BROOKLINE BANCORP INC
Form 10-Q
August 05, 2016

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, 2016

Commission file number 0-23695

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

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

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

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

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

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

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

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

At August 5, 2016, the number of shares of common stock, par value $0.01 per share, outstanding was 70,516,549.

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

	At June 30, 2016	At December 31, 2015
ASSETS	(In Thousands Except Share Data)	
Cash and due from banks	$ 22,677	$ 28,753
Short-term investments	47,265	46,736
Total cash and cash equivalents	69,942	75,489
Investment securities available-for-sale	532,967	513,201
Investment securities held-to-maturity (fair value of $70,960 and $93,695)	69,590	93,757
Total investment securities	602,557	606,958
Loans and leases held-for-sale	1,585	13,383
Loans and leases:		
Commercial real estate loans	2,840,523	2,664,394
Commercial loans and leases	1,440,746	1,374,296
Indirect automobile loans	9,281	13,678
Consumer loans	968,488	943,172
Total loans and leases	5,259,038	4,995,540
Allowance for loan and lease losses	(57,258)	(56,739)
Net loans and leases	5,201,780	4,938,801
Restricted equity securities	64,677	66,117
Premises and equipment, net of accumulated depreciation of $55,287 and $51,722, respectively	76,131	78,156
Deferred tax asset	22,301	26,817
Goodwill	137,890	137,890
Identified intangible assets, net of accumulated amortization of $30,405 and $29,149, respectively	9,377	10,633
Other real estate owned ("OREO") and repossessed assets, net	751	1,343
Other assets	109,511	86,751
Total assets	$ 6,296,502	$ 6,042,338
LIABILITIES AND EQUITY		
Deposits:		
Non-interest-bearing deposits:		
Demand checking accounts	$ 852,869	$ 799,117
Interest-bearing deposits:		
NOW accounts	295,126	283,972
Savings accounts	557,607	540,788
Money market accounts	1,628,550	1,594,269
Certificate of deposit accounts	1,151,002	1,087,872
Total interest-bearing deposits	3,632,285	3,506,901
Total deposits	4,485,154	4,306,018
Borrowed funds:		
Advances from the Federal Home Loan Bank of Boston ("FHLBB")	904,685	861,866
Subordinated debentures and notes	83,021	82,936
Other borrowed funds	40,733	38,227

Total borrowed funds	1,028,439	983,029
Mortgagors’ escrow accounts	7,419	7,516
Accrued expenses and other liabilities	79,541	72,289
Total liabilities	5,600,553	5,368,852
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Brookline Bancorp, Inc. stockholders’ equity:		
Common stock, $0.01 par value; 200,000,000 shares authorized; 75,744,445 shares issued	757	757
Additional paid-in capital	617,738	616,899
Retained earnings, partially restricted	122,469	109,675
Accumulated other comprehensive income/(loss)	5,969	(2,476)
Treasury stock, at cost; 4,862,193 shares and 4,861,554 shares, respectively	(56,215)	(56,208)
Unallocated common stock held by the Employee Stock Ownership Plan ("ESOP"); 194,880 shares and 213,066 shares, respectively	(1,062)	(1,162)
Total Brookline Bancorp, Inc. stockholders’ equity	689,656	667,485
Noncontrolling interest in subsidiary	6,293	6,001
Total stockholders' equity	695,949	673,486
Total liabilities and stockholders' equity	$ 6,296,502	$ 6,042,338

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In Thousands Except Share Data)			
Interest and dividend income:				
Loans and leases	$ 55,369	$ 51,684	$ 109,616	$ 105,065
Debt securities	3,075	2,931	6,007	5,614
Marketable and restricted equity securities	729	491	1,409	1,015
Short-term investments	63	60	102	81
Total interest and dividend income	59,236	55,166	117,134	111,775
Interest expense:				
Deposits	5,018	4,296	9,763	8,600
Borrowed funds	3,961	3,698	7,911	7,475
Total interest expense	8,979	7,994	17,674	16,075
Net interest income	50,257	47,172	99,460	95,700
Provision for credit losses	2,545	1,913	4,923	4,176
Net interest income after provision for credit losses	47,712	45,259	94,537	91,524
Non-interest income:				
Deposit fees	2,216	2,195	4,361	4,261
Loan fees	287	271	593	613
Loan level derivative income, net	1,210	941	2,839	941
Gain on sales of loans and leases held-for-sale	345	279	1,250	1,148
Other	1,317	1,181	2,777	2,374
Total non-interest income	5,375	4,867	11,820	9,337
Non-interest expense:				
Compensation and employee benefits	19,083	17,085	37,810	34,609
Occupancy	3,391	3,437	6,917	6,909
Equipment and data processing	3,898	3,680	7,588	7,700
Professional services	962	1,163	1,928	2,257
FDIC insurance	843	831	1,721	1,698
Advertising and marketing	853	823	1,714	1,571
Amortization of identified intangible assets	621	724	1,256	1,462
Other	2,599	2,709	5,345	5,572
Total non-interest expense	32,250	30,452	64,279	61,778
Income before provision for income taxes	20,837	19,674	42,078	39,083
Provision for income taxes	7,465	7,115	15,064	14,219
Net income before noncontrolling interest in subsidiary	13,372	12,559	27,014	24,864
Less net income attributable to noncontrolling interest in subsidiary	718	694	1,548	1,296
Net income attributable to Brookline Bancorp, Inc.	$ 12,654	$ 11,865	$ 25,466	$ 23,568
Earnings per common share:				

Basic	$0.18	$ 0.17	$0.36	$ 0.34
Diluted	0.18	0.17	0.36	0.34
Weighted average common shares outstanding during the period:				
Basic	70,196,950	70,049,829	70,191,935	70,042,997
Diluted	70,388,438	70,215,850	70,365,923	70,190,015
Dividends declared per common share	$0.090	$ 0.090	$0.180	$ 0.175

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In Thousands)			
Net income before noncontrolling interest in subsidiary	$13,372	$12,559	$27,014	$24,864
Other comprehensive income (loss), net of taxes:				
Investment securities available-for-sale:				
Unrealized securities holding gains (losses)	4,084	(5,484)	13,160	(113)
Income tax expense	(1,467)	1,962	(4,715)	(40)
Net unrealized securities holding gains (losses)	2,617	(3,522)	8,445	(153)
Postretirement benefits:				
Adjustment of accumulated obligation for postretirement benefits	—	—	—	—
Income tax expense	—	—	—	—
Net adjustment of accumulated obligation for postretirement benefits	—	—	—	—
Other comprehensive income (loss), net of taxes	2,617	(3,522)	8,445	(153)
Comprehensive income	15,989	9,037	35,459	24,711
Net income attributable to noncontrolling interest in subsidiary	718	694	1,548	1,296
Comprehensive income attributable to Brookline Bancorp, Inc.	$15,271	$8,343	$33,911	$23,415

See accompanying notes to the unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Changes in Equity
Six Months Ended June 30, 2016 and 2015

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity	Noncontrolling Interest in Subsidiary	Total Equity
	(In Thousands Except Share Data)								
Balance at December 31, 2015	$757	$616,899	$109,675	$(2,476)	$(56,208)	$(1,162)	$667,485	$6,001	$673,486
Net income attributable to Brookline Bancorp, Inc.	—	—	25,466	—	—	—	25,466	—	25,466
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	1,548	1,548
Issuance of noncontrolling units	—	—	—	—	—	—	—	76	76
Other comprehensive income	—	—	—	8,445	—	—	8,445	—	8,445
Common stock dividends of $0.18 per share	—	—	(12,672)	—	—	—	(12,672)	—	(12,672)
Dividend to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,332)	(1,332)
Compensation under recognition and retention plans	—	739	—	—	(7)	—	732	—	732
Common stock held by ESOP committed to be	—	100	—	—	—	100	200	—	200

released (18,186 shares)									
Balance at June 30, 2016	$757	$617,738	$122,469	$ 5,969	$(56,215)	$ (1,062)	$ 689,656	$ 6,293	$695,949

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Changes in Equity (Continued)
Six Months Ended June 30, 2016 and 2015

	Common Stock	Additional Paid-in Capital	Retained Earnings*	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity*	Noncontrolling Interest in Subsidiary	Total Equity*
	(In Thousands Except Share Data)								
Balance at December 31, 2014	$757	$617,475	$84,860	$(1,622)	$(58,282)	$(1,370)	$641,818	$4,787	$646,605
Net income attributable to Brookline Bancorp, Inc.	—	—	23,568	—	—	—	23,568	—	23,568
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	1,296	1,296
Issuance of noncontrolling units	—	—	—	—	—	—	—	65	65
Other comprehensive income	—	—	—	(153)	—	—	(153)	—	(153)
Common stock dividends of $0.175 per share	—	—	(12,300)	—	—	—	(12,300)	—	(12,300)
Dividend to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,072)	(1,072)
Compensation under recognition and retention plans	—	476	—	—	(90)	—	386	—	386
Common stock held by ESOP committed to be	—	93	—	—	—	104	197	—	197

released (19,158 shares)									
Balance at June 30, 2015	$757	$618,044	$96,128	$(1,775)	$(58,372)	$(1,266)	$653,516	$5,076	$658,592

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

See accompanying notes to the unaudited consolidated financial statements.

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

	Six Months Ended June 30,	
	2016	2015
	(In Thousands)	
Cash flows from operating activities:		
Net income attributable to Brookline Bancorp, Inc.	$25,466	$23,568
Adjustments to reconcile net income to net cash provided from operating activities:		
Net income attributable to noncontrolling interest in subsidiary	1,548	1,296
Provision for credit losses	4,923	4,176
Origination of loans and leases held-for-sale	(19,803)	(25,697)
Proceeds from loans and leases held-for-sale, net	22,127	15,379
Deferred income tax expense	(199)	(819)
Depreciation of premises and equipment	3,565	3,562
Amortization of investment securities premiums and discounts, net	1,222	822
Amortization of deferred loan and lease origination costs, net	2,929	2,824
Amortization of identified intangible assets	1,256	1,462
Amortization of debt issuance costs	51	50
Accretion of acquisition fair value adjustments, net	(1,624)	(3,333)
Gain on sales of loans and leases held-for-sale	(1,250)	(1,148)
Loss on sales of OREO and repossessed assets, net	(7)	—
Write-down of OREO and repossessed assets	50	132
Compensation under recognition and retention plans	776	434
ESOP shares committed to be released	200	197
Net change in:		
Cash surrender value of bank-owned life insurance	(532)	(521)
Other assets	(22,228)	889
Accrued expenses and other liabilities	6,765	(11,891)
Net cash provided from operating activities	25,235	11,382
Cash flows from investing activities:		
Proceeds from maturities, calls and principal repayments of investment securities available-for-sale	51,747	50,859
Purchases of investment securities available-for-sale	(59,306)	(31,466)
Proceeds from maturities, calls, and principal repayments of investment securities held-to-maturity	37,210	241
Purchases of investment securities held-to-maturity	(13,312)	(60,295)
Proceeds from redemption of restricted equity securities	1,440	—
Purchases of restricted equity securities	—	(749)
Proceeds from sales of loans and leases held-for-investment, net	23,116	267,164
Net increase in loans and leases	(283,904)	(180,822)
Proceeds from sales of OREO and repossessed assets	2,072	4,140
Purchase of premises and equipment, net	(1,622)	(917)
Net cash (used for) provided from investing activities	(242,559)	48,155

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

	Six Months Ended June 30,	
	2016	2015
	(In Thousands)	
Cash flows from financing activities:		
Increase in demand checking, NOW, savings and money market accounts	116,006	75,087
Increase in certificates of deposit	63,179	96,302
Proceeds from FHLBB advances	3,604,238	1,795,000
Repayment of FHLBB advances	(3,560,127)	(1,974,190)
Increase/(decrease) in other borrowed funds, net	2,506	(8,269)
Decrease in mortgagors' escrow accounts, net	(97)	(1,007)
Payment of dividends on common stock	(12,672)	(12,300)
Proceeds from issuance of noncontrolling units	76	65
Payment of dividends to owners of noncontrolling interest in subsidiary	(1,332)	(1,072)
Net cash provided from (used for) financing activities	211,777	(30,384)
Net (decrease)/increase in cash and cash equivalents	(5,547)	29,153
Cash and cash equivalents at beginning of period	75,489	62,723
Cash and cash equivalents at end of period	$69,942	$91,876
Supplemental disclosures of cash flows information:		
Cash paid during the period for:		
Interest on deposits, borrowed funds and subordinated debt	$18,999	$17,634
Income taxes	17,342	17,013
Non-cash investing activities:		
Transfer from loans and leases held-for-sale to loans and leases	$10,000	$—
Transfer from loans to other real estate owned	1,523	5,228

See accompanying notes to the unaudited consolidated financial statements.

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(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. The Company’s primary business is to provide commercial, business, and retail banking services to its corporate, municipal, and individual customers through the Banks and its non-bank subsidiaries.

Brookline Bank, which includes its wholly-owned subsidiaries BBS Investment Corp., Longwood Securities Corp. and its 84.4% owned subsidiary, Eastern Funding LLC ("Eastern Funding"), operates 25 full-service banking offices in the greater Boston metropolitan area. BankRI, which includes its wholly-owned subsidiaries, Acorn Insurance Agency, BRI Realty Corp., Macrolease Corporation ("Macrolease"), BRI Investment Corp. and its wholly-owned subsidiary, BRI MSC Corp., operates 19 full-service banking offices in the greater Providence area. First Ipswich, which includes its wholly-owned subsidiaries, First Ipswich Insurance Agency and First Ipswich Securities II Corp., operates five full-service banking offices on the north shore of eastern Massachusetts.

The Company’s activities include acceptance of commercial, municipal, and retail deposits; origination of mortgage loans on commercial and residential real estate located principally in Massachusetts and Rhode Island; origination of commercial loans and leases to small and mid-sized businesses; investment in debt and equity securities; and the offering of cash management and investment advisory services. The Company also provides specialty equipment financing through its subsidiaries Eastern Funding, which is based in New York, 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 saving bank and trust company, Brookline Bank and First Ipswich, respectively, are also subject to regulation under the laws of the Commonwealth of Massachusetts and the jurisdiction of the Massachusetts Division of Banks. As a Rhode Island-chartered financial institution, BankRI is also subject to regulation under the laws of the State of Rhode Island and the jurisdiction of the Banking Division of the Rhode Island Department of Business Regulation.

The Federal Deposit Insurance Corporation (“FDIC”) offers insurance coverage on all deposits up to $250,000 per depositor at each of the three Banks. As FDIC-insured depository institutions, all three Banks are also secondarily subject to supervision, examination, and regulation by the FDIC. Additionally, as a Massachusetts-chartered savings bank, Brookline Bank is insured by the Depositors Insurance Fund (“DIF”), a private industry-sponsored insurance company. The DIF insures savings bank deposits in excess of the FDIC insurance limits. As such, Brookline Bank offers 100% insurance on all deposits as a result of a combination of insurance from the FDIC and the DIF. Brookline Bank is required to file reports with the DIF.

Basis of Financial Statement Presentation

The unaudited consolidated financial statements of the Company presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles ("GAAP"). In the opinion of management, all adjustments (consisting of normal recurring adjustments) and disclosures considered necessary for the fair presentation of the accompanying consolidated financial statements have been included. Interim results are not necessarily reflective of the results of the entire year. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
At and for the Six Months Ended June 30, 2016 and 2015

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

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

(2) Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("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, 2016.

In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. The intention of this ASU is to provide additional clarification on specific issues brought forth by the FASB and the International Accounting Standards Board Joint Transition Resource Group for Revenue Recognition in relation to Topic 606 and revenue recognition. This ASU is to have the same effective date as ASU 2015-14 which deferred the effective date of ASU 2014-09 to December 15, 2017. Management has determined that ASU 2016-12 does apply, but has not determined the impact, if any, as of June 30, 2016.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU was issued as part of the FASB Simplification Initiative which intends to reduce the complexity of GAAP while improving usefulness to users. There are eight main items in this ASU that contribute to the simplification of share-based accounting. For public entities, this ASU is effective for the fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. Management is currently assessing the applicability of ASU 2016-09 and has not determined the impact, if any, as of June 30, 2016.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). This ASU was issued to clarify how to recognize revenue depending on an entities position, in relation to another entity involved, on contracts with customers. The entity can either be a principal party or an agent, and must record revenue accordingly. This ASU is not yet effective. Since this ASU affects ASU 2014-09, and that effective date was deferred, this ASU remains suspended too. Management is currently assessing the applicability of ASU 2016-08 and has not determined the impact, if any, as of June 30, 2016.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments. This ASU was issued to identify a consistent approach to identify whether or not call (put) options embedded in derivatives meet certain criteria which would then require that they be accounted for separately. GAAP has established rules in order to go about evaluating options within derivatives however questions arose. The Derivatives Implementation Group then created four steps to aid in this evaluation process. This ASU requires that this four step process be the only assessment process in place for this issue. For public entities, this ASU is effective for the fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. This ASU must be applied prospectively on the effective date. Early adoption is permitted. Management is currently assessing the applicability of ASU 2016-06 and has not determined the impact, if any, as of June 30, 2016.

In February 2016, FASB issued ASU 2016-02, Leases. This ASU requires lessees to put most leases on their balance sheet but recognize expenses on their income statements in a manner similar to current accounting. This ASU also eliminates current real estate-specific provisions for all companies. For lessors, this ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods therein. Early adoption is permitted. The Company is currently assessing the applicability of this ASU and has not determined the impact, if any, as of June 30, 2016.

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. The Company is currently assessing the applicability of this ASU and has not determined the impact, if any, as of June 30, 2016.

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. This ASU was issued to defer the effective date of ASU 2014-09 for all entities by one year. In effect, public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods (including interim reporting periods within those period) beginning after December 15, 2017. The Company is currently assessing the applicability of this ASU and has not determined the impact, if any, as of June 30, 2016.

(3) Investment Securities

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

	At June 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
Debt securities:				
GSEs	$58,731	$ 1,920	$ —	$60,651
GSE CMOs	180,037	1,393	297	181,133
GSE MBSs	237,091	4,700	4	241,787
SBA commercial loan asset-backed securities	125	—	1	124
Corporate debt obligations	45,795	1,220	—	47,015
Trust preferred securities	1,467	—	212	1,255
Total debt securities	523,246	9,233	514	531,965
Marketable equity securities	961	41	—	1,002
Total investment securities available-for-sale	$524,207	$ 9,274	$ 514	$532,967
Investment securities held-to-maturity:				
GSEs	$6,000	$ 12	$ —	$6,012

GSEs MBSs	19,831	89	—	19,920
Municipal obligations	43,259	1,280	—	44,539
Foreign government securities	500	—	11	489
Total investment securities held-to-maturity	$69,590	$ 1,381	$ 11	$70,960

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	At December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
Debt securities:				
GSEs	$40,658	$ 141	$ 172	$40,627
GSE CMOs	198,000	45	4,229	193,816
GSE MBSs	230,213	1,098	1,430	229,881
SBA commercial loan asset-backed securities	148	—	1	147
Corporate debt obligations	46,160	344	18	46,486
Trust preferred securities	1,466	—	199	1,267
Total debt securities	516,645	1,628	6,049	512,224
Marketable equity securities	956	21	—	977
Total investment securities available-for-sale	$517,601	$ 1,649	$ 6,049	$513,201
Investment securities held-to-maturity:				
GSEs	$34,915	$ 9	$ 105	$34,819
GSEs MBSs	19,291	—	305	18,986
Municipal obligations	39,051	364	25	39,390
Foreign government securities	500	—	—	500
Total investment securities held-to-maturity	$93,757	$ 373	$ 435	$93,695

At June 30, 2016, the fair value of all investment securities available-for-sale was $533.0 million, with net unrealized gains of $8.8 million, compared to a fair value of $513.2 million and net unrealized losses of $4.4 million at December 31, 2015. At June 30, 2016, $52.8 million, or 9.9% of the portfolio, had gross unrealized losses of $0.5 million, compared to $368.1 million, or 71.7%, with gross unrealized losses of $6.0 million at December 31, 2015.

At June 30, 2016, the fair value of all investment securities held-to-maturity was $71.0 million, with net unrealized gains of $1.4 million, compared to a fair value of $93.7 million with net unrealized losses of $62.0 thousand at December 31, 2015. At June 30, 2016, $0.5 million, or 0.7% of the portfolio, had gross unrealized losses of $11.0 thousand, compared to $52.3 million, or 55.8% with gross unrealized losses of $0.4 million at December 31, 2015.

Investment Securities as Collateral

At June 30, 2016 and December 31, 2015, respectively, $445.7 million and $486.4 million of investment securities were pledged as collateral for repurchase agreements, municipal deposits, treasury, tax, and loan deposits; swap agreements, and FHLBB borrowings. The decrease in investment securities pledged as collateral was primarily due to a decrease in municipal deposits which require collateral.

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Other-Than-Temporary Impairment ("OTTI")

Investment securities at June 30, 2016 and December 31, 2015 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, 2016					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(In Thousands)					
Investment securities available-for-sale:						
GSE CMOs	$—	$ —	$ 51,149	$ 297	$51,149	$ 297
GSE MBSs	—	—	250	4	250	4
SBA commercial loan asset-backed securities	—	—	117	1	117	1
Trust preferred securities	—	—	1,255	212	1,255	212
Temporarily impaired debt securities available-for-sale	—	—	52,771	514	52,771	514
Investment securities held-to-maturity:						
Foreign government securities	489	11	—	—	489	11
Temporarily impaired debt securities held-to-maturity	489	11	—	—	489	11
Total temporarily impaired investment securities	$489	$ 11	$ 52,771	$ 514	$53,260	$ 525

	At December 31, 2015					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(In Thousands)					
Investment securities available-for-sale:						
GSEs	$19,633	$ 172	$ —	$ —	$19,633	$ 172
GSE CMOs	89,680	1,294	100,473	2,935	190,153	4,229
GSE MBSs	133,779	845	16,968	585	150,747	1,430
SBA commercial loan asset-backed securities	—	—	139	1	139	1
Corporate debt obligations	6,181	18	—	—	6,181	18
Trust preferred securities	—	—	1,267	199	1,267	199
Temporarily impaired debt securities available-for-sale	249,273	2,329	118,847	3,720	368,120	6,049
Investment securities held-to-maturity:						
GSEs	25,837	105	—	—	25,837	105
GSEs MBSs	18,834	305	—	—	18,834	305
Municipal obligations	7,629	25	—	—	7,629	25
Temporarily impaired debt securities held-to-maturity	52,300	435	—	—	52,300	435
Total temporarily impaired investment securities	$301,573	$ 2,764	$ 118,847	$ 3,720	$420,420	$ 6,484

The Company performs regular analysis on the investment securities portfolio to determine whether a decline in fair value indicates that an investment security is OTTI. In making these OTTI determinations, management considers, among other

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factors, the length of time and extent to which the fair value has been less than amortized cost; projected future cash flows; credit subordination and the creditworthiness; capital adequacy; and near-term prospects of the issuers.

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

Investment Securities Available-For-Sale Impairment Analysis

The following discussion summarizes, by investment security type, the basis for evaluating if the applicable investment securities within the Company’s available-for-sale portfolio were OTTI at June 30, 2016. Based on the analysis below, it is more likely than not that the Company will not sell or be required to sell the investment securities before recovery of its amortized cost. The Company's ability and intent to hold these investment securities until recovery is supported by the Company's strong capital and liquidity positions as well as its historically low portfolio turnover. As such, management has determined that the investment securities are not OTTI at June 30, 2016. If market conditions for investment securities worsen or the creditworthiness of the underlying issuers deteriorates, it is possible that the Company may recognize additional OTTI in future periods.

U.S. Government-Sponsored Enterprises

The Company invests in securities issued by U.S. Government-sponsored enterprises (“GSEs”), including GSE debt securities, mortgage-backed securities (“MBSs”), and collateralized mortgage obligations (“CMOs”). GSE securities include obligations issued by the Federal National Mortgage Association (“FNMA”), the Federal Home Loan Mortgage Corporation (“FHLMC”), the Government National Mortgage Association (“GNMA”), the Federal Home Loan Banks ("FHLB"), and the Federal Farm Credit Bank. At June 30, 2016, only GNMA MBSs and CMOs, and Small Business Administration (“SBA”) commercial loan asset-backed securities with an estimated fair value of $23.1 million were backed explicitly by the full faith and credit of the U.S. Government, compared to $21.8 million at December 31, 2015.

At June 30, 2016, the Company held GSE debentures with a total fair value of $60.7 million with unrealized gains of $1.9 million. At December 31, 2015, the Company held GSE debentures with a total fair value of $40.6 million, and a net unrealized loss of $31.0 thousand. At June 30, 2016, none of the nineteen securities in this portfolio was in an unrealized loss position. At December 31, 2015, seven of the thirteen securities in this portfolio were in unrealized loss positions. All securities are performing and backed by the implicit (FHLB / FNMA / FHLMC) or explicit (GNMA / SBA) guarantee of the U.S. Government. During the six months ended June 30, 2016 and 2015, the Company purchased $26.1 million and $2.0 million of GSE debentures, respectively.

At June 30, 2016, the Company held GSE mortgage-related securities with a total fair value of $422.9 million with a net unrealized gain of $5.8 million. This compares to a total fair value of $423.7 million with a net unrealized loss of $4.5 million at December 31, 2015. At June 30, 2016, 21 of the 257 securities in this portfolio were in unrealized loss positions, compared to 101 of the 249 securities at December 31, 2015. 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, 2016 and 2015, the Company purchased $30.6 million and $29.5 million in GSE CMOs and GSE MBSs, respectively.

SBA Commercial Loan Asset-Backed Securities

At June 30, 2016, the Company held six SBA securities with a total fair value of $0.1 million which approximated cost as compared to December 31, 2015, where the Company held seven SBA securities with a total fair value of $0.1 million, which approximated amortized cost. At June 30, 2016, five of the six securities in this portfolio were in unrealized loss positions and at December 31, 2015, six of the seven securities in this portfolio were in unrealized loss positions. All securities are performing and are backed by the explicit (SBA) guarantee of the U.S. Government.

Corporate Obligations

From time to time, the Company may invest in high-quality corporate obligations to provide portfolio diversification and improve the overall yield on the portfolio. At June 30, 2016, the Company held fifteen corporate obligation securities with a total fair value of $47.0 million and unrealized gains of $1.2 million as compared to fifteen corporate obligation securities with a total fair value of $46.5 million and a net unrealized gain of $0.3 million at December 31, 2015. At June 30, 2016, none of the fifteen securities in this portfolio was in an unrealized loss position. At December 31, 2015, two of the fifteen securities in this portfolio were in an unrealized loss position. Full collection of the obligations is expected because the financial condition of the issuer is sound, and the issuer has not defaulted on scheduled payments, the obligations are rated investment grade, and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost. During the six months ended June 30, 2016, the Company purchased $2.6 million in corporate obligations. This compares to no purchases during the same period in 2015.

Trust Preferred Securities

Trust preferred securities represent subordinated debt issued by financial institutions. At June 30, 2016, the Company owned two trust preferred securities with a total fair value of $1.3 million and an unrealized loss of $0.2 million. This compares to two trust preferred securities with a total fair value of $1.3 million and an unrealized loss of $0.2 million at December 31, 2015. At June 30, 2016 and December 31, 2015, both of the securities in this portfolio were in unrealized loss positions. Full collection of the obligations is expected because the financial condition of the issuers is sound, neither of the issuers have defaulted on scheduled payments, the obligations are rated investment grade, and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost.

Marketable Equity Securities

At June 30, 2016 and December 31, 2015, the Company owned two marketable equity securities with a fair value of $1.0 million, and unrealized gains of $41.0 thousand and $21.0 thousand, respectively. At June 30, 2016 and December 31, 2015, neither of the securities in this portfolio was in an unrealized loss position.

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, 2016. Management does not intend to sell these securities prior to maturity.

U.S. Government-Sponsored Enterprises
The Company invests in securities issued by GSEs including GSE debt securities and MBSs. GSE securities include obligations issued by FNMA, FHLMC, GNMA, FHLB, and the Federal Farm Credit Bank. As of June 30, 2016, the Company held GSE debentures and GSE MBS with a total fair value of $6.0 million and $19.9 million, respectively. At June 30, 2016, the Company held GSE debentures with a total fair value of $6.0 million, which approximated amortized cost. At December 31, 2015, the Company held GSE debentures with a total fair value of $34.8 million and a net unrealized loss of $96.0 thousand. At June 30, 2016, none of the securities in this portfolio was in an unrealized

loss position. At December 31, 2015, 9 of the 12 securities in this portfolio were in unrealized loss positions. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA/SBA) guarantee of the U.S. Government. During the six months ended June 30, 2016 and 2015, the Company purchased $6.0 million and $26.9 million of GSE debentures, respectively.

At June 30, 2016, the Company held GSE mortgage-related securities with a total fair value of $19.9 million and an unrealized gain of $89.0 thousand. At December 31, 2015, the Company held GSE mortgage-related securities with a total fair value of $19.0 million and an unrealized loss of $305.0 thousand. During the six months ended June 30, 2016 and 2015, the Company purchased a total of $2.4 million and $21.3 million in GSE MBSs respectively. As of June 30, 2016, none of the eleven securities was in

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unrealized loss positions as compared to December 31, 2015, when seven of the ten 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.

Municipal Obligations

At June 30, 2016, the Company held 84 municipal obligation securities with a total fair value and total amortized cost of $44.5 million and $43.3 million, respectively, as compared to December 31, 2015 when the 72 municipal obligations had a total fair value and total amortized cost of $39.4 million and $39.1 million, respectively. During the six months ended June 30, 2016, the Company purchased $4.4 million in municipal obligations, as compared to $12.1 million in municipal obligations during the same period in 2015. As of June 30, 2016, none of the 84 securities in this portfolio was in an unrealized loss position as compared to December 31, 2015, where 15 of the 72 securities in this portfolio were in unrealized loss positions.

Foreign Government Obligations

At June 30, 2016 and December 31, 2015, the Company owned one foreign government obligation security with a fair value and amortized cost of $0.5 million. As of June 30, 2016, the foreign government obligation security was in an unrealized loss position as compared to December 31, 2015, where the foreign government obligation security's fair value approximated amortized cost. During the six months ended June 30, 2016, the Company purchased one foreign government obligation security. The Company did not make any purchases during the same period in 2015.

Portfolio Maturities

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

	At June 30, 2016			At December 31, 2015		
	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	$20	$21	2.00 %	$2,999	$3,003	2.09 %
After 1 year through 5 years	62,031	63,716	2.27 %	59,729	60,249	2.32 %
After 5 years through 10 years	111,540	114,618	2.02 %	100,658	100,833	2.05 %
Over 10 years	349,655	353,610	1.89 %	353,259	348,139	1.97 %
	$523,246	$531,965	1.96 %	$516,645	$512,224	2.03 %
Investment securities held-to-maturity:						
Within 1 year	$107	$107	1.71 %	$651	$651	1.00 %
After 1 year through 5 years	19,187	19,475	1.27 %	23,888	23,866	1.52 %
After 5 years through 10 years	30,572	31,565	1.78 %	50,078	50,344	2.00 %
Over 10 years	19,724	19,813	1.62 %	19,140	18,834	1.82 %
	$69,590	$70,960	1.59 %	$93,757	$93,695	1.83 %

Actual maturities of debt securities may differ from those presented above since certain obligations, particularly MBS and CMOs, amortize and provide the issuer the right to call or prepay the obligation prior to the scheduled final stated maturity without penalty.

At June 30, 2016, issuers of debt securities, excluding MBS and CMOs, with an estimated fair value of $10.8 million had the right to call or prepay the obligations. Of the $10.8 million, $3.1 million matures in 1 - 5 years, $7.7 million matures in 6 - 10 years, and none mature after 10 years. At December 31, 2015, issuers of debt securities with an estimated fair value of $48.5 million had the right to call or prepay the obligations. Of the $48.5 million, approximately $15.5 million matures in 1 - 5 years, $31.8 million matures in 6 - 10 years, and $1.3 million matures after ten years.

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Investment Security Sales

Investment security transactions are recorded on the trade date. When investment securities are sold, the adjusted cost of the specific investment security sold is used to compute the gain or loss on the sale. There were no investment securities sold during both the three-month and six-month periods ended June 30, 2016 and 2015.

(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, 2016								
	Originated			Acquired			Total		
	Balance	Weighted Average Coupon		Balance	Weighted Average Coupon		Balance	Weighted Average Coupon	
	(Dollars in Thousands)								
Commercial real estate loans:									
Commercial real estate	$1,806,482	3.96	%	$167,807	4.18	%	$1,974,289	3.98	%
Multi-family mortgage	690,498	3.81	%	31,273	4.50	%	721,771	3.84	%
Construction	144,241	3.74	%	222	3.67	%	144,463	3.74	%
Total commercial real estate loans	2,641,221	3.91	%	199,302	4.23	%	2,840,523	3.93	%
Commercial loans and leases:									
Commercial	612,818	3.94	%	15,463	5.49	%	628,281	3.98	%
Equipment financing	743,400	7.06	%	7,103	5.95	%	750,503	7.05	%
Condominium association	61,962	4.46	%	—	—	%	61,962	4.46	%
Total commercial loans and leases	1,418,180	5.60	%	22,566	5.63	%	1,440,746	5.60	%
Indirect automobile loans	9,281	5.46	%	—	—	%	9,281	5.46	%
Consumer loans:									
Residential mortgage	543,573	3.66	%	80,850	3.94	%	624,423	3.69	%
Home equity	264,390	3.45	%	69,137	4.01	%	333,527	3.57	%
Other consumer	10,407	5.44	%	131	17.79	%	10,538	5.60	%
Total consumer loans	818,370	3.61	%	150,118	3.98	%	968,488	3.67	%
Total loans and leases	$4,887,052	4.35	%	$371,986	4.21	%	$5,259,038	4.34	%

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	At December 31, 2015					
	Originated		Acquired		Total	
	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon
	(Dollars in Thousands)					
Commercial real estate loans:						
Commercial real estate	$1,684,548	4.00 %	$191,044	4.15 %	$1,875,592	4.02 %
Multi-family mortgage	620,865	3.92 %	37,615	4.35 %	658,480	3.94 %
Construction	129,742	3.60 %	580	5.08 %	130,322	3.61 %
Total commercial real estate loans	2,435,155	3.96 %	229,239	4.19 %	2,664,394	3.98 %
Commercial loans and leases:						
Commercial	576,599	3.90 %	15,932	5.65 %	592,531	3.95 %
Equipment financing	712,988	7.05 %	8,902	6.14 %	721,890	7.04 %
Condominium association	59,875	4.50 %	—	— %	59,875	4.50 %
Total commercial loans and leases	1,349,462	5.59 %	24,834	5.83 %	1,374,296	5.59 %
Indirect automobile loans	13,678	5.53 %	—	— %	13,678	5.53 %
Consumer loans:						
Residential mortgage	527,846	3.64 %	88,603	3.85 %	616,449	3.67 %
Home equity	234,708	3.35 %	79,845	3.99 %	314,553	3.51 %
Other consumer	12,039	4.77 %	131	17.40 %	12,170	4.91 %
Total consumer loans	774,593	3.57 %	168,579	3.93 %	943,172	3.63 %
Total loans and leases	$4,572,888	4.38 %	$422,652	4.18 %	$4,995,540	4.36 %

The net unamortized deferred loan origination fees and costs included in total loans and leases were $13.4 million and $12.8 million as of June 30, 2016 and December 31, 2015, respectively.

The Company's Banks and subsidiaries lend primarily in eastern Massachusetts, southern New Hampshire, and Rhode Island, with the exception of equipment financing, 31.5% of which is in the greater New York and New Jersey metropolitan area and 68.5% of which is in other areas in the United States of America at June 30, 2016, as compared to 32.8% of which is in the greater New York and New Jersey metropolitan area and 67.2% of which in other areas in the United States of America as of December 31, 2015.

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

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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,	
	2016	2015	2016	2015
	(In Thousands)			
Balance at beginning of period	$19,800	$30,660	$20,796	$32,044
Accretion	(1,251)	(2,612)	(2,435)	(5,436)
Reclassification from nonaccretable difference for loans with improved cash flows	—	682	1,438	2,122
Changes in expected cash flows that do not affect nonaccretable difference [(1)]	(511)	—	(1,761)	—
Balance at end of period	$18,038	$28,730	$18,038	$28,730

[(1)] Represents changes in interest cash flows due to changes in interest rates on variable rate loans.

On a quarterly basis and subsequent to acquisition, management reforecasts the expected cash flows for acquired ASC 310-30 loans, taking into account prepayment speeds, probability of default, and loss given defaults. Management compares cash flow projections per the reforecast to the original cash flow projections and determines whether any reduction in cash flow expectations is due to credit deterioration, or if the change in cash flow expectations are 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, 2016, no accretable yield adjustments were made to certain loan pools, compared to $0.7 million during the three months ended June 30, 2015. During the six months ended June 30, 2016 and 2015, accretable yield adjustments totaling $1.4 million and $2.1 million, respectively, were made for certain loan pools. These prospective accretable yield adjustments, which are subject to continued re-assessment, will be recognized over the remaining lives of those pools.

The aggregate remaining nonaccretable difference applicable to acquired loans and leases totaled $1.5 million and $2.9 million at June 30, 2016 and December 31, 2015, respectively.

Loans and Leases Pledged as Collateral

At June 30, 2016 and December 31, 2015, there were $1.8 billion of loans and leases pledged as collateral for repurchase agreements, municipal deposits, treasury, tax and loan deposits; swap agreements, and FHLB borrowings. The Banks did not have any outstanding FRB borrowings at June 30, 2016 and December 31, 2015.

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(5) Allowance for Loan and Lease Losses

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

	Three Months Ended June 30, 2016					
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Unallocated	Total
	(In Thousands)					
Balance at March 31, 2016	$30,984	$ 22,978	$ 221	$ 4,423	$ —	$58,606
Charge-offs	(1,153)	(2,417)	(119)	(635)	—	(4,324)
Recoveries	—	101	134	71	—	306
Provision (credit) for loan and lease losses	30	2,254	(53)	439	—	2,670
Balance at June 30, 2016	$29,861	$ 22,916	$ 183	$ 4,298	$ —	$57,258

	Three Months Ended June 30, 2015					
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Unallocated	Total
	(In Thousands)					
Balance at March 31, 2015	$29,460	$ 19,084	$ 458	$ 3,619	$ 2,485	$55,106
Charge-offs	(162)	(245)	(397)	(225)	—	(1,029)
Recoveries	—	94	410	24	—	528
(Credit) provision for loan and lease losses	(82)	1,296	(90)	594	75	1,793
Balance at June 30, 2015	$29,216	$ 20,229	$ 381	$ 4,012	$ 2,560	$56,398

	Six Months Ended June 30, 2016					
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Unallocated	Total
	(In Thousands)					
Balance at December 31, 2015	$30,151	$ 22,018	$ 269	$ 4,301	$ —	$56,739
Charge-offs	(1,484)	(2,705)	(363)	(647)	—	(5,199)
Recoveries	—	325	365	91	—	781
Provision (credit) for loan and lease losses	1,194	3,278	(88)	553	—	4,937
Balance at June 30, 2016	$29,861	$ 22,916	$ 183	$ 4,298	$ —	$57,258

	Six Months Ended June 30, 2015					
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Unallocated	Total
	(In Thousands)					
Balance at December 31, 2014	$29,594	$ 15,957	$ 2,331	$ 3,359	$ 2,418	$53,659
Charge-offs	(550)	(695)	(1,217)	(232)	—	(2,694)
Recoveries	—	306	991	42	—	1,339
Provision (credit) for loan and lease losses	172	4,661	(1,724)	843	142	4,094
Balance at June 30, 2015	$29,216	$ 20,229	$ 381	$ 4,012	$ 2,560	$56,398

The liability for unfunded credit commitments, which is included in other liabilities, was $1.3 million at June 30, 2016 and December 31, 2015, and $1.4 million at June 30, 2015, respectively. These changes 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 three-month and six-month periods ended June 30, 2016 and 2015.

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Provision for Credit Losses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In Thousands)			
Provision (credit) for loan and lease losses:				
Commercial real estate	$30	$(82)	$1,194	$172
Commercial	2,254	1,296	3,278	4,661
Indirect automobile	(53)	(90)	(88)	(1,724)
Consumer	439	594	553	843
Unallocated	—	75	—	142
Total provision for loan and lease losses	2,670	1,793	4,937	4,094
Unfunded credit commitments	(125)	120	(14)	82
Total provision for credit losses	$2,545	$1,913	$4,923	$4,176

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 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 all 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, equipment financing, and loans to condominium associations. Consumer loans are divided into four classes: residential mortgage loans, home equity loans, indirect automobile loans, and other consumer loans. A formula-based credit evaluation approach is applied to each group, coupled with an analysis of certain loans for impairment. For each class of loan, management makes significant judgments in selecting the estimation method that fits the credit characteristics of its class and portfolio segment as set forth below.

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

During 2015, the Company enhanced and refined its general allowance methodology to provide a more precise quantification of probable losses in the portfolio. Under the enhanced methodology, management combined the historical loss histories of the Banks to generate a single set of ratios. Management believes it is appropriate to aggregate the ratios as the

Banks share common environmental factors, operate in similar markets, and utilize common underwriting standards in accordance with the Company's Credit Policy. In prior periods, a historical loss history applicable to each Bank was used.

Management employed a similar analysis for the consolidation of the qualitative factors as it did for the quantitative factors. Again, management believes the realignment of the existing nine qualitative factors used at each of the Banks into a single group of factors for use across the Company is appropriate based on the commonality of environmental factors, markets, and underwriting standards among the Banks. In the periods prior to the third quarter of 2015, each of the Banks utilized a set of qualitative factors applicable to each Bank.

As of June 30, 2016, the Company had a portfolio of approximately $36.4 million in loans secured by taxi medallions issued by the cities of Boston and Cambridge. Application-based mobile ride services, such as Uber and Lyft, have generated increased competition in the transportation sector, resulting in a reduction in taxi utilization and, as a result, a reduction in the collateral value and credit quality of taxi medallion loans. This has increased the likelihood that loans secured by taxi medallions may default, or that the borrowers may be unable to repay these loans at maturity, potentially resulting in an increase in past due loans, troubled debt restructurings, and charge-offs. Therefore, beginning with the quarter ended December 31, 2015, the Company’s allowance calculation included a further segmentation of the commercial loans and leases to reflect the increased risk in the Company’s taxi medallion portfolio. This allowance calculation segmentation represents management’s estimations of the risks associated with the portfolio. As of June 30, 2016, the Company had a reserve for credit losses associated with taxi medallion loans of $4.3 million of which $3.0 million were specific reserves and $1.3 million was a general reserve. As of December 31, 2015, the Company had a general reserve for credit losses associated with taxi medallion loans of $4.3 million. However, 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.

Based on the refinements to the Company’s allowance methodology discussed above, management determined that the potential risks anticipated by the unallocated allowance are now incorporated into the allowance methodology, making the unallocated allowance unnecessary. In the periods prior to the third quarter of 2015, the unallocated allowance was used to recognize the estimated risk associated with the allocated general and specific allowances. It incorporated management’s evaluation of existing conditions that were not included in the allocated allowance determinations and provided for losses that arise outside of the ordinary course of business.

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

As of June 30, 2016, management believes that the methodology for calculating the allowance is sound and that the allowance provides a reasonable basis for determining and reporting on probable losses in the Company’s loan portfolios.

The general allowance for loan and lease losses was $52.3 million at June 30, 2016, compared to $53.1 million at December 31, 2015. The general portion of the allowance for loan and lease losses decreased by $0.8 million during the six months ended June 30, 2016, primarily driven by the decrease in historical loss factors applied to commercial real estate, commercial loan and lease, and consumer loan portfolios offset by the continued growth in the Company's loan portfolios.

The specific allowance for loan and lease losses was $5.0 million at June 30, 2016, compared to $3.6 million at December 31, 2015. The specific allowance increased $1.4 million during the six months ended June 30, 2016, primarily due to the restructure of some taxi medallion loans and changes in the collateral values of previously impaired loans offset by the charge off of a relationship which had a specific reserve.

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Credit Quality Assessment

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

The Company reviews numerous credit quality indicators when assessing the risk in its loan portfolio. For the commercial real estate, multi-family mortgage, construction, commercial, equipment financing, condominium association, and other consumer loan and lease classes, the Company utilizes an eight-grade loan rating system, which assigns a risk rating to each borrower based on a number of quantitative and qualitative factors associated with a loan transaction. Factors considered include industry and market conditions, position within the industry, earnings trends, operating cash flow, asset/liability values, debt capacity, guarantor strength, management and controls, financial reporting, collateral, and other considerations. In addition, the Company’s independent loan review group evaluates the credit quality and related risk ratings of the commercial real estate and commercial loan portfolios. The results of these reviews are reported to the Board of Directors. For consumer loans, the Company primarily relies on payment status for monitoring credit risk.

The ratings categories used for assessing credit risk in the commercial real estate, 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 losses due to the capacity of the borrowers to pay and the adequacy of the value of assets pledged as collateral.

5 Rating — Other Asset Especially Mentioned (“OAEM”)

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

6 Rating — Substandard

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

7 Rating — Doubtful

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

8 Rating — Definite Loss

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

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

Credit Quality Information

The following tables present the recorded investment in loans in each class at June 30, 2016 by credit quality indicator.

	At June 30, 2016						
	Commercial Real Estate	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer
	(In Thousands)						
Originated:							
Loan rating:							
Pass	$1,801,544	$689,052	$ 144,048	$ 592,952	$735,517	$ 61,962	$ 10,368
OAEM	1,378	—	193	4,008	848	—	—
Substandard	2,529	1,446	—	15,671	5,626	—	39
Doubtful	1,031	—	—	187	1,409	—	—
Total originated	1,806,482	690,498	144,241	612,818	743,400	61,962	10,407
Acquired:							
Loan rating:							
Pass	156,548	30,473	222	10,754	7,103	—	131
OAEM	6,445	410	—	695	—	—	—
Substandard	4,814	390	—	4,014	—	—	—
Total acquired	167,807	31,273	222	15,463	7,103	—	131
Total loans	$1,974,289	$721,771	$ 144,463	$ 628,281	$750,503	$ 61,962	$ 10,538

At June 30, 2016, there were no loans categorized as definite loss.

	At June 30, 2016	
	Indirect Automobile	
	($ In Thousands)	
Originated:		
Credit score:		
Over 700	$3,680	39.7 %
661-700	1,374	14.8 %
660 and below	4,196	45.2 %
Data not available	31	0.3 %
Total loans	$9,281	100.0%

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	At June 30, 2016					
	Residential Mortgage			Home Equity		
	($ In Thousands)					
Originated:						
Loan-to-value ratio:						
Less than 50%	$121,926	19.5	%	$153,287	46.0	%
50% - 69%	233,195	37.4	%	55,433	16.6	%
70% - 79%	166,747	26.6	%	35,738	10.7	%
80% and over	19,080	3.1	%	19,308	5.8	%
Data not available	2,625	0.4	%	624	0.2	%
Total originated	543,573	87.0	%	264,390	79.3	%
Acquired:						
Loan-to-value ratio:						
Less than 50%	18,192	2.9	%	42,361	12.7	%
50% - 69%	29,713	4.8	%	18,100	5.4	%
70% - 79%	16,764	2.7	%	5,408	1.6	%
80% and over	12,535	2.0	%	2,467	0.8	%
Data not available	3,646	0.6	%	801	0.2	%
Total acquired	80,850	13.0	%	69,137	20.7	%
Total loans and leases	$624,423	100.0	%	$333,527	100.0	%

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The following tables present the recorded investment in loans in each class at December 31, 2015 by credit quality indicator.

	At December 31, 2015						
	Commercial Real Estate	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer
	(In Thousands)						
Originated:							
Loan rating:							
Pass	$1,668,891	$619,786	$ 129,534	$ 562,615	$709,381	$ 59,875	$ 12,017
OAEM	12,781	788	208	9,976	804	—	—
Substandard	780	291	—	1,714	1,414	—	22
Doubtful	2,096	—	—	2,294	1,389	—	—
Total originated	1,684,548	620,865	129,742	576,599	712,988	59,875	12,039
Acquired:							
Loan rating:							
Pass	182,377	35,785	580	11,959	8,902	—	131
OAEM	1,202	612	—	902	—	—	—
Substandard	7,066	1,218	—	3,071	—	—	—
Doubtful	399	—	—	—	—	—	—
Total acquired	191,044	37,615	580	15,932	8,902	—	131
Total loans and leases	$1,875,592	$658,480	$ 130,322	$ 592,531	$721,890	$ 59,875	$ 12,170

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

	At December 31, 2015	
	Indirect Automobile	
	($ In Thousands)	
Originated:		
Credit score:		
Over 700	$5,435	39.7 %
661-700	1,965	14.4 %
660 and below	6,217	45.5 %
Data not available	61	0.4 %
Total loans	$13,678	100.0%

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	At December 31, 2015			
	Residential Mortgage		Home Equity	
	($ In Thousands)			
Originated:				
Loan-to-value ratio:				
Less than 50%	$118,628	19.2 %	$131,584	41.8 %
50% - 69%	214,390	34.8 %	51,492	16.4 %
70% - 79%	173,774	28.2 %	32,916	10.5 %
80% and over	17,808	2.9 %	18,082	5.7 %
Data not available	3,246	0.5 %	634	0.2 %
Total originated	527,846	85.6 %	234,708	74.6 %
Acquired:				
Loan-to-value ratio:				
Less than 50%	18,857	3.1 %	48,563	15.4 %
50% - 69%	32,986	5.3 %	20,623	6.6 %
70% - 79%	17,883	2.9 %	7,144	2.3 %
80% and over	14,011	2.3 %	2,650	0.8 %
Data not available	4,866	0.8 %	865	0.3 %
Total acquired	88,603	14.4 %	79,845	25.4 %
Total loans	$616,449	100.0%	$314,553	100.0%

The following table presents information regarding foreclosed residential real estate property at the dates indicated.

	June 30, 2016	December 31, 2015
	(In Thousands)	
Foreclosed residential real estate property held by the creditor	$ 40	$ 362
Recorded investment in mortgage loans collateralized by residential real estate property that are in the process of foreclosure	1,527	298

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Age Analysis of Past Due Loans and Leases

The following tables present an age analysis of the recorded investment in total loans and leases at June 30, 2016 and December 31, 2015.

	At June 30, 2016							
	Past Due						Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases		
	(In Thousands)							
Originated:								
Commercial real estate loans:								
Commercial real estate	$2,699	$—	$1,206	$3,905	$1,802,577	$1,806,482	$ —	$ 2,319
Multi-family mortgage	1,002	425	291	1,718	688,780	690,498	—	1,446
Construction	—	—	—	—	144,241	144,241	—	
Total commercial real estate loans	3,701	425	1,497	5,623	2,635,598	2,641,221	—	3,765
Commercial loans and leases:								
Commercial	7,691	1,684	2,617	11,992	600,826	612,818	46	15,186
Equipment financing	1,949	702	4,368	7,019	736,381	743,400	133	6,947
Condominium association	3	17	1	21	61,941	61,962	1	—
Total commercial loans and leases	9,643	2,403	6,986	19,032	1,399,148	1,418,180	180	22,133
Indirect automobile	692	88	30	810	8,471	9,281	—	248
Consumer loans:								
Residential mortgage	3,484	—	1,343	4,827	538,746	543,573	—	1,649
Home equity	44	50	171	265	264,125	264,390	—	218
Other consumer	21	7	40	68	10,339	10,407	—	41
Total consumer loans	3,549	57	1,554	5,160	813,210	818,370	—	1,908
Total originated loans and leases	$17,585	$2,973	$10,067	$30,625	$4,856,427	$4,887,052	$ 180	$ 28,054

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	At June 30, 2016							
	Past Due						Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases		
	(In Thousands)							
Acquired:								
Commercial real estate loans:								
Commercial real estate	$818	$261	$982	$2,061	$165,746	$167,807	$ 894	$ 89
Multi-family mortgage	—	—	—	—	31,273	31,273	—	—
Construction	—	—	—	—	222	222	—	—
Total commercial real estate loans	818	261	982	2,061	197,241	199,302	894	89
Commercial loans and leases:								
Commercial	38	535	3,554	4,127	11,336	15,463	796	2,758
Equipment financing	—	—	—	—	7,103	7,103	—	—
Total commercial loans and leases	38	535	3,554	4,127	18,439	22,566	796	2,758
Consumer loans:								
Residential mortgage	1,875	342	2,508	4,725	76,125	80,850	2,109	399
Home equity	500	63	749	1,312	67,825	69,137	172	1,758
Other consumer	—	—	—	—	131	131	—	—
Total consumer loans	2,375	405	3,257	6,037	144,081	150,118	2,281	2,157
Total acquired loans and leases	$3,231	$1,201	$7,793	$12,225	$359,761	$371,986	$ 3,971	$ 5,004
Total loans and leases	$20,816	$4,174	$17,860	$42,850	$5,216,188	$5,259,038	$ 4,151	$ 33,058

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	At December 31, 2015							
	Past Due						Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases		
	(In Thousands)							
Originated:								
Commercial real estate loans:								
Commercial real estate	$1,782	$—	$ 2,097	$3,879	$1,680,669	$1,684,548	$ —	$ 2,876
Multi-family mortgage	—	—	16	16	620,849	620,865	16	291
Construction	652	—	—	652	129,090	129,742	—	—
Total commercial real estate loans	2,434	—	2,113	4,547	2,430,608	2,435,155	16	3,167
Commercial loans and leases:								
Commercial	4,578	1,007	2,368	7,953	568,646	576,599	24	3,586
Equipment financing	1,681	595	2,143	4,419	708,569	712,988	77	2,610
Condominium association	205	124	—	329	59,546	59,875	—	—
Total commercial loans and leases	6,464	1,726	4,511	12,701	1,336,761	1,349,462	101	6,196
Indirect automobile	1,058	335	106	1,499	12,179	13,678	—	675
Consumer loans:								
Residential mortgage	1,384	—	229	1,613	526,233	527,846	—	1,873
Home equity	390	237	9	636	234,072	234,708	—	319
Other consumer	19	2	25	46	11,993	12,039	—	29
Total consumer loans	1,793	239	263	2,295	772,298	774,593	—	2,221
Total originated loans and leases	$11,749	$2,300	$ 6,993	$21,042	$4,551,846	$4,572,888	$ 117	$ 12,259

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	At December 31, 2015							
	Past Due						Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases		
	(In Thousands)							
Acquired:								
Commercial real estate loans:								
Commercial real estate	$1,336	$369	$7,588	$9,293	$181,751	$191,044	$ 4,982	$ 2,606
Multi-family mortgage	—	—	1,077	1,077	36,538	37,615	1,077	—
Construction	—	—	—	—	580	580	—	—
Total commercial real estate loans	1,336	369	8,665	10,370	218,869	229,239	6,059	2,606
Commercial loans and leases:								
Commercial	351	23	2,967	3,341	12,591	15,932	325	2,678
Equipment financing	—	—	—	—	8,902	8,902	—	—
Total commercial loans and leases	351	23	2,967	3,341	21,493	24,834	325	2,678
Consumer loans:								
Residential mortgage	326	216	2,399	2,941	85,662	88,603	2,047	352
Home equity	1,012	386	460	1,858	77,987	79,845	142	1,438
Other consumer	—	—	—	—	131	131	—	—
Total consumer loans	1,338	602	2,859	4,799	163,780	168,579	2,189	1,790
Total acquired loans and leases	$3,025	$994	$14,491	$18,510	$404,142	$422,652	$ 8,573	$ 7,074
Total loan and leases	$14,774	$3,294	$21,484	$39,552	$4,955,988	$4,995,540	$ 8,690	$ 19,333

Commercial Real Estate Loans — At June 30, 2016, loans outstanding in the three classes within this segment expressed as a percentage of total loans and leases outstanding were as follows: commercial real estate loans — 37.6%; multi-family mortgage loans — 13.7%; and construction loans — 2.7%.

Loans in this portfolio that are on nonaccrual status and/or risk-rated “substandard” or worse are evaluated on an individual loan basis for impairment. For non-impaired commercial real estate loans, loss factors are applied to outstanding loans by risk rating for each of the three classes in the portfolio. The factors applied are based primarily on historic loan loss experience and an assessment of internal and external factors and other relevant information.

Commercial Loans and Leases — At June 30, 2016, loans and leases outstanding in the three classes within this segment expressed as a percent of total loans and leases outstanding were as follows: commercial loans and leases — 11.9%; equipment financing loans — 14.3%; and loans to condominium associations — 1.2%.

Loans and leases in this portfolio that are on nonaccrual status and/or risk-rated “substandard” or worse are evaluated on an individual basis for impairment. For non-impaired commercial loans and leases, loss factors are applied to outstanding loans by risk rating for the respective class in the portfolio.

Consumer Loans — At June 30, 2016, loans outstanding within the four classes within this segment expressed as a percent of total loans and leases outstanding were as follows: residential mortgage loans — 11.9%; home equity loans — 6.3%; indirect automobile loans — 0.2% , and other consumer loans — 0.2%.

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Significant risk characteristics related to the residential mortgage and home equity loan portfolios are the geographic concentration of the properties financed within selected communities in the greater Boston and Providence metropolitan areas. The payment status and loan-to-value ratio are the primary credit quality indicators used for residential mortgage loans and home equity loans. Generally, loans are not made when the loan-to-value ratio exceeds 80% unless private mortgage insurance is obtained and/or there is a financially strong guarantor. Consumer loans that become 90 days or more past due, or are placed on nonaccrual regardless of past due status, are reviewed on an individual basis for impairment by assessing the net realizable value of underlying collateral and the economic condition of the borrower.

Impaired Loans and Leases

A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due (both interest and principal) according to the contractual terms of the loan agreement. The Company has defined the population of impaired loans to include nonaccrual loans and troubled debt restructured loans.

When the ultimate collectability of the total principal of an impaired loan or lease is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan or lease is not in doubt and the loan or lease is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

The following tables include the recorded investment and unpaid principal balances of impaired loans and leases with the related allowance amount, if applicable, for the originated and acquired loan and lease portfolios at the dates indicated. Also presented are the average recorded investments in the impaired loans and leases and the related amount of interest recognized during the period that the impaired loans were impaired.

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	At June 30, 2016			At December 31, 2015		
	Recorded Investment (1)	Unpaid Principal Balance	Related Allowance	Recorded Investment (2)	Unpaid Principal Balance	Related Allowance
	(In Thousands)					
Originated:						
With no related allowance recorded:						
Commercial real estate	$6,492	$6,488	$ —	$2,758	$2,756	$ —
Commercial	12,950	12,927	—	14,097	14,074	—
Consumer	3,616	3,611	—	4,582	4,575	—
Total originated with no related allowance recorded	23,058	23,026	—	21,437	21,405	—
With an allowance recorded:						
Commercial real estate	4,195	4,193	60	6,150	6,150	2,167
Commercial	13,340	13,317	4,010	2,215	2,213	1,202
Consumer	248	246	98	—	—	—
Total originated with an allowance recorded	17,783	17,756	4,168	8,365	8,363	3,369
Total originated impaired loans and leases	40,841	40,782	4,168	29,802	29,768	3,369
Acquired:						
With no related allowance recorded:						
Commercial real estate	8,909	8,909	—	7,035	7,035	—
Commercial	4,292	4,292	—	4,053	4,052	—
Consumer	7,703	7,718	—	7,549	7,565	—
Total acquired with no related allowance recorded	20,904	20,919	—	18,637	18,652	—
With an allowance recorded:						
Commercial real estate	89	89	343	2,606	2,606	148
Commercial	486	486	410	486	486	112
Consumer	523	523	72	174	174	9
Total acquired with an allowance recorded	1,098	1,098	825	3,266	3,266	269
Total acquired impaired loans and leases	22,002	22,017	825	21,903	21,918	269
Total impaired loans and leases	$62,843	$62,799	$ 4,993	$51,705	$51,686	$ 3,638

(1) Includes originated and acquired nonaccrual loans of $23.6 million and $5.0 million, respectively, at June 30, 2016.
(2) Includes originated and acquired nonaccrual loans of $9.3 million and $7.1 million, respectively, at December 31, 2015.

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	Three Months Ended			
	June 30, 2016		June 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In Thousands)			
Originated:				
With no related allowance recorded:				
Commercial real estate	$7,203	$ 49	$5,204	$ 21
Commercial	14,557	115	14,942	151
Consumer	3,625	17	3,966	15
Total originated with no related allowance recorded	25,385	181	24,112	187
With an allowance recorded:				
Commercial real estate	4,200	49	4,092	49
Commercial	13,376	1	6,497	3
Consumer	248	—	165	—
Total originated with an allowance recorded	17,824	50	10,754	52
Total originated impaired loans and leases	43,209	231	34,866	239
Acquired:				
With no related allowance recorded:				
Commercial real estate	9,035	49	8,596	38
Commercial	4,357	19	4,931	17
Consumer	7,743	18	8,295	14
Total acquired with no related allowance recorded	21,135	86	21,822	69
With an allowance recorded:				
Commercial real estate	1,767	—	—	—
Commercial	486	—	598	—
Consumer	523	2	370	3
Total acquired with an allowance recorded	2,776	2	968	3
Total acquired impaired loans and leases	23,911	88	22,790	72
Total impaired loans and leases	$67,120	$ 319	$57,656	$ 311

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	Six Months Ended			
	June 30, 2016		June 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In Thousands)			
Originated:				
With no related allowance recorded:				
Commercial real estate	$5,164	$ 70	$5,066	$ 44
Commercial	14,166	265	15,086	303
Consumer	4,057	37	4,023	30
Total originated with no related allowance recorded	23,387	372	24,175	377
With an allowance recorded:				
Commercial real estate	5,161	98	4,100	99
Commercial	12,330	2	6,180	6
Consumer	124	—	168	—
Total originated with an allowance recorded	17,615	100	10,448	105
Total originated impaired loans and leases	41,002	472	34,623	482
Acquired:				
With no related allowance recorded:				
Commercial real estate	7,535	59	9,462	75
Commercial	4,317	37	4,717	32
Consumer	7,455	35	7,843	29
Total acquired with no related allowance recorded	19,307	131	22,022	136
With an allowance recorded:				
Commercial real estate	2,187	—	122	—
Commercial	486	—	735	—
Consumer	524	4	365	5
Total acquired with an allowance recorded	3,197	4	1,222	5
Total acquired impaired loans and leases	22,504	135	23,244	141
Total impaired loans and leases	$63,506	$ 607	$57,867	$ 623

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

	At June 30, 2016				
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Total
	(In Thousands)				
Allowance for Loan and Lease Losses:					
Originated:					
Individually evaluated for impairment	$60	$ 4,010	$ —	$ 98	$ 4,168
Collectively evaluated for impairment	28,526	18,354	183	3,849	50,912
Total originated loans and leases	28,586	22,364	183	3,947	55,080
Acquired:					
Individually evaluated for impairment	343	411	—	72	826
Collectively evaluated for impairment	284	56	—	65	405
Acquired with deteriorated credit quality	648	85	—	214	947
Total acquired loans and leases	1,275	552	—	351	2,178
Total allowance for loan and lease losses	$29,861	$ 22,916	$ 183	$ 4,298	$ 57,258
Loans and Leases:					
Originated:					
Individually evaluated for impairment	$10,688	$ 25,875	$ —	$ 3,674	$ 40,237
Collectively evaluated for impairment	2,630,533	1,392,305	9,281	814,696	4,846,815
Total originated loans and leases	2,641,221	1,418,180	9,281	818,370	4,887,052
Acquired:					