial Instruments and Hedging Activities, the Company entered into a swap contract to swap-out the fixed rate of the security in exchange for a variable rate. The Company does not purchase securities with the intent of selling them in the near term, and there were no other securities in the trading portfolio at March 31, 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. SECURITIES AVAILABLE FOR SALE, HELD TO MATURITY, AND OTHER

As the Company adopted ASU-2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities" during the current period, all changes in the fair value of marketable equity securities, including other-than-temporary impairment, are immediately recognized in earnings.

The following is a summary of securities available for sale, held to maturity, and other:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2018				
Securities available for sale and other				
Debt securities:				
Municipal bonds and obligations	$112,857	$ 2,784	$(721)	$114,920
Agency collateralized mortgage obligations	932,723	29	(19,816)	912,936
Agency mortgage-backed securities	195,526	95	(5,523)	190,098
Agency commercial mortgage-backed securities	63,561	—	(3,003)	60,558
Corporate bonds	100,963	861	(32)	101,792
Trust preferred securities	11,297	266	—	11,563
Other bonds and obligations	9,473	104	(45)	9,532
Total debt securities	1,426,400	4,139	(29,140)	1,401,399
Other securities:				
Marketable equity securities	59,261	—	—	59,261
Total securities available for sale and other	1,485,661	4,139	(29,140)	1,460,660
Securities held to maturity				
Municipal bonds and obligations	269,636	4,251	(2,980)	270,907
Agency collateralized mortgage obligations	73,207	433	(1,078)	72,562
Agency mortgage-backed securities	7,712	—	(316)	7,396
Agency commercial mortgage-backed securities	10,465	—	(509)	9,956
Tax advantaged economic development bonds	33,996	361	(1,203)	33,154
Other bonds and obligations	321	—	—	321
Total securities held to maturity	395,337	5,045	(6,086)	394,296
Total	$1,880,998	$ 9,184	$(35,226)	$1,854,956

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017				
Securities available for sale and other				
Debt securities:				
Municipal bonds and obligations	$113,427	$ 5,012	$(206)	$118,233
Agency collateralized mortgage obligations	859,705	397	(8,944)	851,158
Agency mortgage-backed securities	218,926	279	(2,265)	216,940
Agency commercial mortgage-backed securities	64,025	41	(1,761)	62,305
Corporate bonds	110,076	882	(237)	110,721
Trust preferred securities	11,334	343	—	11,677
Other bonds and obligations	9,757	154	(31)	9,880
Total debt securities	1,387,250	7,108	(13,444)	1,380,914
Other securities:				
Marketable equity securities	36,483	9,211	(509)	45,185
Total securities available for sale and other	1,423,733	16,319	(13,953)	1,426,099
Securities held to maturity				
Municipal bonds and obligations	270,310	8,675	(90)	278,895
Agency collateralized mortgage obligations	73,742	1,045	(486)	74,301
Agency mortgage-backed securities	7,892	—	(164)	7,728
Agency commercial mortgage-backed securities	10,481	—	(268)	10,213
Tax advantaged economic development bonds	34,357	596	(1,135)	33,818
Other bonds and obligations	321	—	—	321
Total securities held to maturity	397,103	10,316	(2,143)	405,276
Total	$1,820,836	$ 26,635	$(16,096)	$1,831,375

The amortized cost and estimated fair value of available for sale (“AFS”) and held to maturity (“HTM”) securities segregated by contractual maturity at March 31, 2018 are presented below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Mortgage-backed securities are shown in total, as their maturities are highly variable.

	Available for sale		Held to maturity	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$387	$ 388	$15,013	$15,336
Over 1 year to 5 years	33,130	33,297	13,189	13,174
Over 5 years to 10 years	75,568	76,746	7,999	8,079
Over 10 years	125,505	127,376	267,752	267,793
Total bonds and obligations	234,590	237,807	303,953	304,382
Mortgage-backed securities	1,191,810	1,163,592	91,384	89,914
Total	$1,426,400			