UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934,**

for the Fiscal Year Ended December 31, 2017 ,

or

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

for the transition period from N/A to .

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 of organization)	(I.R.S. Employer Identification No.)
131 Clarendon Street, Boston, Massachusetts	**02116**
(Address of principal executive offices)	(Zip Code)

(617) 425-4600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value of $0.01 per share	Nasdaq Global Select Market

Securities registered pursuant to Section 12 (g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1934. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act of 1934. YES ☐ NO ☒

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 requirement for the past 90 days. YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☐

Indicate by check mark whether the registrant (1) has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

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

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. ☐

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

As of June 30, 2017 , the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the shares of common stock held by nonaffiliates, based upon the closing price per share of the registrant's common stock as reported on NASDAQ, was approximately $1.1 billion .

As of February 28, 2018 , there were 81,695,695 and 76,827,247 shares of the registrant's common stock, par value $0.01 per share, issued and outstanding, respectively.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
2017 FORM 10-K

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties. These statements, which are based on certain assumptions and describe Brookline Bancorp, Inc.'s (the "Company's") future plans, strategies and expectations, can generally be identified by the use of the words "may," "will," "should," "could," "would," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target" and similar expressions. These statements include, among others, statements regarding the Company's intent, belief or expectations with respect to economic conditions, trends affecting the Company's financial condition or results of operations, and the Company's exposure to market, liquidity, interest-rate and credit risk.

Forward-looking statements are based on the current assumptions underlying the statements and other information with respect to the beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions of management and the financial condition, results of operations, future performance and business are only expectations of future results. Although the Company believes that the expectations reflected in the Company's forward-looking statements are reasonable, the Company's actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, adverse conditions in the capital and debt markets; changes in interest rates; competitive pressures from other financial institutions; the effects of weakness in general economic conditions on a national basis or in the local markets in which the Company operates, including changes which adversely affect borrowers' ability to service and repay their loans and leases; changes in the value of securities and other assets in the Company's investment portfolio; changes in loan and lease default and charge-off rates; the adequacy of allowances for loan and lease losses; deposit levels necessitating increased borrowing to fund loans and investments; operational risks including, but not limited to, cybersecurity and natural disaster; changes in government regulation; the risk that goodwill and intangibles recorded in the Company's financial statements will become impaired; and changes in assumptions used in making such forward-looking statements, as well as the other risks and uncertainties detailed in Item 1A, "Risk Factors." Forward-looking statements speak only as of the date on which they are made. The Company does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

PART I

Item 1. Business

General

Brookline Bancorp, Inc. (the "Company"), a Delaware corporation, operates as a multi-bank holding company for Brookline Bank and its subsidiaries, Bank Rhode Island ("BankRI") and its subsidiaries, First Ipswich Bank ("First Ipswich") and its subsidiaries, and Brookline Securities Corp.

Brookline Bank, which includes its wholly-owned subsidiaries, BBS Investment Corp. and Longwood Securities Corp., and its 84.2% -owned subsidiary, Eastern Funding LLC ("Eastern Funding"), operates 25 full-service banking offices in the greater Boston metropolitan area. Brookline Bank was established as a savings bank in 1871 under the name Brookline Savings Bank. The Company was organized in November 1997 for the purpose of acquiring all of the capital stock of Brookline Savings Bank on completion of the reorganization of Brookline Savings Bank from a mutual savings bank into a mutual holding company structure and partial public offering. In 2002, the Company became fully public. In January 2003, Brookline Savings Bank changed its name to Brookline Bank.

BankRI is headquartered in Providence, Rhode Island. BankRI, which includes its wholly-owned subsidiaries, Acorn Insurance Agency, BRI Realty Corp., Macrolease Corporation ("Macrolease"), and BRI Investment Corp. and its wholly-owned subsidiary, BRI MSC Corp., operates 20 full-service banking offices in the greater Providence, Rhode Island area.

First Ipswich is headquartered in Ipswich, Massachusetts. First Ipswich, which includes its wholly-owned subsidiaries, First Ipswich Insurance Agency and First Ipswich Securities II Corp., operates six full-service banking offices on the north shore of eastern Massachusetts. In June 2012, the First National Bank of Ipswich changed its name to First Ipswich Bank.

As a commercially-focused financial institution with 51 full-service banking offices throughout greater Boston, the north shore of Massachusetts, and Rhode Island, the Company, through Brookline Bank, BankRI and First Ipswich (individually and collectively, the "Banks"), offers a wide range of commercial, business and retail banking services, including a full complement of cash management products, on-line banking services, consumer and residential loans and investment services, designed to meet the financial needs of small- to mid-sized businesses and individuals throughout central New England. Specialty lending activities including equipment financing are focused primarily in the New York and New Jersey metropolitan area.

The Company focuses its business efforts on profitably growing its commercial lending businesses, both organically and through acquisitions. The Company's customer focus, multi-bank structure, and risk management are integral to its organic growth strategy and serve to differentiate the Company from its competitors. As full-service financial institutions, the Banks and their subsidiaries focus on the continued addition of well-qualified customers, the deepening of long-term banking relationships through a full complement of products and excellent customer service, and strong risk management. The Company's multi-bank structure retains the local-bank orientation while relieving local bank management of the responsibility for most back-office functions, which are consolidated at the holding company level. Branding and decision-making, including credit decisions and pricing, remain largely local in order to better meet the needs of bank customers and further motivate the Banks' commercial, business and retail bankers.

The Company, has, from time to time, acquired other business lines or financial institutions that it believes share the Company's relationship and customer service orientations and provide access to complementary markets, customers, products and services. The Company expanded its geographic footprint with the acquisitions of First Ipswich in February 2011 and BankRI in January 2012.

The Company's headquarters and executive management are located at 131 Clarendon Street, Boston, Massachusetts 02116 and its telephone number is 617-425-4600.

The loan and lease portfolio grew $331.8 million , or 6.1% , to $5.7 billion as of December 31, 2017 from $5.4 billion as of December 31, 2016 . The Company's commercial loan portfolios, which are comprised of commercial real estate loans and commercial loans and leases, continued to exhibit growth. The Company's commercial loan portfolios, which totaled $4.7 billion , or 82.0% of total loans and leases, as of December 31, 2017 , increased $285.9 million , or 6.5% , from $4.4 billion , or 81.8% of total loans and leases, as of December 31, 2016 .

Total deposits increased $260.3 million , or 5.6% , to $4.9 billion as of December 31, 2017 from $4.6 billion as of December 31, 2016 . Core deposits, which include demand checking, NOW, money market and savings accounts, increased 2.6% to $3.7 billion as of December 31, 2017 from $3.6 billion at December 31, 2016 . The Company's core deposits were 75.2% of total deposits as of December 31, 2017 , a decrease from 77.4% as of December 31, 2016 .

Throughout 2017 , the Company added $18.8 million to its allowance for loan and lease losses and experienced net charge-offs of $13.9 million to bring the balance to $58.6 million as of December 31, 2017 . The ratio of the allowance for loan and lease losses to total loans and leases was 1.02% as of December 31, 2017 compared to 0.99% as of December 31, 2016 . Excluding the loans acquired from BankRI and First Ipswich, the ratio of the allowance for loan and lease losses related to originated loans and leases was 1.05% as of December 31, 2017 and 1.03% as of December 31, 2016 respectively. Nonperforming assets as of December 31, 2017 were $31.7 million , down from $41.5 million at the end of 2016 . Nonperforming assets were 0.47% and 0.64% of total assets as of December 31, 2017 and December 31, 2016 , respectively. The Company's credit quality compares favorably to its peers, and remains a top priority within the Company.

Net interest income increased $19.5 million , or 9.6% , to $223.2 million in 2017 compared to $203.7 million in 2016 . The net interest margin increased 13 basis points to 3.57% in 2017 from 3.44% in 2016 . Net income for 2017 decreased $1.8 million , or 3.5% , to $50.5 million from $52.4 million for 2016 . Basic and fully diluted earnings per common share ("EPS") decreased to $0.68 for 2017 from $0.74 for 2016 .

On September 20, 2017, the Company and First Commons Bank, N.A. (“First Commons Bank”) entered into a definitive agreement and plan of merger (the “Merger Agreement”) pursuant to which First Commons Bank will merge with and into Brookline Bank.

See Note 2 and Note 24, "Acquisitions" and "Subsequent Events" to the consolidated financial statements for additional information on the Merger Agreement.

Competition

The Company provides banking alternatives in the greater Boston, Massachusetts, and Providence, Rhode Island, metropolitan marketplaces, each of which is dominated by several large national banking institutions. Based on total deposits at June 30, 2017 , the Company ranks sixteenth in deposit market share among bank holding companies in the Massachusetts market area and fifth in deposit market share among bank holding companies in the Rhode Island market area. The Company faces considerable competition in its market area for all aspects of banking and related service activities. Competition from both bank and non-bank organizations is expected to continue with the Company facing strong competition in generating loans and attracting deposits.

In addition to other commercial banks, the Company's main competition for generating loans includes savings banks, credit unions, mortgage banking companies, insurance companies, and other financial services companies. Competitive factors considered for loan generation include product offerings, interest rates, terms offered, services provided and geographic locations. Lending services for the Company are concentrated in the greater Boston, Massachusetts, and Providence, Rhode Island, metropolitan areas, eastern Massachusetts, southern New Hampshire, and other Rhode Island areas, while the Company's equipment financing activities are primarily concentrated in the greater New York and New Jersey metropolitan markets.

The Company's primary competitors for attracting deposits are savings banks, commercial banks, credit unions, and other non-depository institutions such as securities and brokerage firms and insurance companies. Competitive factors considered in attracting and retaining deposits include product offerings and rate of return, convenient branch locations and automated teller machines and online access to accounts. Deposit customers are generally in communities where banking offices are located.

Market Area and Credit Risk Concentration

As of December 31, 2017 , the Company, through its Banks, operated 51 full-service banking offices in greater Boston, Massachusetts, and greater Providence, Rhode Island. The Banks' deposits are gathered from the general public primarily in the communities in which the banking offices are located. The deposit market in Massachusetts and Rhode Island is highly concentrated in several banks. Based on June 30, 2017 Federal Deposit Insurance Corporation ("FDIC") statistics, the five largest banks in Massachusetts have an aggregate market share of approximately 63% , and the three largest banks in Rhode Island have an aggregate deposit market share of approximately 73% . The Banks' lending activities are concentrated primarily in the greater Boston, Massachusetts, and Providence, Rhode Island, metropolitan areas, eastern Massachusetts, southern New Hampshire and other Rhode Island areas. In addition, the Company, through its subsidiaries of Brookline Bank and BankRI, conducts equipment financing activities in the greater New York and New Jersey metropolitan area and elsewhere in the United States.

Commercial real estate loans. Multi-family and commercial real estate mortgage loans typically generate higher yields, but also involve greater credit risk. In addition, many of the Banks' borrowers have more than one multi-family or commercial real estate loan outstanding. The Banks manage this credit risk by prudent underwriting: conservative debt service coverage, and LTV ratios at origination, lending to seasoned real estate owners/managers, using reasonable capitalization ratios, cross-collateralizing loans to one borrower when deemed prudent, and limiting the amount and types of construction lending. As of December 31, 2017 , the largest commercial real estate relationship in the Company’s portfolio was $50.2 million . Many of the Banks’ commercial real estate customers have other commercial borrowing relationships with the Banks.

Commercial loans and equipment leasing. Brookline Bank and First Ipswich originate commercial loans and leases for working capital and other business-related purposes, and concentrate such lending to companies located primarily in Massachusetts, and, in the case of Eastern Funding, in New York and New Jersey. BankRI originates commercial loans and lines of credit for various business-related purposes, for businesses located primarily in Rhode Island, and engages in equipment financing through its wholly-owned subsidiary, Macrolease, in New York and New Jersey.

Because commercial loans are typically made on the basis of the borrower's ability to repay from the cash flow of the business, the availability of funds for the repayment of commercial and industrial loans may be significantly dependent on the success of the business itself. Further, the collateral securing the loans may be difficult to value, may fluctuate in value based on the success of the business and may deteriorate over time. For this reason, these loans and leases involve greater credit risk. Loans and leases originated by Eastern Funding generally earn higher yields because the borrowers are typically small businesses with limited capital such as laundries, dry cleaners, fitness centers, convenience stores and tow truck operators. The Macrolease equipment financing portfolio is comprised of small- to medium-sized businesses such as fitness centers, restaurants and other commercial equipment. The Banks manage the credit risk inherent in commercial lending by requiring strong debt service coverage ratios; limiting loan-to-value ratios; securing personal guarantees from borrowers; and limiting industry concentrations, franchisee concentrations and the duration of loan maturities. As of December 31, 2017 , the largest commercial relationship in the Company’s portfolio was $23.8 million .

Consumer loans. Retail customers of Brookline Bank and First Ipswich typically live and work in the Boston metropolitan area and eastern Massachusetts, are financially active and value personalized service and easy branch access. Retail customers of BankRI typically live and work throughout Rhode Island and value easy branch access, personalized service, and knowledge of local communities. The Banks' consumer loan portfolios, which include residential mortgage loans, home equity loans and lines of credit, and other consumer loans, cater to the borrowing needs of this customer base. Credit risk in these portfolios is managed by limiting loan-to-value ratios at loan origination and by requiring borrowers to demonstrate strong credit histories. As of December 31, 2017 , the largest consumer relationship in the Company’s portfolio was $7.8 million .

Economic Conditions and Governmental Policies

Repayment of multi-family and commercial real estate loans are generally dependent on the properties generating sufficient income to cover operating expenses and debt service. Repayment of commercial loans and equipment financing loans and leases generally are dependent on the demand for the borrowers' products or services and the ability of borrowers to compete and operate on a profitable basis. Repayment of residential mortgage loans, home equity loans and indirect automobile loans generally are dependent on the financial well-being of the borrowers and their capacity to service their debt levels. The asset quality of the Company's loan and lease portfolio, therefore, is greatly affected by the economy.

Economic activity in the United States has shown continuous improvement since the latter half of 2009 after slowing significantly as a result of the 2008 financial crisis. According to the Department of Labor, the national unemployment rate peaked at 10.0% in October 2009. In December 2017 , the unemployment rate was 4.1% nationally, down from 4.7% at the end of 2016 .

The Company's primary geographic footprints are the Boston, Massachusetts, and Providence, Rhode Island, metropolitan areas. According to the Bureau of Labor Statistics, the largest employment sectors in both Massachusetts and Rhode island are, in order: education and health services; trade, transportation and utilities, a sector that includes wholesale and retail trade; and business and professional services. The unemployment rate in Massachusetts increased to 3.5% in December 2017 from 3.1% in December 2016 , slightly lower than the national average. The unemployment rate in Rhode Island decreased to 4.4% in December 2017 from 4.9% in December 2016 , slightly higher than the national average.

Should there be any setback in the economy or increase in the unemployment rates in the Boston, Massachusetts, or Providence, Rhode Island, metropolitan areas, the resulting negative consequences could affect occupancy rates in the properties financed by the Company and cause certain individual and business borrowers to be unable to service their debt obligations.

The earnings and business of the Company are affected by external influences such as general economic conditions and the policies of governmental authorities, including the Board of Governors of the Federal Reserve System (the "FRB"). The FRB regulates the supply of money and bank credit to influence general economic conditions throughout the United States of America. The instruments of monetary policy employed by the FRB affect interest rates earned on investment securities and loans and interest rates paid on deposits and borrowed funds. The rate-setting actions of the Federal Open Market Committee of the FRB have a significant effect on the Company's operating results and the level of growth in its loans and leases and deposits.

Personnel

As of December 31, 2017 , the Company had 717 full-time employees and 48 part-time employees. The employees are not represented by a collective bargaining unit and the Company considers its relationship with its employees to be good.

Access to Information

As a public company, Brookline Bancorp, Inc. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith, files reports, proxy and information statements and other information with the Securities and Exchange Commission (the "SEC"). The Company makes available on or through its internet website, www.brooklinebancorp.com, without charge, its annual reports on Form 10-K, proxy, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. The Company's reports filed with, or furnished to, the SEC are also available at the SEC's website at www.sec.gov. Press releases are also maintained on the Company's website. Additional information for Brookline Bank, BankRI and First Ipswich can be found at www.brooklinebank.com, www.bankri.com and www.firstipswich.com, respectively. Information on the Company's and any subsidiary's website is not incorporated by reference into this document and should not be considered part of this Report.

The Company's common stock is traded on the Nasdaq Global Select Market SM under the symbol "BRKL."

Supervision and Regulation

The following discussion addresses elements of the regulatory framework applicable to bank holding companies and their subsidiaries. This regulatory framework is intended primarily for the protection of the safety and soundness of depository institutions, the federal deposit insurance system, and depositors, rather than for the protection of shareholders of a bank holding company such as the Company.

As a bank holding company, the Company is subject to regulation, supervision and examination by the FRB under the Bank Holding Company Act of 1956, as amended (the “BHCA”), and by the Massachusetts Division of Banks (the “MDOB”) under Massachusetts General Laws Chapter 167A. The FRB is also the primary federal regulator of the Banks. In addition, Brookline Bank and First Ipswich are subject to regulation, supervision and examination by the MDOB, and BankRI is subject to regulation, supervision and examination by the Banking Division of the Rhode Island Department of Business Regulation (the “RIBD”).

The following is a summary of certain aspects of various statutes and regulations applicable to the Company and its subsidiaries. This summary is not a comprehensive analysis of all applicable law, and is qualified by reference to the full text of the statutes and regulations referenced below.

Regulation of the Company

The Company is subject to regulation, supervision and examination by the FRB, which has the authority, among other things, to order bank holding companies to cease and desist from unsafe or unsound banking practices; to assess civil money penalties; and to order termination of non-banking activities or termination of ownership and control of a non-banking subsidiary by a bank holding company.

Source of Strength

Under the BHCA, as amended by the Dodd-Frank Act, the Company is required to serve as a source of financial strength for the Banks in the event of the financial distress of the Banks. This provision of the Dodd-Frank Act codifies the longstanding policy of the FRB. This support may be required at times when the bank holding company may not have the resources to provide the additional financial support required by its subsidiary banks. In the event of a bank holding company’s bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a bank subsidiary will be assumed by the bankruptcy trustee and entitled to priority of payment.

Acquisitions and Activities

The BHCA prohibits a bank holding company, without prior approval of the FRB, from acquiring all or substantially all the assets of a bank, acquiring control of a bank, merging or consolidating with another bank holding company, or acquiring direct or indirect ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, the acquiring bank holding company would control more than 5% of any class of the voting shares of such other bank or bank holding company. Further, as a Massachusetts bank holding company, the Company generally must obtain the prior approval of the Massachusetts Board of Bank Incorporation to acquire ownership or control of more than 5% of any voting stock in any other banking institution, acquire substantially all the assets of a bank, or merge with another bank holding company. However, there is an exemption from this approval requirement in certain cases in which the banking institution to be acquired, simultaneously with the acquisition, merges with a banking institution subsidiary of the Company in a transaction approved by the Massachusetts Commissioner of Banks.

The BHCA also prohibits a bank holding company from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to its subsidiary banks. However, a bank holding company may engage in and may own shares of companies engaged in certain activities that the FRB has determined to be so closely related to banking or managing and controlling banks as to be a proper incident thereto.

Limitations on Acquisitions of Company Common Stock

The Change in Bank Control Act prohibits a person or group of persons from acquiring “control” of a bank holding company unless the FRB has been notified and has not objected to the transaction. Under a rebuttable presumption established by the FRB, the acquisition of 10% or more of a class of voting securities of a bank holding company, such as the Company, with a class of securities registered under Section 12 of the Exchange Act, would, under the circumstances set forth in the presumption, constitute the acquisition of control of a bank holding company. In addition, the BHCA prohibits any company from acquiring control of a bank or bank holding company without first having obtained the approval of the FRB. Pursuant to the BHCA, a company is deemed to have control of a bank or bank holding company in a number of ways including: if the company owns, controls or holds with power to vote 25% or more of a class of voting securities of the bank or bank holding company; controls in any manner the election of a majority of directors or trustees of the bank or bank holding company; or the FRB has determined, after notice and opportunity for hearing, that the company has the power to exercise a controlling influence over the management or policies of the bank or bank holding company.

Regulation of the Banks

Brookline Bank and First Ipswich are subject to regulation, supervision and examination by the MDOB and the FRB. BankRI is subject to regulation, supervision and examination by the RIBD and the FRB. The enforcement powers available to federal and state banking regulators include, among other things, the ability to issue cease and desist or removal orders to terminate insurance of deposits; to assess civil money penalties; to issue directives to increase capital; to place the bank into receivership; and to initiate injunctive actions against banking organizations and institution-affiliated parties.

Deposit Insurance

Deposit obligations of the Banks are insured by the FDIC's Deposit Insurance Fund up to $250,000 per separately insured depositor for deposits held in the same right and capacity. Additionally, Brookline Bank is a member bank of the Depositors Insurance Fund ("DIF") The DIF is a private, industry-sponsored insurance fund that insures all deposits above FDIC limits for Massachusetts-chartered savings banks. Brookline Bank is also insured by the DIF, and as such, Brookline Bank offers 100% insurance on all deposits as a result of a combination of insurance from the FDIC and the DIF. Additionally, Brookline Bank is required to file reports with the DIF.

The Federal Deposit Insurance Act (the "FDIA"), as amended by the Federal Deposit Insurance Reform Act and the Dodd-Frank Act, requires the FDIC to take steps as may be necessary to cause the ratio of deposit insurance reserves to estimated insured deposits - the designated reserve ratio - to reach 1.35% by September 30, 2020, and it mandates that the reserve ratio designated by the FDIC for any year may not be less than 1.35%. Further, the Dodd-Frank Act required that, in setting assessments, the FDIC offset the effect of the increase in the minimum reserve ratio from 1.15% to 1.35% on banks with less than $10 billion in assets.

To satisfy these requirements, on March 15, 2016, the FDIC's Board of Directors approved a final rule to increase the reserve ratio to the statutorily required minimum ratio of 1.35% of estimated insured deposits. The final rule imposes on large banks a surcharge of 4.5 basis points of their assessment base, after making certain adjustments. Large banks, which are generally banks with $10 billion or more in assets, will pay quarterly surcharges in addition to their regular risk-based assessments. Overall regular risk-based assessment rates will decline once the reserve ratio reaches 1.15%. Small banks, such as the Banks, will receive credits to offset the portion of their assessments that help to raise the reserve ratio from 1.15% to 1.35%. After the reserve ratio reaches 1.38%, the FDIC will automatically apply a small bank's credits to reduce its regular assessment up to the entire amount of the assessment. The revised deposit insurance assessment pricing became effective on July 1, 2016.

Deposit premiums are based on assets. To determine its deposit insurance premium, the Bank computes the base amount of its average consolidated assets less its average tangible equity (defined as the amount of Tier 1 capital) and the applicable assessment rate. On April 26, 2016, the FDIC's Board of Directors adopted a final rule that changed the manner in which deposit insurance assessment rates are calculated for established small banks, generally those banks with less than $10 billion of assets that have been insured for at least five years. The rule utilizes the CAMELS rating system, which is a supervisory rating system designed to take into account and reflect all financial and operational risks or bank may face, including capital adequacy, asset quality, management capability, earnings, liquidity and sensitivity to market risk. Under the final rule, each of seven financial ratios and a weighted average of CAMELS component ratings will be multiplied by a corresponding pricing multiplier. The sum of these products will be added to a uniform amount, with the resulting sum being an institution's initial base assessment rate (subject to minimum or maximum assessment rates based on a bank's CAMELS composite rating). This method takes into account various measures, including an institution's leverage ratio, brokered deposit ratio, one year asset growth, the ratio of net income before taxes to total assets and considerations related to asset quality. Assessments for established small banks with a CAMELS rating of 1 or 2 range from 1.5 to 16 basis points, after adjustments, while assessments for established small banks with a CAMELS rating of 3 range from 3 to 30 basis points. Assessment rates for established small banks with a CAMELS composite rating of 4 or 5 range from 11 to 30 basis points, after adjustments.

The FDIC has the power to adjust the assessment rates at any time. In addition, under the FDIA, the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The Company's FDIC and DIF insurance assessment costs totaled $3.3 million in 2017 .

Cross-Guarantee

Similar to the source of strength doctrine discussed above in "Regulation of the Company-Source of Strength," under the cross-guarantee provisions of the FDIA, the FDIC can hold any FDIC-insured depository institution liable for any loss suffered or anticipated by the FDIC in connection with (i) the "default" of a commonly controlled FDIC-insured depository institution; or (ii) any assistance provided by the FDIC to a commonly controlled FDIC-insured depository institution "in danger of default."

Acquisitions and Branching

The Banks must seek prior approval from the FRB to acquire another bank or establish a new branch office. Brookline Bank and First Ipswich must also seek prior approval from the MDOB to acquire another bank or establish a new branch office and BankRI must also seek prior approval from the RIBD to acquire another bank or establish a new branch office. Well capitalized and well managed banks may acquire other banks in any state, subject to certain deposit concentration limits and other conditions, pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, as amended by the Dodd-Frank Act. In addition, the Dodd-Frank Act authorizes a state-chartered bank to establish new branches on an interstate basis to the same extent a bank chartered by the host state may establish branches.

Activities and Investments of Insured State-Chartered Banks

Section 24 of the FDIA generally limits the types of equity investments that FDIC-insured state-chartered member banks, such as the Banks, may make and the kinds of activities in which such banks may engage, as a principal, to those that are permissible for national banks. Further, the Gramm-Leach-Bliley Act of 1999 (the "GLBA") permits state banks, to the extent permitted under state law, to engage through "financial subsidiaries" in certain activities which are permissible for subsidiaries of a financial holding company. In order to form a financial subsidiary, a state-chartered bank must be well capitalized, and must comply with certain capital deduction, risk management and affiliate transaction rules, among other requirements. In addition, the Federal Reserve Act provides that state member banks are subject to the same restrictions with respect to purchasing, selling, underwriting, and holding of investment securities as national banks.

Brokered Deposits

Section 29 of the FDIA and federal regulations generally limit the ability of an insured depository institution to accept, renew or roll over any brokered deposit unless the institution's capital category is "well capitalized" or, with regulatory approval, "adequately capitalized." Depository institutions that have brokered deposits in excess of 10% of total assets will be subject to increased FDIC deposit insurance premium assessments. Additionally, depository institutions considered "adequately capitalized" that need regulatory approval to accept, renew or roll over any brokered deposits are subject to additional restrictions on the interest rate they may pay on deposits. As of December 31, 2017 , none of the Banks had brokered deposits in excess of 10% of total deposits.

The Community Reinvestment Act

The Community Reinvestment Act ("CRA") requires the FRB to evaluate each of the Banks with regard to their performance in helping to meet the credit needs of the communities each of the Banks serve, including low and moderate-income neighborhoods, consistent with safe and sound banking operations, and to take this record into consideration when evaluating certain applications. The FRB's CRA regulations are generally based upon objective criteria of the performance of institutions under three key assessment tests: (i) a lending test, to evaluate the institution's record of making loans in its service areas; (ii) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing, and programs benefiting low or moderate income individuals and businesses; and (iii) a service test, to evaluate the institution's delivery of services through its branches, ATMs, and other offices. Failure of an institution to receive at least a "Satisfactory" rating could inhibit the Banks or the Company from undertaking certain activities, including engaging in activities permitted as a financial holding company under GLBA and acquisitions of other financial institutions. Each Bank has achieved a rating of "Satisfactory" on its most recent CRA examination. Both Massachusetts and Rhode Island have adopted specific community reinvestment requirements which are substantially similar to those of the FRB.

Lending Restrictions

Federal law limits a bank's authority to extend credit to its directors, executive officers and holders of more than 10% of the Company's common stock, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. Also, the terms of such extensions of credit may not involve more than the normal risk of repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the bank's capital. The Dodd-Frank Act explicitly provides that an extension of credit to an insider includes credit exposure arising from a derivatives transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction or securities borrowing transaction. Additionally, the Dodd-Frank Act requires that asset sale transactions with insiders must be on market terms, and if the transaction represents more than 10% of the capital and surplus of the bank, be approved by a majority of the disinterested directors of the bank.

Capital Adequacy and Safety and Soundness

Regulatory Capital Requirements

The FRB has issued risk-based and leverage capital rules applicable to U.S. banking organizations such as the Company and the Banks. These rules are intended to reflect the relationship between the banking organization's capital and the degree of risk associated with its operations based on transactions recorded on-balance sheet as well as off-balance sheet items. The FRB may from time to time require that a banking organization maintain capital above the minimum levels discussed below, due to the banking organization's financial condition or actual or anticipated growth.

The capital adequacy rules define qualifying capital instruments and specify minimum amounts of capital as a percentage of assets that banking organizations are required to maintain. Common equity Tier 1 capital generally includes common stock and related surplus, retained earnings and, in certain cases and subject to certain limitations, minority interest in consolidated subsidiaries, less goodwill, other non-qualifying intangible assets and certain other deductions. Tier 1 capital for banks and bank holding companies generally consists of the sum of common equity Tier 1 elements, non-cumulative perpetual preferred stock, and related surplus in certain cases and subject to limitations, minority interests in consolidated subsidiaries that do not qualify as common equity Tier 1 capital, less certain deductions. Tier 2 capital generally consists of hybrid capital instruments, perpetual debt and mandatory convertible debt securities, cumulative perpetual preferred stock, term subordinated debt and intermediate-term preferred stock, and, subject to limitations, allowances for loan losses. The sum of Tier 1 and Tier 2 capital less certain required deductions represents qualifying total risk-based capital. Prior to the effectiveness of certain provisions of the Dodd-Frank Act, bank holding companies were permitted to include trust preferred securities and cumulative perpetual preferred stock in Tier 1 capital, subject to limitations. However, the FRB's capital rule applicable to bank holding companies permanently grandfathers nonqualifying capital instruments, including trust preferred securities, issued before May 19, 2010 by depository institution holding companies with less than $15 billion in total assets as of December 31, 2009, subject to a limit of 25% of Tier 1 capital. In addition, under rules that became effective January 1, 2015, accumulated other comprehensive income (positive or negative) must be reflected in Tier 1 capital; however, the Company was permitted to make a one-time, permanent election to continue to exclude accumulated other comprehensive income from capital. The Company has made this election.

Under the capital rules, risk-based capital ratios are calculated by dividing common equity Tier 1, Tier 1, and total risk-based capital, respectively, by risk-weighted assets. Assets and off-balance sheet credit equivalents are assigned to one of several categories of risk-weights, based primarily on relative risk. Under the FRB's rules, the Company and the Banks are each required to maintain a minimum common equity Tier 1 capital ratio requirement of 4.5%, a minimum Tier 1 capital ratio requirement of 6%, a minimum total capital requirement of 8% and a minimum leverage ratio requirement of 4%. Additionally subject to a transition schedule, these rules require an institution to establish a capital conservation buffer of common equity Tier 1 capital in an amount above the minimum risk-based capital requirements for "adequately capitalized" institutions equal to 2.5% of total risk weighted assets, or face restrictions on the ability to pay dividends, pay discretionary bonuses, and to engaged in share repurchases.

A bank holding company, such as the Company, is considered "well capitalized" if the bank holding company (i) has a total risk based capital ratio of at least 10%, (ii) has a Tier 1 risk-based capital ratio of at least 6%, and (iii) is not subject to any written agreement order, capital directive or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. In addition, under the FRB's prompt corrective action rules, a state member bank is considered "well capitalized" if it (i) has a total risk-based capital ratio of 10.0% or greater; (ii) a Tier 1 risk-based capital ratio of 8.0% or greater; (iii) a common Tier 1 equity ratio of at least 6.5% or greater, (iv) a leverage capital ratio of 5.0% or greater; and (v) is not subject to any written agreement, order, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. The FRB also considers: (i) concentrations of credit risk; (ii) interest rate risk;

and (iii) risks from non-traditional activities, as well as an institution’s ability to manage those risks. When determining the adequacy of an institution’s capital, this evaluation is a part of the institution’s regular safety and soundness examination. Each of the Banks is currently considered well-capitalized under all regulatory definitions.

Generally, a bank, upon receiving notice that it is not adequately capitalized (i.e., that it is “undercapitalized”), becomes subject to the prompt corrective action provisions of Section 38 of FDIA that, for example, (i) restrict payment of capital distributions and management fees, (ii) require that its federal bank regulator monitor the condition of the institution and its efforts to restore its capital, (iii) require submission of a capital restoration plan, (iv) restrict the growth of the institution’s assets and (v) require prior regulatory approval of certain expansion proposals. A bank that is required to submit a capital restoration plan must concurrently submit a performance guarantee by each company that controls the bank. A bank that is “critically undercapitalized” (i.e., has a ratio of tangible equity to total assets that is equal to or less than 2.0%) will be subject to further restrictions, and generally will be placed in conservatorship or receivership within 90 days.

The Banks are considered “well capitalized” under the FRB's prompt corrective action rules and the Company is considered “well capitalized” under the FRB's rules applicable to bank holding companies.

Safety and Soundness Standards

The FDIA requires the federal bank regulatory agencies to prescribe standards, by regulations or guidelines, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation and compensation, fees and benefits, and such other operational and managerial standards as the agencies deem appropriate. Guidelines adopted by the federal bank regulatory agencies establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal stockholder. In addition, the federal banking agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order restricting asset growth, requiring an institution to increase its ratio of tangible equity to assets or directing other actions of the types to which an undercapitalized institution is subject under the “prompt corrective action” provisions of FDIA. See “Regulatory Capital Requirements” above. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Dividend Restrictions

The Company is a legal entity separate and distinct from the Banks. The revenue of the Company (on a parent company only basis) is derived primarily from dividends paid to it by the Banks. The right of the Company, and consequently the right of shareholders of the Company, to participate in any distribution of the assets or earnings of the Banks through the payment of such dividends or otherwise is necessarily subject to the prior claims of creditors of the Banks (including depositors), except to the extent that certain claims of the Company in a creditor capacity may be recognized.

Restrictions on Bank Holding Company Dividends

The FRB has authority to prohibit bank holding companies from paying dividends if such payment is deemed to be an unsafe or unsound practice. The FRB has indicated generally that it may be an unsafe or unsound practice for bank holding companies to pay dividends unless the bank holding company’s net income for the prior year is sufficient to fund the dividends and the expected rate of earnings retention is consistent with the organization’s capital needs, asset quality and overall financial condition. Further, the Company's ability to pay dividends will be restricted if it does not maintain the required capital conservation buffer. See “Capital Adequacy and Safety and Soundness-Regulatory Capital Requirements” above.

Restrictions on Bank Dividends

The FRB has the authority to use its enforcement powers to prohibit a bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Federal law also prohibits the payment of dividends by a bank that will result in the bank failing to meet its applicable capital requirements on a pro forma basis. In addition, a state bank that is a member of the Federal Reserve System may not declare or pay a dividend if the total of all dividends declared during the calendar year, including the proposed dividend, exceeds the sum of the bank's net income (as reportable in its Reports of Condition and Income) during the current calendar year and the retained net income of the prior two calendar years, unless the dividend has been approved by the FRB. Payment of dividends by a bank is also restricted pursuant to various state regulatory limitations.

Certain Transactions by Bank Holding Companies with their Affiliates

There are various statutory restrictions on the extent to which bank holding companies and their non-bank subsidiaries may borrow, obtain credit from or otherwise engage in “covered transactions” with their insured depository institution subsidiaries. The Dodd-Frank Act amended the definition of affiliate to include an investment fund for which the depository institution or one of its affiliates is an investment adviser. An insured depository institution (and its subsidiaries) may not lend money to, or engage in covered transactions with, its non-depository institution affiliates if the aggregate amount of covered transactions outstanding involving the bank, plus the proposed transaction, exceeds the following limits: (i) in the case of any one such affiliate, the aggregate amount of covered transactions of the insured depository institution and its subsidiaries cannot exceed 10% of the capital stock and surplus of the insured depository institution; and (ii) in the case of all affiliates, the aggregate amount of covered transactions of the insured depository institution and its subsidiaries cannot exceed 20% of the capital stock and surplus of the insured depository institution. For this purpose, “covered transactions” are defined by statute to include a loan or extension of credit to an affiliate, a purchase of or investment in securities issued by an affiliate, a purchase of assets from an affiliate unless exempted by the FRB, the acceptance of securities issued by an affiliate as collateral for a loan or extension of credit to any person or company, the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate, securities borrowing or lending transactions with an affiliate that creates a credit exposure to such affiliate, or a derivatives transaction with an affiliate that creates a credit exposure to such affiliate. Covered transactions are also subject to certain collateral security requirements. Covered transactions as well as other types of transactions between a bank and a bank holding company must be on market terms and not otherwise unduly favorable to the holding company or an affiliate of the holding company. As of December 31, 2017 , there were no such transactions. Moreover, Section 106 of the Bank Holding Company Act Amendment of 1970 provides that, to further competition, a bank holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with any extension of credit, lease or sale of property of any kind, or furnishing of any service. As of December 31, 2017 , there were no such transactions.

Consumer Protection Regulation

The Company and the Banks are subject to a number of federal and state laws designed to protect consumers and prohibit unfair or deceptive business practices. These laws include the Equal Credit Opportunity Act, Fair Housing Act, Home Ownership Protection Act, Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act of 2003 (the “FACT Act”), GLBA, Truth in Lending Act, the CRA, the Home Mortgage Disclosure Act, Real Estate Settlement Procedures Act, National Flood Insurance Act and various state law counterparts. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must interact with customers when taking deposits, making loans, collecting loans and providing other services. Further, the Dodd-Frank Act established the Consumer Financial Protection Bureau ("CFPB"), which has the responsibility for making rules and regulations under the federal consumer protection laws relating to financial products and services. The CFPB also has a broad mandate to prohibit unfair, deceptive or abusive acts and practices and is specifically empowered to require certain disclosures to consumers and draft model disclosure forms. Failure to comply with consumer protection laws and regulations can subject financial institutions to enforcement actions, fines and other penalties. The FRB examines the Banks for compliance with CFPB rules and enforce CFPB rules with respect to the Banks.

Mortgage Reform

The Dodd-Frank Act prescribes certain standards that mortgage lenders must consider before making a residential mortgage loan, including verifying a borrower’s ability to repay such mortgage loan, and allows borrowers to assert violations of certain provisions of the Truth-in-Lending Act as a defense to foreclosure proceedings. Under the Dodd-Frank Act, prepayment penalties are prohibited for certain mortgage transactions and creditors are prohibited from financing insurance policies in connection with a residential mortgage loan or home equity line of credit. In addition, the Dodd-Frank Act prohibits mortgage originators from receiving compensation based on the terms of residential mortgage loans and generally limits the ability of a mortgage originator to be compensated by others if compensation is received from a consumer. The Dodd-Frank Act requires mortgage lenders to make additional disclosures prior to the extension of credit, in each billing statement and for negative amortization loans and hybrid adjustable rate mortgages. Additionally, the CFPB's qualified mortgage rule, (the "QM Rule"), requires creditors, such as the Banks, to make a reasonable good faith determination of a consumer's ability to repay any consumer credit transaction secured by a dwelling prior to making the loan.

Privacy and Customer Information Security

The GLBA requires financial institutions to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to nonaffiliated third parties. In general, the Banks must provide their customers with an annual disclosure that explains their policies and procedures regarding the disclosure of such nonpublic personal information and, except as otherwise required or permitted by law, the Banks are prohibited from disclosing such information except as provided in such policies and procedures. If the financial institution only discloses information under exceptions from the GLBA that do not require an opt out to be provided and if there has been no change in the financial institutions privacy policies and practices since its most recent disclosures provide to customers, an annual disclosure is not required to be provided by the financial institution. The GLBA also requires that the Banks develop, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information (as defined under GLBA), to protect against anticipated threats or hazards to the security or integrity of such information and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. The Banks are also required to send a notice to customers whose "sensitive information" has been compromised if unauthorized use of this information is "reasonably possible." Most of the states, including the states where the Banks operate, have enacted legislation concerning breaches of data security and the duties of the Banks in response to a data breach. Congress continues to consider federal legislation that would require consumer notice of data security breaches. Pursuant to the FACT Act, the Banks must also develop and implement a written identity theft prevention program to detect, prevent, and mitigate identity theft in connection with the opening of certain accounts or certain existing accounts. Additionally, the FACT Act amends the Fair Credit Reporting Act to generally prohibit a person from using information received from an affiliate to make a solicitation for marketing purposes to a consumer, unless the consumer is given notice and a reasonable opportunity and a reasonable and simple method to opt out of the making of such solicitations.

Anti-Money Laundering

The Bank Secrecy Act

Under the Bank Secrecy Act ("BSA"), a financial institution is required to have systems in place to detect certain transactions, based on the size and nature of the transaction. Financial institutions are generally required to report to the United States Treasury any cash transactions involving at least $10,000. In addition, financial institutions are required to file suspicious activity reports for any transaction or series of transactions that involve more than $5,000 and which the financial institution knows, suspects or has reason to suspect involves illegal funds, is designed to evade the requirements of the BSA or has no lawful purpose. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), which amended the BSA, is designed to deny terrorists and others the ability to obtain anonymous access to the U.S. financial system. The USA PATRIOT Act has significant implications for financial institutions and businesses of other types involved in the transfer of money. The USA PATRIOT Act, together with the implementing regulations of various federal regulatory agencies, has caused financial institutions, such as the Banks, to adopt and implement additional policies or amend existing policies and procedures with respect to, among other things, anti-money laundering compliance, suspicious activity, currency transaction reporting, customer identity verification and customer risk analysis. In evaluating an application under Section 3 of the BHCA to acquire a bank or an application under the Bank Merger Act to merge banks or effect a purchase of assets and assumption of deposits and other liabilities, the applicable federal banking regulator must consider the anti-money laundering compliance record of both the applicant and the target. In addition, under the USA PATRIOT Act, financial institutions are required to take steps to monitor their correspondent banking and private banking relationships as well as, if applicable, their relationships with "shell banks."

Office of Foreign Assets Control ("OFAC")

The U.S. has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These sanctions, which are administered by the U.S. Treasury's Office of Foreign Assets Control ("OFAC"), take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on "U.S. persons" engaging in financial or other transactions relating to a sanctioned country or with certain designated persons and entities; (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons); and (iii) restrictions on transactions with or involving certain persons or entities. Blocked assets (for example, property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences for the Company. As of December 31, 2017 , the Company did not have any transactions with sanctioned countries, nationals, and others.

Regulation of Other Activities

Volcker Rule Restrictions on Proprietary Trading and Sponsorship of Hedge Funds and Private Equity Funds

The Dodd-Frank Act prohibits banking organizations, such as the Company and the Banks, from engaging in proprietary trading and from sponsoring and investing in hedge funds and private equity funds, except as permitted under certain limited circumstances, in a provision commonly referred to as the “Volcker Rule.” Under the Dodd-Frank Act, proprietary trading generally means trading by a banking entity or its affiliate for its trading account. Hedge funds and private equity funds are described by the Dodd-Frank Act as funds that would be registered under the Investment Company Act but for certain enumerated exemptions. The Volcker Rule restrictions apply to the Company, the Banks and all of their subsidiaries and affiliates.

Item 1A. Risk Factors

Before deciding to invest in us or deciding to maintain or increase your investment, you should carefully consider the risks described below, in addition to the other information contained in this report and in our other filings with the SEC. The risks and uncertainties described below and in our other filings are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occur, our business, financial condition and results of operations could be seriously harmed. In that event, the market price for our common stock could decline and you may lose your investment.

Deterioration in local economies or real estate market may adversely affect our business.

We primarily serve individuals and businesses located in the greater Boston metropolitan area, eastern Massachusetts, New York, New Jersey, and Rhode Island. Our success is largely dependent on the economic conditions, including employment levels, population growth, income levels, savings trends and government policies, in those market areas. Weaker economic conditions caused by recession, unemployment, inflation, a decline in real estate values or other factors beyond our control may adversely affect the ability of our borrowers to service their debt obligations, and could result in higher loan and lease losses and lower net income for us.

Our business may be adversely affected by conditions in the financial markets and by economic conditions generally.

Weakness in the U.S. economy may adversely affect our business. While in recent years there has been a gradual improvement in the U.S. economy, the outlook remains uncertain amid concerns about short- and long-term interest rates, debt and equity capital markets and financial market conditions generally. A deterioration of business and economic conditions could adversely affect the credit quality of our loans, results of operations and financial condition. Increases in loan delinquencies and default rates could adversely impact our loan charge-offs and provision for loan and lease losses. Deterioration or defaults made by issuers of the underlying collateral of our investment securities may cause additional credit-related other-than-temporary impairment charges to our income statement. Our ability to borrow from other financial institutions or to access the debt or equity capital markets on favorable terms or at all could be adversely affected by disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations.

Changes to interest rates could adversely affect our results of operations and financial condition.

Our consolidated results of operations depend, on a large part, on net interest income, which is the difference between (i) interest income on interest-earning assets, such as loans, leases and securities, and (ii) interest expense on interest-bearing liabilities, such as deposits and borrowed funds. As a result, our earnings and growth are significantly affected by interest rates, which are subject to the influence of economic conditions generally, both domestic and foreign, to events in the capital markets and also to the monetary and fiscal policies of the United States and its agencies, particularly the FRB. The nature and timing of any changes in such policies or general economic conditions and their effect on us cannot be controlled and are extremely difficult to predict. An increase in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to repay their current loan obligations, which could not only result in increased loan defaults, foreclosures and charge-offs, but also necessitate further increases to our allowances for loan losses. A decrease in interest rates may trigger loan prepayments, which may serve to reduce net interest income if we are unable to lend those funds to other borrowers or invest the funds at the same or higher interest rates.

We operate in a highly regulated industry, and laws and regulations, or changes in them, could limit or restrict our activities and could have a material adverse effect on our operations.

We and our banking subsidiaries are subject to regulation and supervision by the FRB. Our banking subsidiaries are also subject to regulation and supervision by state banking regulators and the FRB. Federal and state laws and regulations govern numerous matters affecting us, including changes in the ownership or control of banks and bank holding companies, maintenance of adequate capital and the financial condition of a financial institution, permissible types, amounts and terms of extensions of credit and investments, permissible non-banking activities, the level of reserves against deposits and restrictions on dividend payments. The FRB and the state banking regulators have the power to issue cease and desist orders to prevent or remedy unsafe or unsound practices or violations of law by banks subject to their regulation, and the FRB possesses similar powers with respect to bank holding companies. These and other restrictions limit the manner in which we and our banking subsidiaries may conduct business and obtain financing.

As a highly regulated business, the laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change. Changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, or supervisory guidance could affect in enforcement and other legal actions by federal or state authorities, including criminal and civil penalties, the loss of FDIC insurance, revocation of a banking charter, other sanctions by regulatory agencies, civil money penalties, and/or reputational damage, which could have a material adverse effect on our business, financial condition, and results of operations. See the "Supervision and Regulation" section of Item 1, "Business."

We are subject to capital and liquidity standards that require banks and bank holding companies to maintain more and higher quality capital and greater liquidity than has historically been the case .

We became subject to new capital requirements in 2015. These new standards, which now apply and will be fully phased-in over the next several years, force bank holding companies and their bank subsidiaries to maintain substantially higher levels of capital as a percentage of their assets, with a greater emphasis on common equity as opposed to other components of capital. The need to maintain more and higher quality capital, as well as greater liquidity, and generally increased regulatory scrutiny with respect to capital levels, may at some point limit our business activities, including lending, and our ability to expand. It could also result in our being required to take steps to increase our regulatory capital and may dilute shareholder value or limit our ability to pay dividends or otherwise return capital to our investors through stock repurchases. Pursuant to the Dodd-Frank Act, we were permitted to make a one-time, permanent election to continue to exclude accumulated other comprehensive income from capital. The Company made this election.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act, and other fair lending laws and regulations impose community investment and nondiscriminatory lending requirements on financial institutions. The Consumer Financial Protection Bureau, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution’s performance under the Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act or other fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions, restrictions on expansion and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution’s performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations.

We face significant legal risks, both from regulatory investigations and proceedings and from private actions brought against us.

From time to time we are named as a defendant or are otherwise involved in various legal proceedings, including class actions and other litigation or disputes with third parties. There is no assurance that litigation with private parties will not increase in the future. Actions against us may result in judgments, settlements, fines, penalties or other results adverse to us, which could materially adversely affect our business, financial condition or results of operations, or cause serious reputational harm to us. As a participant in the financial services industry, it is likely that we could continue to experience a high level of litigation related to our businesses and operations.

Our businesses and operations are also subject to increasing regulatory oversight and scrutiny, which may lead to additional regulatory investigations or enforcement actions. These and other initiatives from federal and state officials may subject us to further judgments, settlements, fines or penalties, or cause us to be required to restructure our operations and activities, all of which could lead to reputational issues, or higher operational costs, thereby reducing our revenue.

We may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations.

The financial services industry is subject to intense scrutiny from bank supervisors in the examination process and aggressive enforcement of federal and state regulations, particularly with respect to mortgage-related practices and other consumer compliance matters, and compliance with anti-money laundering, Bank Secrecy Act and Office of Foreign Assets Control regulations, and economic sanctions against certain foreign countries and nationals. Enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations; however, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. Failure to comply with these and other regulations, and supervisory expectations related thereto, may result in fines, penalties, lawsuits, regulatory sanctions, reputation damage, or restrictions on our business.

If our allowance for loan and lease losses is not sufficient to cover actual loan and lease losses, our earnings may decrease.

We are exposed to the risk that our borrowers may default on their obligations. A borrower's default on its obligations under one or more loans or leases may result in lost principal and interest income and increased operating expenses as a result of the allocation of management time and resources to the collection and work-out of the loan or lease. In certain situations, where collection efforts are unsuccessful or acceptable work-out arrangements cannot be reached, we may have to write off the loan or lease in whole or in part. In such situations, we may acquire real estate or other assets, if any, that secure the loan or lease through foreclosure or other similar available remedies, and often the amount owed under the defaulted loan or lease exceeds the value of the assets acquired.

We periodically make a determination of an allowance for loan and lease losses based on available information, including, but not limited to, the quality of the loan and lease portfolio as indicated by loan risk ratings, economic conditions, the value of the underlying collateral and the level of nonaccruing and criticized loans and leases. Management relies on its loan officers and credit quality reviews, its experience and its evaluation of economic conditions, among other factors, in determining the amount of provision required for the allowance for loan and lease losses. Provisions to this allowance result in an expense for the period. If, as a result of general economic conditions, previously incorrect assumptions, or an increase in defaulted loans or leases, we determine that additional increases in the allowance for loan and lease losses are necessary, additional expenses may be incurred.

Determining the allowance for loan and lease losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and trends, all of which may undergo material changes. At any time, there are likely to be loans and/or leases in our portfolio that will result in losses but that have not been identified as nonperforming or potential problem credits. We cannot be sure that we will be able to identify deteriorating credits before they become nonperforming assets or that we will be able to limit losses on those loans and leases that are identified. We have in the past been, and in the future may be, required to increase our allowance for loan and lease losses for any of several reasons. State and federal regulators, in reviewing our loan and lease portfolio as part of a regulatory examination, may request that we increase the allowance for loan and lease losses. Changes in economic conditions or individual business or personal circumstances affecting borrowers, new information regarding existing loans and leases, identification of additional problem loans and leases and other factors, both within and outside of our control, may require an increase in the allowance for loan and lease losses. In addition, if charge-offs in future periods exceed the allowance for loan and lease losses, we will need additional increases in its allowance for loan and lease losses. Any increases in the allowance for loan and lease losses may result in a decrease in our net income and, possibly, our capital, and could have an adverse effect on our financial condition and results of operations.

Our loan and lease portfolios include commercial real estate mortgage loans and commercial loans and leases, which are generally riskier than other types of loans.

Our commercial real estate and commercial loan and lease portfolios currently comprise 80.8% of total loans and leases. Commercial loans and leases generally carry larger balances and involve a higher risk of nonpayment or late payment than residential mortgage loans. Most of the commercial loans and leases are secured by borrower business assets such as accounts receivable, inventory, equipment and other fixed assets. Compared to real estate, these types of collateral are more difficult to monitor, harder to value, may depreciate more rapidly and may not be as readily saleable if repossessed. Repayment of commercial loans and leases is largely dependent on the business and financial condition of borrowers. Business cash flows are dependent on the demand for the products and services offered by the borrower's business. Such demand may be reduced when economic conditions are weak or when the products and services offered are viewed as less valuable than those offered by competitors. Because of the risks associated with commercial loans and leases, we may experience higher rates of default than if the portfolio were more heavily weighted toward residential mortgage loans. Higher rates of default could have an adverse effect on our financial condition and results of operations.

Environmental liability associated with our lending activities could result in losses.

In the course of business, we may acquire, through foreclosure, properties securing loans originated or purchased that are in default. Particularly in commercial real estate lending, there is a risk that material environmental violations could be discovered on these properties. In this event, we might be required to remedy these violations at the affected properties at our sole cost and expense. The cost of remedial action could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have an adverse effect on our financial condition and results of operations.

Competition in the financial services industry could make it difficult for us to sustain adequate profitability.

We face significant competition for loans, leases and deposits from other banks and financial institutions both within and beyond our local marketplace. Many of our competitors have substantially greater resources and higher lending limits than we do and may offer products and services that we do not, or cannot, provide. There is also increased competition by out-of-market competitors through the internet. The ability of non-banking financial institutions to provide services previously limited to commercial banks has intensified competition. Because non-banking financial institutions are not subject to the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. This may significantly change the competitive environment in which we conduct our business. As a result of these various sources of competition, we could lose business to competitors or could be forced to price products and services on less advantageous terms to retain or attract clients, either of which would adversely affect our profitability.

Market changes may adversely affect demand for our services and impact results of operations.

Channels for servicing our customers are evolving rapidly, with less reliance on traditional branch facilities, more use of online and mobile banking, and increased demand for universal bankers and other relationship managers who can service multiples product lines. We compete with larger providers who are rapidly evolving their service channels and escalating the costs of evolving the service process. We have a process for evaluating the profitability of our branch system and other office and operational facilities. The identification of unprofitable operations and facilities can lead to restructuring charges and introduce the risk of disruptions to revenues and customer relationships.

Our securities portfolio performance in difficult market conditions could have adverse effects on our results of operations.

Unrealized losses on investment securities result from changes in credit spreads and liquidity issues in the marketplace, along with changes in the credit profile of individual securities issuers. Under GAAP, we are required to review our investment portfolio periodically for the presence of other-than-temporary impairment of our securities, taking into consideration current market conditions, the extent and nature of changes in fair value, issuer rating changes and trends, volatility of earnings, current analysts' evaluations, our ability and intent to hold investments until a recovery of fair value, as well as other factors. Adverse developments with respect to one or more of the foregoing factors may require us to deem particular securities to be other-than-temporarily impaired, with the credit-related portion of the reduction in the value recognized as a charge to our earnings. Subsequent valuations, in light of factors prevailing at that time, may result in significant changes in the values of these securities in future periods. Any of these factors could require us to recognize further impairments in the value of our securities portfolio, which may have an adverse effect on our results of operations in future periods.

Potential downgrades of U.S. government securities by one or more of the credit ratings agencies could have a material adverse effect on our operations, earnings and financial condition.

A possible future downgrade of the sovereign credit ratings of the U.S. government and a decline in the perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affect the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such ratings actions could result in a significant adverse impact on us. Among other things, a downgrade in the U.S. government's credit rating could adversely impact the value of our securities portfolio and may trigger requirements that the Company post additional collateral for trades relative to these securities. A downgrade of the sovereign credit ratings of the U.S. government or the credit ratings of related institutions, agencies or instruments would significantly exacerbate the other risks to which we are subject and any related adverse effects on the business, financial condition and results of operations.

Wholesale funding sources may prove insufficient to replace deposits at maturity and support our operations and future growth.

We and our banking subsidiaries must maintain sufficient funds to respond to the needs of depositors and borrowers. To manage liquidity, we draw upon a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. These sources include Federal Home Loan Bank advances, proceeds from the sale of investments and loans, and liquidity resources at the holding company. Our ability to manage liquidity will be severely constrained if we are unable to maintain access to funding or if adequate financing is not available to accommodate future growth at acceptable costs. In addition, if we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, operating margins and profitability would be adversely affected. Turbulence in the capital and credit markets may adversely affect our liquidity and financial condition and the willingness of certain counterparties and customers to do business with us.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to many different counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, other commercial banks, investment banks, mutual and hedge funds, and other financial institutions. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity problems and losses or defaults by us or by other institutions and organizations. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. There is no assurance that any such losses would not materially and adversely affect our results of operations.

Loss of deposits or a change in deposit mix could increase our cost of funding.

Deposits are a low cost and stable source of funding. We compete with banks and other financial institutions for deposits. Funding costs may increase if we lose deposits and are forced to replace them with more expensive sources of funding, if clients shift their deposits into higher cost products or if we need to raise interest rates to avoid losing deposits. Higher funding costs reduce our net interest margin, net interest income and net income.

Damage to our reputation could significantly harm our business, including our competitive position and business prospects.

We are dependent on our reputation within our market area, as a trusted and responsible financial company, for all aspects of our relationships with customers, employees, vendors, third-party service providers, and others, with whom we conduct business or potential future business. Our ability to attract and retain customers and employees could be adversely affected if our reputation is damaged. Our actual or perceived failure to address various issues could give rise to reputational risk that could cause harm to us and our business prospects. These issues also include, but are not limited to, legal and regulatory requirements; properly maintaining customer and employee personal information; record keeping; money-laundering; sales and trading practices; ethical issues; appropriately addressing potential conflicts of interest; and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our products. Failure to appropriately address any of these issues could also give rise to additional regulatory restrictions and legal risks, which could, among other consequences, increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and incur related costs and expenses.

Our ability to service our debt and pay dividends is dependent on capital distributions from our subsidiary banks, and these distributions are subject to regulatory limits and other restrictions.

We are a legal entity that is separate and distinct from the Banks. Our revenue (on a parent company only basis) is derived primarily from dividends paid to us by the Banks. Our right, and consequently the right of our shareholders, to participate in any distribution of the assets or earnings of the Banks through the payment of such dividends or otherwise is necessarily subject to the prior claims of creditors of the Banks (including depositors), except to the extent that certain claims of ours in a creditor capacity may be recognized. It is possible, depending upon the financial condition of our subsidiary banks and other factors, that applicable regulatory authorities could assert that payment of dividends or other payments is an unsafe or unsound practice. If one or more of our subsidiary banks is unable to pay dividends to us, we may not be able to service our debt or pay dividends on our common stock. Further, as a result of the capital conservation buffer requirement of the Final Capital Rule, our ability to pay dividends on our common stock or service our debt could be restricted if we do not maintain a capital conservation buffer. A reduction or elimination of dividends could adversely affect the market price of our common stock and would adversely affect our business, financial condition, results of operations and prospects. See Item 1, “Business-Supervision and Regulation-Dividend Restrictions" and "Business-Supervision and Regulation-Capital Adequacy and Safety and Soundness-Regulatory Capital Requirements."

We face continuing and growing security risks to our information base, including the information we maintain relating to our customers.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our business and to store sensitive data, including financial information regarding customers. Our electronic communications and information systems infrastructure, as well as the systems infrastructures of the vendors we use to meet our data processing and communication needs, could be susceptible to cyber-attacks, such as denial of service attacks, hacking, terrorist activities or identity theft. Financial services institutions and companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service or sabotage systems, often through the introduction of computer viruses or malware, cyber-attacks and other means. Denial of service attacks have been launched against a number of large financial services institutions. Hacking and identity theft risks, in particular, could cause serious reputational harm. Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks. Although to date we have not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. No matter how well designed or implemented our controls are, we will not be able to anticipate all security breaches of these types, and we may not be able to implement effective preventive measures against such security breaches in a timely manner. A failure or circumvention of our security systems could have a material adverse effect on our business operations and financial condition.

We regularly assess and test our security systems and disaster preparedness, including back-up systems, but the risks are substantially escalating. As a result, cyber-security and the continued enhancement of our controls and processes to protect our systems, data and networks from attacks, unauthorized access or significant damage remain a priority. Accordingly, we may be required to expend additional resources to enhance our protective measures or to investigate and remediate any information security vulnerabilities or exposures. Any breach of our system security could result in disruption of our operations, unauthorized access to confidential customer information, significant regulatory costs, litigation exposure and other possible damages, loss or liability. Such costs or losses could exceed the amount of available insurance coverage, if any, and would adversely affect our earnings. Also, any failure to prevent a security breach or to quickly and effectively deal with such a breach could negatively impact customer confidence, damaging our reputation and undermining our ability to attract and keep customers.

We may not be able to successfully implement future information technology system enhancements, which could adversely affect our business operations and profitability.

We invest significant resources in information technology system enhancements in order to provide functionality and security at an appropriate level. We may not be able to successfully implement and integrate future system enhancements, which could adversely impact the ability to provide timely and accurate financial information in compliance with legal and regulatory requirements, which could result in sanctions from regulatory authorities. Such sanctions could include fines and suspension of trading in our stock, among others. In addition, future system enhancements could have higher than expected costs and/or result in operating inefficiencies, which could increase the costs associated with the implementation as well as ongoing operations.

Failure to properly utilize system enhancements that are implemented in the future could result in impairment charges that adversely impact our financial condition and results of operations and could result in significant costs to remediate or replace the defective components. In addition, we may incur significant training, licensing, maintenance, consulting and amortization expenses during and after systems implementations, and any such costs may continue for an extended period of time.

We rely on other companies to provide key components of our business infrastructure.

Third party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third party vendors carefully, we do not control their actions. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers or otherwise conduct our business efficiently and effectively. Replacing these third party vendors could also entail significant delay and expense.

Our internal controls, procedures and policies may fail or be circumvented.

Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well-designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition.

If our risk management framework does not effectively identify or mitigate our risks, we could suffer losses.

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established processes and procedures intended to identify, measure, monitor and report the types of risk to which we are subject, including credit risk, operations risk, compliance risk, reputation risk, strategic risk, market risk, and liquidity risk. We seek to monitor and control our risk exposure through a framework of policies, procedures and reporting requirements. Management of our risks in some cases depends upon the use of analytical and/or forecasting models. If the models used to mitigate these risks are inadequate, we may incur losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and could be materially adversely affected.

We may be unable to attract and retain qualified key employees, which could adversely affect our business prospects, including our competitive position and results of operations.

Our success is dependent upon our ability to attract and retain highly skilled individuals. There is significant competition for those individuals with the experience and skills required to conduct many of our business activities. We may not be able to hire or retain the key personnel that we depend upon for success. The unexpected loss of services of one or more of these or other key personnel could have a material adverse impact on our business because of their skills, knowledge of the markets in which we operate, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

Natural disasters, acts of terrorism and other external events could harm our business.

Natural disasters can disrupt our operations, result in damage to our properties, reduce or destroy the value of the collateral for our loans and negatively affect the economies in which we operate, which could have a material adverse effect on our results of operations and financial condition. A significant natural disaster, such as a tornado, hurricane, earthquake, fire or flood, could have a material adverse impact on our ability to conduct business, and our insurance coverage may be insufficient to compensate for losses that may occur. Acts of terrorism, war, civil unrest, violence or human error could cause disruptions to our business or the economy as a whole. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition.

Our financial statements are based in part on assumptions and estimates, which, if wrong, could cause unexpected losses in the future.

Pursuant to accounting principles generally accepted in the U.S., we are required to use certain assumptions and estimates in preparing our financial statements, including in determining loan loss and litigation reserves, goodwill impairment and the fair value of certain assets and liabilities, among other items. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses. See the "Critical Accounting Policies" section in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Changes in accounting standards can be difficult to predict and can materially impact how we record and report our financial condition and results of operations.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the Financial Accounting Standards Board changes the financial accounting and reporting principles that govern the preparation of our financial statements. These changes can be hard to anticipate and implement, and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. Additionally, significant changes to accounting standards may require costly technology changes, additional training and personnel, and other expense that will negatively impact our results of operations.

A new accounting standard may require us to increase our allowance for loan losses and may have a material adverse effect on our financial condition and results of operations.

The Financial Accounting Standards Board has issued Accounting Standards Update 2016-13, which will be effective for the Company for the first quarter of the fiscal year ending December 31, 2020. This standard, often referred to as “CECL” (reflecting a current expected credit loss model), will require companies to recognize an allowance for credit losses based on estimates of losses expected to be realized over the contractual lives of the loans. Under current U.S. GAAP, companies generally recognize credit losses only when it is probable that a loss has been incurred as of the balance sheet date. This new standard will require us to collect and review increased types and amounts of data for us to determine the appropriate level of the allowance for loan losses, and may require us to increase our allowance for loan losses. Any increase in our allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses may have a material adverse effect on our financial condition and results of operations. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

Changes in tax laws and regulations and differences in interpretation of tax laws and regulations may adversely impact our financial statements.

From time to time, local, state or federal tax authorities change tax laws and regulations, which may result in a decrease or increase to our net deferred tax assets. In December 2017, we recognized a write-down of $8.6 million in net deferred tax assets in connection with the adoption of the H.R. 1, the Tax Cuts and Jobs Act. Local, state or federal tax authorities may interpret tax laws and regulations differently than we do and challenge tax positions that we have taken on tax returns. This may result in differences in the treatment of revenues, deductions, credits and/or differences in the timing of these items. The differences in treatment may result in payment of additional taxes, interest or penalties that could have a material adverse effect on our results.

Future capital offerings may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources or, if our banking subsidiaries' capital ratios fall below required minimums, we could be forced to raise additional capital by making additional offerings of debt, common or preferred stock, trust preferred securities, and senior or subordinated notes. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Moreover, we cannot assure you that such capital will be available to us on acceptable terms or at all. Our inability to raise sufficient additional capital on acceptable terms when needed could adversely affect our businesses, financial condition and results of operations.

The market price and trading volume of our common stock may be volatile.

The market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- quarterly variations in our operating results or the quality of our assets;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;
- announcements of innovations, new products, strategic developments, significant contracts, acquisitions and other material events by us or our competitors;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- our past and future dividend practices;
- future sales of our equity or equity-related securities; and
- changes in global financial markets and global economies and general market conditions, such as interest rates, stock, commodity or real estate valuations or volatility.

Anti-takeover provisions could negatively impact our stockholders.

Provisions of Delaware law and provisions of our certificate of incorporation and by-laws could make it more difficult for a third party to acquire control of us or have the effect of discouraging a third party from attempting to acquire control of us, even if a merge might be in the best interest of our stockholders.

There is no assurance when or even if the merger with First Commons Bank will be completed.

We have entered into the Merger Agreement pursuant to which First Commons Bank will merge with and into Brookline Bank with Brookline Bank as the surviving bank (the “Merger”). The Merger Agreement is subject to a number of conditions which must be fulfilled in order to complete the Merger. Those conditions include:

- the receipt of required regulatory approvals;
- absence of orders prohibiting the completion of the merger; and
- the continued accuracy of the representations and warranties by both parties and the performance by both parties of their covenants and agreements.

There can be no assurance that the parties will be able to satisfy the closing conditions or that closing conditions beyond their control will be satisfied or waived. In addition, as in any transaction, it is possible that, among other things, restrictions on the combined operations of the two companies may be sought by governmental agencies as a condition to obtaining the required regulatory approvals. This may diminish the benefits of the merger to us or have an adverse effect on us following the merger and prevent us from achieving the expected benefits of the merger.

In addition, the parties to the Merger Agreement can agree at any time to terminate the Merger Agreement even after First Commons Bank's stockholders have provided their approval. The parties can also terminate the Merger Agreement under other specified circumstances. First Commons Bank may choose to terminate the merger agreement if the 10-day volume weighted average stock price of our common stock as reported on NASDAQ during the ten trading day period ending on the fifth trading day immediately preceding the closing date is less than $11.40 per share and our common stock underperforms the NASDAQ Bank Index by more than 20%. Any such termination would be subject to our right to increase the amount of our common stock and, if applicable, cash to be provided to First Commons Bank stockholders pursuant to the formula prescribed in the Merger Agreement.

We may be unable to successfully integrate First Commons Bank's operations.

The merger with First Commons Bank involves the integration of two companies that previously operated independently. The difficulties of combining the companies' operations include:

- integrating personnel with diverse business backgrounds;
- integrating departments, systems, operating procedures and information technologies;
- combining different corporate cultures;
- retaining existing customers and attracting new customers; and
- retaining key employees.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses and the loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations could have a material adverse effect on the business and results of operations of the combined company.

The success of the merger will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining our business with the business of First Commons Bank. If we are unable to successfully integrate First Commons Bank, the anticipated benefits and cost savings of the Merger may not be realized fully or may take longer to realize than expected. For example, we may fail to realize the anticipated increase in earnings and cost savings anticipated to be derived from the acquisition. In addition, as with regard to any Merger, a significant change in interest rates or economic conditions or decline in asset valuations may also cause us not to realize expected benefits and result in the merger not being as accretive as expected.

Unanticipated costs relating to the merger could reduce our future earnings per share.

We believe that we have reasonably estimated the likely costs of integrating our operations with the operations of First Commons Bank, and the incremental costs of operating as a combined company. However, it is possible that we could incur unexpected transaction costs such as taxes, fees or professional expenses or unexpected future operating expenses such as increased personnel costs or increased taxes, which could result in the merger not being as accretive as expected or having a dilutive effect on the combined company's earnings per share.

To the extent that we acquire other companies, our business may be negatively impacted by certain risks inherent with such acquisitions.

We have acquired and will continue to consider the acquisition of other financial services companies. To the extent that we acquire other companies in the future, our business may be negatively impacted by certain risks inherent with such acquisitions. Some of these risks include the following:

- The risk that the acquired business will not perform in accordance with management's expectations;
- The risk that difficulties will arise in connection with the integration of the operations of the acquired business with the operations of our businesses;
- The risk that management will divert its attention from other aspects of our business;
- The risk that we may lose key employees of the combined business; and
- The risks associated with entering into geographic and product markets in which we have limited or no direct prior experience.

We may be required to write down goodwill and other acquisition-related identifiable intangible assets.

When we acquire a business, such as First Commons Bank, a portion of the purchase price of the acquisition may be allocated to goodwill and other identifiable intangible assets. The excess of the purchase price over the fair value of the net identifiable tangible and intangible assets acquired determines the amount of the purchase price that is allocated to goodwill acquired. As of December 31, 2017 , goodwill and other identifiable intangible assets were $143.9 million . We expect to record approximately $20.0 million in additional goodwill in connection with the acquisition of First Commons Bank. Under current accounting guidance, if we determine that goodwill or intangible assets are impaired, we would be required to write down the value of these assets. We conduct an annual review to determine whether goodwill and other identifiable intangible assets are impaired. We conduct a quarterly review for indicators of impairment of goodwill and other identifiable intangible assets. Our management recently completed these reviews and concluded that no impairment charge was necessary for the year ended December 31, 2017 . We cannot provide assurance whether we will be required to take an impairment charge in the future. Any impairment charge would have a negative effect on stockholders' equity and financial results and may cause a decline in our stock price.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company’s executive administration offices are located at 131 Clarendon Street, Boston, Massachusetts, which is owned by Brookline Bank, as well as its corporate operations center in Lincoln, Rhode Island, which is owned by BankRI, with other administrative and operations functions performed at several different locations.

Brookline Bank conducts its business from 25 banking offices, 5 of which are owned and 20 of which are leased. Brookline Bank's main banking office is leased and located in Brookline, Massachusetts. Brookline Bank also has 2 remote ATM locations, both of which are leased. Eastern Funding conducts its business from leased premises in New York City, New York and in Melville, New York.

BankRI conducts its business from 20 banking offices, 6 of which are owned and 14 of which are leased. BankRI's main banking office, is leased and located in Providence, Rhode Island. BankRI also has 2 remote ATM locations, all of which are leased. Macrolease conducts its business from leased premises in Plainview, New York.

First Ipswich conducts its business from 6 banking offices, 1 of which is owned, 4 of which are leased and 1 of which is subleased. First Ipswich's main banking office is owned and located in Ipswich, Massachusetts. First Ipswich also has 2 remote ATM locations, both of which are leased.

Refer to Note 13, "Commitments and Contingencies," to the consolidated financial statements for information regarding the Company's lease commitments as of December 31, 2017 .

Item 3. Legal Proceedings

During the fiscal year ended December 31, 2017 , the Company was not involved in any legal proceedings other than routine legal proceedings occurring in the ordinary course of business. Management believes that those routine legal proceedings involve, in the aggregate, amounts that are immaterial to the Company's financial condition and results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) The common stock of the Company is traded on NASDAQ under the symbol BRKL. The approximate number of registered holders of common stock as of February 28, 2018 was 1,828. Market prices for the Company's common stock and dividends paid per quarter during 2017 and 2016 follow.

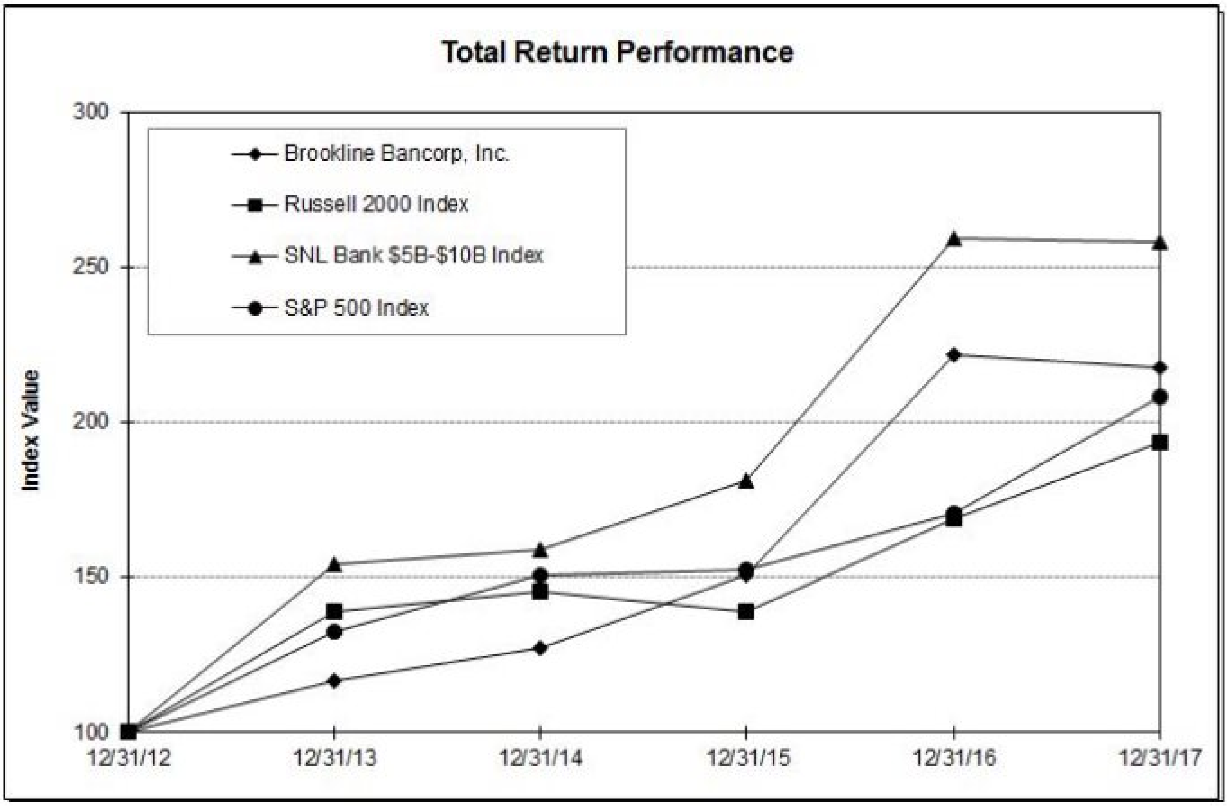
	Market Prices		Dividend Paid Per Share
	High	Low	
2017			
First Quarter	$ 16.75	$ 14.50	$ 0.09
Second Quarter	15.95	13.75	0.09
Third Quarter	15.50	13.75	0.09
Fourth Quarter	16.35	14.50	0.09
2016			
First Quarter	$ 11.21	$ 10.23	$ 0.09
Second Quarter	11.69	10.44	0.09
Third Quarter	12.19	10.71	0.09
Fourth Quarter	16.60	12.05	0.09

Equity Compensation Plan Information

Refer to Note 20, "Employee Benefit Plans" for a discussion of the Company's equity compensation plans.

Five-Year Performance Comparison

The following graph compares total shareholder return on the Company's common stock over the last five years with the the S&P 500 Index, the Russell 2000 Index and the SNL Index of Banks with assets between $5 billion and $10 billion. Index values are as of December 31 of each of the indicated years.



	At December 31,					
Index	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Brookline Bancorp, Inc.	100.00	116.65	127.15	150.69	221.86	217.62
Russell 2000	100.00	138.82	145.62	139.19	168.85	193.58
SNL Bank $5B-$10B	100.00	154.28	158.92	181.04	259.37	258.40
S&P 500	100.00	132.39	150.51	152.59	170.84	208.14

The graph assumes $100 invested on December 31, 2012 in each of the Company's common stock, the S&P 500 Index, the Russell 2000 Index and the SNL Index of Banks with assets between $5 billion and $10 billion. The graph also assumes reinvestment of all dividends.

(b) Not applicable.

(c) There were no purchases made during the year ended December 31, 2017 by or on behalf of the Company of the Company's common stock. As of January 31, 2017, the Company had no authorizations to repurchase outstanding shares.

Item 6. Selected Financial Data

The selected financial and other data of the Company set forth below are derived in part from, and should be read in conjunction with, the Consolidated Financial Statements of the Company and Notes thereto presented elsewhere herein.

	At or for the year ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands, Except Per Share Data)				
FINANCIAL CONDITION DATA					
Total assets (*)	$ 6,780,249	$ 6,438,129	$ 6,042,338	$ 5,800,948	$ 5,325,651
Total loans and leases	5,730,679	5,398,864	4,995,540	4,822,607	4,362,465
Allowance for loan and lease losses	58,592	53,666	56,739	53,659	48,473
Investment securities held-to-maturity	109,730	87,120	93,757	500	500
Investment securities available-for-sale	540,124	523,634	513,201	550,761	492,428
Goodwill and identified intangible assets	143,934	146,023	148,523	151,434	154,777
Total deposits	4,871,343	4,611,076	4,306,018	3,958,106	3,835,006
Core deposits (1)	3,663,873	3,570,054	3,218,146	3,011,398	2,900,338
Certificates of deposit	1,207,470	1,041,022	1,087,872	946,708	934,668
Total borrowed funds	1,020,819	1,044,086	983,029	1,126,404	812,555
Stockholders' equity (*)	803,830	695,544	667,485	641,818	614,412
Tangible stockholders' equity (*)(**)	659,896	549,521	518,962	490,384	459,635
Nonperforming loans and leases (2)	27,272	40,077	19,333	13,714	16,501
Nonperforming assets (3)	31,691	41,476	20,676	15,170	18,079
EARNINGS DATA					
Interest and dividend income	$ 263,050	$ 239,648	$ 226,910	$ 218,482	$ 206,384
Interest expense	39,869	35,984	32,545	29,414	30,166
Net interest income	223,181	203,664	194,365	189,068	176,218
Provision for credit losses	18,988	10,353	7,451	8,477	10,929
Non-interest income (*)	32,173	22,667	20,184	20,180	15,619
Non-interest expense (*)	139,111	130,362	125,377	129,160	122,442
Provision for income taxes (*)	43,636	30,392	29,353	26,286	20,664
Net income (*)	50,518	52,362	49,782	43,288	36,015
Operating earnings (**)	59,747	52,362	49,782	43,288	36,610
PER COMMON SHARE DATA					
Earnings per share - Basic (*)	$ 0.68	$ 0.74	$ 0.71	$ 0.62	$ 0.52
Earnings per share - Diluted (*)	0.68	0.74	0.71	0.62	0.52
Operating earnings per share (*)(**)	0.80	0.74	0.71	0.62	0.53
Dividends paid per common share	0.36	0.36	0.355	0.34	0.34
Book value per share (end of period) (*)	10.49	9.88	9.51	9.16	8.79
Tangible book value per share (*)(**)	8.61	7.81	7.39	7.00	6.58
Stock price (end of period)	15.70	16.40	11.50	10.03	9.55
PERFORMANCE RATIOS					
Net interest margin	3.57%	3.44%	3.54%	3.61%	3.64%
Return on average assets (*)	0.76%	0.83%	0.85%	0.78%	0.70%
Operating return on average assets (*)(**)	0.90%	0.83%	0.85%	0.78%	0.71%
Return on average tangible assets (*)(**)	0.78%	0.85%	0.87%	0.80%	0.72%
Operating return on average tangible assets (*)(**)	0.92%	0.85%	0.87%	0.80%	0.73%
Return on average stockholders' equity (*)	6.53%	7.59%	7.57%	6.86%	5.84%

	At or for the year ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands, Except Per Share Data)				
Operating return on average stockholders' equity (*)(**)	7.73%	7.59%	7.57%	6.86%	5.94%
Return on average tangible stockholders' equity (*)(**)	8.04%	9.66%	9.80%	9.06%	7.84%
Operating return on average tangible stockholders' equity (*)(**)	9.51%	9.66%	9.80%	9.06%	7.97%
Dividend payout ratio (*)(**)	53.52%	48.44%	50.15%	55.16%	66.20%
Efficiency ratio (*) (4)	54.48%	57.60%	58.44%	61.73%	63.83%
GROWTH RATIOS					
Total loan and lease growth (5)	6.15%	8.07%	3.59%	10.55%	4.47%
Total deposit growth (5)	5.64%	7.08%	8.79%	3.21%	6.05%
ASSET QUALITY RATIOS					
Net loan and lease charge-offs as a percentage of average loans and leases	0.25%	0.25%	0.09%	0.07%	0.08%
Nonperforming loans and leases as a percentage of total loans and leases	0.48%	0.74%	0.39%	0.28%	0.38%
Nonperforming assets as a percentage of total assets (*)	0.47%	0.64%	0.34%	0.26%	0.34%
Total allowance for loan and lease losses as a percentage of total loans and leases	1.02%	0.99%	1.14%	1.11%	1.11%
Allowance for loan and lease losses related to originated loans and leases as a percentage of originated loans and leases (**)	1.05%	1.03%	1.20%	1.20%	1.32%
CAPITAL RATIOS					
Stockholders' equity to total assets (*)	11.86%	10.80%	11.05%	11.06%	11.54%
Tangible equity ratio (*)(**)	9.94%	8.73%	8.81%	8.68%	8.89%
Tier 1 leverage capital ratio	10.43%	9.16%	9.37%	9.01%	9.36%
Common equity Tier 1 capital ratio (***)	12.02%	10.48%	10.62%	N/A	N/A
Tier 1 risk-based capital ratio	12.34%	10.79%	10.91%	10.55%	11.01%
Total risk-based capital ratio	14.75%	13.20%	13.54%	13.24%	12.15%

(1) Core deposits consist of demand checking, NOW, money market and savings accounts.

(2) Nonperforming loans and leases consist of nonaccrual loans and leases.

(3) Nonperforming assets consist of nonperforming loans and leases, other real estate owned and other repossessed assets.

(4) The efficiency ratio is calculated by dividing non-interest expense by the sum of net interest income and non-interest income for the period.

(5) Total growth is calculated by dividing the change in the balance during the period by the balance at the beginning of the period.

(*) 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 10, "Other Assets".

(**) Refer to Non-GAAP Financial Measures and Reconciliation to GAAP.

(***) Common equity tier 1 capital ratio is calculated by dividing common equity Tier 1 capital by risk-weighted assets. The ratio was established as part of the implementation of Basel III, effective January 1, 2015.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The Company, a Delaware corporation, operates as a multi-bank holding company for Brookline Bank and its subsidiaries; BankRI and its subsidiaries; First Ipswich and its subsidiaries; and Brookline Securities Corp.

As a commercially-focused financial institution with 51 full-service banking offices throughout greater Boston, the north shore of Massachusetts and Rhode Island, the Company, through the Banks, offers a wide range of commercial, business and retail banking services, including a full complement of cash management products, on-line and mobile banking services, consumer and residential loans and investment services, designed to meet the financial needs of small- to mid-sized businesses and individuals throughout central New England. Specialty lending activities include equipment financing primarily in the New York and New Jersey metropolitan area.

The Company focuses its business efforts on profitably growing its commercial lending businesses, both organically and through acquisitions. The Company's customer focus, multi-bank structure, and risk management are integral to its organic growth strategy and serve to differentiate the Company from its competitors. As full-service financial institutions, the Banks and their subsidiaries focus on the continued acquisition of well-qualified customers, the deepening of long-term banking relationships through a full complement of products and excellent customer service, and strong risk management.

The Company manages the Banks under uniform strategic objectives, with one set of uniform policies consistently applied by one executive management team. Within this environment, the Company believes that the ability to make customer decisions locally enhances management's motivation, service levels and, as a consequence, the Company's financial results. As such, while most back-office functions are consolidated at the holding company level, branding and decision-making, including credit decisions and pricing, remain largely local in order to better meet the needs of bank customers and further motivate the Banks' commercial, business and retail bankers.

The competition for loans and leases and deposits remains intense. While the economy improved in 2017 , the Company expects the operating environment in 2018 to remain challenging. The volume of loan and lease originations and loan and lease losses will depend, to a large extent, on how the economy performs. Loan and lease growth and deposit growth are also greatly influenced by the rate-setting actions of the FRB. A sustained, low interest rate environment with a flat interest rate curve may negatively impact on the Company's yields and net interest margin. While the company is slightly asset sensitive and should benefit from rising rates, these rate increases could precipitate a change in the mix and volume of the Company's deposits and loans. The future operating results of the Company will depend on its ability to maintain the net interest margin, while minimizing exposure to credit risk, along with increasing sources of non-interest income, while controlling the growth of non-interest or operating expenses.

The Company and the Banks are supervised, examined and regulated by the FRB. As a Massachusetts-chartered savings bank and trust company, respectively, Brookline Bank and First Ipswich are also subject to regulation under the laws of the Commonwealth of Massachusetts and the jurisdiction of the Massachusetts Division of Banks. As a Rhode Island-chartered financial institution, BankRI is 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 FDIC continues to insure each of the Banks' deposits up to $250,000 per depositor. Additionally, as a Massachusetts-chartered savings bank, Brookline Bank is also insured by the Depositors Insurance Fund ("DIF"), a private industry-sponsored 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.

The Company's common stock is traded on the Nasdaq Global Select Market SM under the symbol "BRKL."

Executive Overview

Growth

Total assets of $6.8 billion as of December 31, 2017 increased $342.1 million , or 5.3% , from December 31, 2016 . The increase was primarily driven by increases in loans and leases and investment securities, partly offset by decreases in cash and cash equivalents.

Total loans and leases of $5.7 billion as of December 31, 2017 increased $331.8 million , or 6.1% , from December 31, 2016 . The Company's commercial loan portfolios, which are comprised of commercial real estate loans and commercial loans and leases, totaled $4.7 billion , or 82.0% of total loans and leases as of December 31, 2017 , an increase of $285.9 million , or 6.5% , from $4.4 billion , or 81.8% of total loans and leases, as of December 31, 2016 .

Total deposits of $4.9 billion as of December 31, 2017 increased $260.3 million , or 5.6% , from $4.6 billion as of December 31, 2016 . Core deposits, which include demand checking, NOW, money market and savings accounts, totaled $3.7 billion , or 75.2% of total deposits as of December 31, 2017 , an increase of $93.8 million , or 2.6% , from $3.6 billion , or 77.4% of total deposits as of December 31, 2016 .

Asset Quality

Nonperforming assets as of December 31, 2017 totaled $31.7 million , or 0.47% of total assets, compared to $41.5 million , or 0.64% of total assets, as of December 31, 2016 . Net charge-offs for the year ended December 31, 2017 were $13.9 million , or 0.25% of average loans and leases, compared to $13.3 million , or 0.25% of average loans and leases, for the year ended December 31, 2016 .The decrease in nonperforming loans and leases and nonperforming assets was primarily driven by the partial charge offs and pay downs on certain taxi medallion loans.

The ratio of the allowance for loan and lease losses to total loans and leases was 1.02% as of December 31, 2017 , compared to 0.99% as of December 31, 2016 . Excluding the loans acquired from BankRI and First Ipswich, the allowance for loan and lease losses related to originated loans and leases as a percentage of the total originated loan and lease portfolio was 1.05% as of December 31, 2017 , compared to 1.03% as of December 31, 2016 . The Company continued to employ its historical underwriting methodology throughout the twelve month period ended December 31, 2017 .

Capital Strength

The Company is a "well-capitalized" bank holding company as defined in the FRB's Regulation Y. The Company's common equity Tier 1 Capital Ratio was 12.02% as of December 31, 2017 , compared to 10.48% as of December 31, 2016 . The Company's Tier 1 Leverage Ratio was 10.43% as of December 31, 2017 , compared to 9.16% as of December 31, 2016 . As of December 31, 2017 , the Company's Tier 1 Risk-Based Ratio was 12.34% , compared to 10.79% as of December 31, 2016 . The Company's Total Risk-Based Ratio was 14.75% as of December 31, 2017 , compared to 13.20% as of December 31, 2016 .

The Company's ratio of stockholders' equity to total assets was 11.86% and 10.80% as of December 31, 2017 and December 31, 2016 , respectively. The Company's tangible equity ratio was 9.94% and 8.73% as of December 31, 2017 and December 31, 2016 , respectively.

Net Income

For the year ended December 31, 2017 , the Company reported net income of $50.5 million , or $0.68 per basic and diluted share, a decrease of $1.8 million , or 3.5% , from $52.4 million , or $0.74 per basic and diluted share for the year ended December 31, 2016 . Excluding the impact of the Tax Reform Act, net income would have been $59.7 million , with an EPS of $0.80 per basic and diluted share, for the year ended December 31, 2017 . The decrease in net income is primarily the result of the impact of the Tax Reform Act, an increase in the provision for credit losses of $8.6 million , an increase in non-interest expense of $8.7 million and an increase in provision for income taxes of $13.2 million , partially offset by an increase in net interest income of $19.5 million and an increase in non-interest income of $9.5 million .

The return on average assets was 0.76% for the year ended December 31, 2017 , compared to 0.83% for the year ended December 31, 2016 . The return on average stockholders' equity was 6.53% for the year ended December 31, 2017 , compared to 7.59% for the year ended December 31, 2016 .

The net interest margin was 3.57% for the year ended December 31, 2017 up from 3.44% for the year ended December 31, 2016 . The increase in the net interest margin is a result of an increase in the yield on interest-earning assets by 16 basis points to 4.20% in 2017 from 4.04% in 2016 , partially offset by an increase of 4 basis points in the Company's overall cost of funds to 0.69% in 2017 from 0.65% in 2016 .

Results for 2017 included a $19.0 million provision for credit losses, as discussed in the *"Allowance for Credit Losses—Allowance for Loan and Lease Losses"* section below.

Non-interest income increased $9.5 million to $32.2 million for the year ended December 31, 2017 from $22.7 million for the year ended December 31, 2016 . Several factors contributed to the year over year increase , including an increase of $11.4 million in gain on sales of securities recorded in the first quarter of 2017 , partially offset by a $1.8 million decrease in loan level derivative income.

Non-interest expense increased $8.7 million to $139.1 million for the year ended December 31, 2017 from $130.4 million for the year ended December 31, 2016 . The increase was largely attributable to an increase of $4.6 million in compensation, an increase of $0.7 million in occupancy, an increase of $1.4 million in equipment and data processing, and an increase of $1.7 million in other non-interest expense.

Critical Accounting Policies

The accounting policies described below are considered critical to understanding the Company's financial condition and operating results. Such accounting policies are considered to be especially important because they involve a higher degree of complexity and require management to make difficult and subjective judgments which often require assumptions or estimates about matters that are inherently uncertain. The use of different judgments, assumptions and estimates could result in material differences in the Company's operating results or financial condition.

Valuation of Investment Securities

Investment securities classified as available-for-sale are carried at estimated fair value, with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholders' equity. Debt securities that the Company has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and are carried at amortized cost.

The market values of the Company's investment securities, particularly its fixed-rate securities, are affected by changes in market interest rates as determined by the term structure of risk-free rates and the credit spreads associated with different investment categories. In general, as interest rates rise, the fair value of fixed-rate securities will decrease; as interest rates fall, the fair value of fixed-rate securities will increase. On a quarterly basis, the Company reviews and evaluates fair value based on market data obtained from independent sources or, in the absence of active market data, from model-derived valuations based on market assumptions. If the Company deems any decline to be other-than-temporary, the amount of impairment loss recorded in earnings for a debt security is the entire difference between the security's cost and its fair value if the Company intends to sell the debt security prior to recovery or it is more likely than not that the Company will have to sell the debt security prior to recovery. If, however, the Company does not intend to sell the debt security or it concludes that it is more likely than not that the Company will not have to sell the debt security prior to recovery, the credit loss component of an other-than-temporary impairment of a debt security is recognized as a charge to earnings and the remaining portion of the impairment loss is recognized as a reduction in comprehensive income. The credit loss component of an other-than-temporary loss is determined based on the Company's best estimate of cash flows expected to be collected. There were no impairment losses charged to earnings in 2017 , 2016 and 2015 .

See Note 21, "Fair Value of Financial Instruments" to the consolidated financial statements for additional information on how management determines the fair value of its financial instruments.

Valuation of Acquired Loans

Loans that the Company acquired are initially recorded at fair value with no carryover of the related allowance for loan and lease losses. Determining the fair value of the acquired loans involves estimating the amount and timing of principal and interest cash flows initially expected to be collected on the loans and discounting those cash flows at an appropriate market rate of interest. The Company continues to evaluate the reasonableness of expectations for the timing and the amount of cash to be collected. Subsequent decreases in expected cash flows may result in changes in the amortization or accretion of fair market value adjustments, and in some cases may result in a loan being considered impaired.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses represents management's estimate of probable losses inherent in the loan and lease portfolio. Additions to the allowance for loan and lease losses are made by charges to the provision for credit losses. Losses on loans and leases are deducted from the allowance when all or a portion of a loan or lease is considered uncollectable. The determination of the loans on which full collectability is not reasonably assured, the estimates of the fair value of the underlying collateral, and the assessment of economic and other conditions are subject to assumptions and judgments by management. Valuation allowances could differ materially as a result of changes in, or different interpretations of, these assumptions and judgments.

Management evaluates the adequacy of the allowance on a quarterly basis and reviews its conclusion as to the amount to be established with the Audit Committee and the Board of Directors.

See Note 7, "Allowance for Loan and Lease Losses," to the consolidated financial statements for additional information on how management determines the balance of the allowance for loan and lease losses for each portfolio and class of loans.

Impairment of Goodwill

Goodwill is presumed to have an indefinite useful life and is tested at least annually for impairment. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. If fair value exceeds the carrying amount at the time of testing, goodwill is not considered impaired. Quoted market prices in active markets are the best evidence of fair value and are considered to be used as the basis for measurement, when available. Other acceptable valuation methods include present-value measurements based on multiples of earnings or revenues, or similar performance measures. Differences in valuation techniques could result in materially different evaluations of impairment. In September 2011, the FASB issued Accounting Standards Update ("ASU") 2011-08 which provides guidance for companies when testing goodwill for impairment. The objective of the ASU is to simplify how entities test goodwill for impairment. Pursuant to the ASU, entities may now assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50%.

To determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, an entity should consider the extent to which each of the adverse events or circumstances identified could affect the comparison of a reporting unit's fair value with its carrying amount.

Pursuant to the ASU, an entity should place more weight on the events and circumstances that have the greatest impact on a reporting unit's fair value or the carrying amount of its net assets; and may affect its determination of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Qualitative factors that have been assessed to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount including goodwill: general economic conditions, regulatory environment, share price, real estate values, lending concentrations, interest-rate environment, asset quality, capital, financial performance, integration of acquired companies and conversion to a new data processing system.

The Company has evaluated the qualitative factors discussed above and assessed the effect identified adverse events or circumstances could have, and based on this analysis has concluded there was no indication of goodwill impairment as of December 31, 2017 . Further analysis of the Company's goodwill can be found in Note 9 "Goodwill and Other Intangible Assets" within notes to the consolidated financial statements.

Identified Intangible Assets

Identified intangible assets are assets resulting from acquisitions that are being amortized over their estimated useful lives. The recoverability of identified intangible assets is evaluated for impairment at least annually. If impairment is deemed to have occurred, the amount of impairment is charged to expense when identified.

Income Taxes

Certain areas of accounting for income taxes require management's judgment, including determining the expected realization of deferred tax assets and the adequacy of liabilities for uncertain tax positions. Judgments are made regarding various tax positions, which are often subjective and involve assumptions about items that are inherently uncertain. If actual factors and conditions differ materially from estimates made by management, the actual realization of the net deferred tax assets or liabilities for uncertain tax positions could vary materially from the amounts previously recorded.

Deferred tax assets arise from items that may be claimed as a tax deduction or credit in future income tax returns, for which a financial statement tax benefit has been recognized. The Company's realization of the deferred tax asset depends upon future levels of its taxable income and the existence of prior years' taxable income for which claims for refunds can be carried back. Where necessary, valuation allowances are recorded against those deferred tax assets which a Company has determined will not be realized. Deferred tax liabilities represent items that will require a future tax payment. Deferred tax liabilities generally represent tax expense recognized in the Company's financial statements for which payment has been deferred, or a deduction claimed on the Company's tax return but not yet recognized as an expense in the Company's financial statements. Deferred tax liabilities are also recognized for certain non-cash items such as goodwill.

See Note 17, "Income Taxes" within notes to the consolidated financial statements for information regarding income taxes and the impact the enactment of the Tax Reform Act on the Company's consolidated financial statements as of December 31, 2017 .

Recent Accounting Developments

See Note 1, "Basis of Presentation" within notes to the consolidated financial statements for information regarding recent accounting developments.

Non-GAAP Financial Measures and Reconciliation to GAAP

In addition to evaluating the Company's results of operations in accordance with GAAP, management periodically supplements this evaluation with an analysis of certain non-GAAP financial measures, such as operating earnings metrics, the return on tangible assets or equity, the tangible equity ratio, tangible stockholders' equity, tangible book value per share, dividend payout ratio and the ratio of the allowance for loan and lease losses related to originated loans and leases as a percentage of originated loans and leases. Management believes that these non-GAAP financial measures provide useful information to investors for understanding the Company's underlying operating performance and trends. These non-GAAP financial measures may also aid investors in facilitating comparisons with the performance assessment of the Company's financial performance, including non-interest expense control, while the tangible equity ratio and tangible book value per share are used to analyze the relative strength of the Company's capital position.

In light of diversity in presentation among financial institutions, the methodologies used by the Company for determining the non-GAAP financial measures discussed above may differ from those used by other financial institutions.

Operating Earnings

Operating earnings exclude compensation-related and acquisition-related items from net income. By excluding such items, the Company's results can be measured and assessed on a more consistent basis from period to period. Items excluded from operating earnings are also excluded when calculating the operating return and operating efficiency ratios.

The following table summarizes the Company's operating earnings and operating earnings per share ("EPS") for the periods indicated:

	Year Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
	(Dollars in Thousands, Except Per Share Data)				
Net income, as reported (*)	$ 50,518	$ 52,362	$ 49,782	$ 43,288	$ 36,015
Adjustments to arrive at operating earnings:					
Compensation-related expenses (1)	—	—	—	—	911
Total pre-tax adjustments	—	—	—	—	911
Tax effect:					
Compensation-related expenses (1)	—	—	—	—	(316)
Merger and acquisition expense (2)	264	—	—	—	—
Impact of Tax Reform Act	8,965	—	—	—	—
Total adjustments, net of tax	9,229	—	—	—	595
Operating earnings (*)	$ 59,747	$ 52,362	$ 49,782	$ 43,288	$ 36,610
Earnings per share, as reported (*)	$ 0.68	$ 0.74	$ 0.71	$ 0.62	$ 0.52
Adjustments to arrive at operating earnings per share:					
Compensation-related expenses (1)	—	—	—	—	0.01
Merger and acquisition expense (2)	—	—	—	—	—
Impact of Tax Reform Act	0.12	—	—	—	—
Total adjustments per share	0.12	—	—	—	0.01
Operating earnings per share (*)	$ 0.80	$ 0.74	$ 0.71	$ 0.62	$ 0.53

(*) 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 10, "Other Assets".

(1) Compensation-related expenses include expense related to the departure of the Company's Chief Financial Officer in 2013.

(2) Merger and acquisition expense related to the acquisition of First Commons Bank in the first quarter of 2018.

The following table summarizes the Company's operating return on average assets, operating return on average tangible assets, operating return on average stockholders' equity and operating return on average tangible stockholders' equity for the periods indicated:

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands)				
Operating earnings (*)	$ 59,747	$ 52,362	$ 49,782	$ 43,288	$ 36,610
Average total assets (*)	$ 6,607,234	$ 6,279,722	$ 5,840,749	$ 5,556,224	$ 5,174,232
Less: Average goodwill and average identified intangible assets, net	145,000	147,308	150,020	153,170	157,187
Average tangible assets (*)	$ 6,462,234	$ 6,132,414	$ 5,690,729	$ 5,403,054	$ 5,017,045
Return on average assets (*)	0.76%	0.83%	0.85%	0.78%	0.70%
Add:					
Compensation-related expenses	—%	—%	—%	—%	0.01%
Impact of Tax Reform Act	0.14%	—%	—%	—%	—%
Operating return on average assets (*)	0.90%	0.83%	0.85%	0.78%	0.71%
Return on average tangible assets (*)	0.78%	0.85%	0.87%	0.80%	0.72%
Add:					
Compensation-related expenses	—%	—%	—%	—%	0.01%
Impact of Tax Reform Act	0.14%	—%	—%	—%	—%
Operating return on average tangible assets (*)	0.92%	0.85%	0.87%	0.80%	0.73%
Average total stockholders' equity (*)	$ 773,244	$ 689,556	$ 657,841	$ 630,966	$ 616,473
Less: Average goodwill and average identified intangible assets, net	145,000	147,308	150,020	153,170	157,187
Average tangible stockholders' equity (*)	$ 628,244	$ 542,248	$ 507,821	$ 477,796	$ 459,286
Return on average stockholders' equity (*)	6.53%	7.59%	7.57%	6.86%	5.84%
Add:					
Compensation-related expenses	—%	—%	—%	—%	0.10%
Merger and acquisition expense	0.03%	—%	—%	—%	—%
Impact of Tax Reform Act	1.17%	—%	—%	—%	—%
Operating return on average stockholders' equity (*)	7.73%	7.59%	7.57%	6.86%	5.94%
Return on average tangible stockholders' equity (*)	8.04%	9.66%	9.80%	9.06%	7.84%
Add:					
Compensation-related expenses	—%	—%	—%	—%	0.13%
Merger and acquisition expense	0.04%	—%	—%	—%	—%
Impact of Tax Reform Act	1.43%	—%	—%	—%	—%
Operating return on average tangible stockholders' equity (*)	9.51%	9.66%	9.80%	9.06%	7.97%

(*) 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 10, "Other Assets".

The following table summarizes the Company's return on average tangible assets and return on average tangible stockholders' equity for the periods indicated:

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands)				
Net income, as reported (*)	$ 50,518	$ 52,362	$ 49,782	$ 43,288	$ 36,015
Average total assets (*)	$ 6,607,234	$ 6,279,722	$ 5,840,749	$ 5,556,224	$ 5,174,232
Less: Average goodwill and average identified intangible assets, net	145,000	147,308	150,020	153,170	157,187
Average tangible assets (*)	$ 6,462,234	$ 6,132,414	$ 5,690,729	$ 5,403,054	$ 5,017,045
Return on average tangible assets (*)	0.78%	0.85%	0.87%	0.80%	0.72%
Average total stockholders' equity (*)	$ 773,244	$ 689,556	$ 657,841	$ 630,966	$ 616,473
Less: Average goodwill and average identified intangible assets,net	145,000	147,308	150,020	153,170	157,187
Average tangible stockholders' equity (*)	$ 628,244	$ 542,248	$ 507,821	$ 477,796	$ 459,286
Return on average tangible stockholders' equity (*)	8.04%	9.66%	9.80%	9.06%	7.84%

(*) 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 10, "Other Assets".

The following tables summarize the Company's tangible equity ratio for the periods indicated:

	At December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands)				
Total stockholders' equity (*)	$ 803,830	$ 695,544	$ 667,485	$ 641,818	$ 614,412
Less: Goodwill and identified intangible assets, net	143,934	146,023	148,523	151,434	154,777
Tangible stockholders' equity (*)	$ 659,896	$ 549,521	$ 518,962	$ 490,384	$ 459,635
Total assets (*)	$ 6,780,249	$ 6,438,129	$ 6,042,338	$ 5,800,948	$ 5,325,651
Less: Goodwill and identified intangible assets, net	143,934	146,023	148,523	151,434	154,777
Tangible assets (*)	$ 6,636,315	$ 6,292,106	$ 5,893,815	$ 5,649,514	$ 5,170,874
Tangible equity ratio (*)	9.94%	8.73%	8.81%	8.68%	8.89%

(*) 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 10, "Other Assets".

The following tables summarize the Company's tangible book value per share for the periods indicated:

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands)				
Tangible stockholders' equity (*)	$ 659,896	$ 549,521	$ 518,962	$ 490,384	$ 459,635
Common shares issued	81,695,695	75,744,445	75,744,445	75,744,445	75,744,445
Less:					
Treasury shares	4,440,665	4,707,096	4,861,554	5,040,571	5,171,985
Unallocated ESOP	142,332	176,688	213,066	251,382	291,666
Unvested restricted stocks	455,283	476,854	486,035	419,702	409,068
Common shares outstanding	76,657,415	70,383,807	70,183,790	70,032,790	69,871,726
Tangible book value per share (*)	$ 8.61	$ 7.81	$ 7.39	$ 7.00	$ 6.58

(*) 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 10, "Other Assets".

The following table summarizes the Company's dividend payout ratio for the periods indicated:

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands)				
Dividends paid	$ 27,035	$ 25,366	$ 24,967	$ 23,876	$ 23,841
Net income, as reported (*)	$ 50,518	$ 52,362	$ 49,782	$ 43,288	$ 36,015
Dividend payout ratio (*)	53.52%	48.44%	50.15%	55.16%	66.20%

(*) 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 10, "Other Assets".

The following table summarizes the Company’s allowance for loan and lease losses related to originated loans and leases as a percentage of total originated loans and leases for the periods indicated:

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Allowance for loan and lease losses	$ 58,592	$ 53,666	$ 56,739	$ 53,659	$ 48,473
Less: Allowance for acquired loan and lease losses	1,040	1,253	1,752	2,848	1,629
Allowance for originated loan and lease losses	$ 57,552	$ 52,413	$ 54,987	$ 50,811	$ 46,844
Total loans and leases	$ 5,730,679	$ 5,398,864	$ 4,995,540	$ 4,822,607	$ 4,362,465
Less: Total acquired loans and leases	240,057	315,304	422,652	590,654	815,412
Total originated loan and leases	$ 5,490,622	$ 5,083,560	$ 4,572,888	$ 4,231,953	$ 3,547,053
Allowance for loan and lease losses related to originated loans and leases as a percentage of originated loan and leases	1.05%	1.03%	1.20%	1.20%	1.32%

Financial Condition

Loans and Leases

The following table summarizes the Company's portfolio of loans and leases receivables as of the dates indicated:

	At December 31,									
	2017		2016		2015		2014		2013	
	Balance	Percent of Total	Balance	Percent of Total	Balance	Percent of Total	Balance	Percent of Total	Balance	Percent of Total
	(Dollars in Thousands)									
Commercial real estate loans:										
Commercial real estate	$ 2,174,969	38.0%	$ 2,050,382	38.1%	$ 1,875,592	37.5%	$ 1,680,082	34.8%	$ 1,461,985	33.5%
Multi-family mortgage	760,670	13.3%	731,186	13.5%	658,480	13.2%	639,706	13.2%	627,933	14.4%
Construction	140,138	2.4%	136,999	2.5%	130,322	2.6%	148,013	3.1%	113,705	2.6%
Total commercial real estate loans	3,075,777	53.7%	2,918,567	54.1%	2,664,394	53.3%	2,467,801	51.1%	2,203,623	50.5%
Commercial loans and leases:										
Commercial	705,004	12.3%	635,426	11.8%	592,531	11.9%	514,077	10.7%	407,792	9.3%
Equipment financing	866,488	15.1%	799,860	14.8%	721,890	14.5%	601,424	12.5%	513,024	11.8%
Condominium association	52,619	0.9%	60,122	1.1%	59,875	1.2%	51,593	1.1%	44,794	1.0%
Total commercial loans and leases	1,624,111	28.3%	1,495,408	27.7%	1,374,296	27.6%	1,167,094	24.3%	965,610	22.1%
Consumer loans:										
Residential mortgage	660,065	11.5%	624,349	11.6%	616,449	12.3%	571,920	11.9%	528,185	12.1%
Home equity	355,954	6.2%	342,241	6.3%	314,553	6.3%	287,058	5.9%	257,461	5.9%
Other consumer	14,772	0.3%	18,299	0.3%	25,848	0.5%	328,734	6.8%	407,586	9.4%
Total consumer loans	1,030,791	18.0%	984,889	18.2%	956,850	19.1%	1,187,712	24.6%	1,193,232	27.4%
Total loans and leases	5,730,679	100.0%	5,398,864	100.0%	4,995,540	100.0%	4,822,607	100.0%	4,362,465	100.0%
Allowance for loan and lease losses	(58,592)		(53,666)		(56,739)		(53,659)		(48,473)	
Net loans and leases	$ 5,672,087		$ 5,345,198		$ 4,938,801		$ 4,768,948		$ 4,313,992	

The Company's loan portfolio consists primarily of first mortgage loans secured by commercial, multi-family and residential real estate properties located in the Company's primary lending area, loans to business entities, including commercial lines of credit, loans to condominium associations and loans and leases used to finance equipment used by small businesses. The Company also provides financing for construction and development projects, home equity and other consumer loans.

The Company employs seasoned commercial lenders and retail bankers who rely on community and business contacts as well as referrals from customers, attorneys and other professionals to generate loans and deposits. Existing borrowers are also an important source of business since many of them have more than one loan outstanding with the Company. The Company's ability to originate loans depends on the strength of the economy, trends in interest rates, and levels of customer demand and market competition.

The Company's current policy is that the aggregate amount of loans outstanding to any one borrower or related entities may not exceed $35.0 million unless approved by the Board Credit Committee, a committee of the Company's Board of Directors.

As of December 31, 2017 , there were twelve borrowers with commitments over $35.0 million . The total of those commitments was $537.1 million or 8.0% of total commitments as of December 31, 2017 .

The Company has written underwriting policies to control the inherent risks in loan origination. The policies address approval limits, loan-to-value ratios, appraisal requirements, debt service coverage ratios, loan concentration limits and other matters relevant to loan underwriting.

Commercial Real Estate Loans

The commercial real estate portfolio is comprised of commercial real estate loans, multi-family mortgage loans, and construction loans and is the largest component of the Company's overall loan portfolio, representing 53.7% of total loans and leases outstanding as of December 31, 2017 .

Typically, commercial real estate loans are larger in size and involve a greater degree of risk than owner-occupied residential mortgage loans. Loan repayment is usually dependent on the successful operation and management of the properties and the value of the properties securing the loans. Economic conditions can greatly affect cash flows and property values.

A number of factors are considered in originating commercial real estate and multi-family mortgage loans. The qualifications and financial condition of the borrower (including credit history), as well as the potential income generation and the value and condition of the underlying property, are evaluated. When evaluating the qualifications of the borrower, the Company considers the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with the Company and other financial institutions. Factors considered in evaluating the underlying property include the net operating income of the mortgaged premises before debt service and depreciation, the debt service coverage ratio (the ratio of cash flow before debt service to debt service), the use of conservative capitalization rates, and the ratio of the loan amount to the appraised value. Generally, personal guarantees are obtained from commercial real estate loan borrowers.

Commercial real estate and multi-family mortgage loans are typically originated for terms of five years with amortization periods of 20 to 30 years. Many of the loans are priced at inception on a fixed-rate basis generally for periods ranging from two to five years with repricing periods for longer-term loans. When possible, prepayment penalties are included in loan covenants on these loans. For commercial customers who are interested in loans with fixed rate terms longer than five years, the Company offers loan level derivatives to accommodate customer need.

The Company's urban and suburban market area is characterized by a large number of apartment buildings, office buildings, retail stores, among others. As a result, commercial real estate and multi-family mortgage lending has been a significant part of the Company's activities for many years. Many of the Company's borrowers have more than one multi-family or commercial real estate loan outstanding with the Company. The Company monitors the commercial real estate portfolio for tenant exposures; both by company and industry.

The permanent commercial real estate portfolio was composed primarily of loans secured by apartment buildings ($750.3 million), office buildings ($636.3 million), retail stores ($495.4 million), industrial properties ($367.1 million), mixed-use properties ($204.9 million), lodging services ($109.9 million) and to food services ($53.0 million) as of December 31, 2017 . At that date, 97.2% of the commercial real estate loans outstanding were secured by properties located in New England.

Construction and development financing is generally considered to involve a higher degree of risk than long-term financing on improved, occupied real estate and thus has lower concentration limits than do other commercial credit classes. Risk of loss on a construction loan is largely dependent upon the accuracy of the initial estimate of construction costs, the estimated time to sell or rent the completed property at an adequate price or rate of occupancy, and market conditions. If the estimates and projections prove to be inaccurate, the Company may be confronted with a project which, upon completion, has a value that is insufficient to assure full loan repayment.

Criteria applied in underwriting construction loans for which the primary source of repayment is the sale of the property are different from the criteria applied in underwriting construction loans for which the primary source of repayment is the stabilized cash flow from the completed project. For those loans where the primary source of repayment is from resale of the property, in addition to the normal credit analysis performed for other loans, the Company also analyzes project costs, the attractiveness of the property in relation to the market in which it is located and demand within the market area. For those construction loans where the source of repayment is the stabilized cash flow from the completed project, the Company analyzes not only project costs but also how long it might take to achieve satisfactory occupancy and the reasonableness of projected rental rates in relation to market rental rates.

Commercial Loans

The commercial loan and lease portfolio is comprised of commercial loans, equipment financing loans and leases and condominium association loans and represented 28.3% of total loans outstanding as of December 31, 2017 .

The commercial loan and lease portfolio is composed primarily of loans to small businesses ($507.6 million), transportation services ($344.5 million), recreation services ($149.7 million), food services ($113.2 million), manufacturing ($90.4 million), rental and leasing services ($82.1 million), and retail ($69.5 million) as of December 31, 2017 .

The Company provides commercial banking services to companies in its market area. Approximately 46.2% of the commercial loans outstanding as of December 31, 2017 were made to borrowers located in New England. The remaining 53.8% of the commercial loans outstanding were made to borrowers in other areas in the United States of America, primarily by the Company's equipment financing divisions. Product offerings include lines of credit, term loans, letters of credit, deposit services and cash management. These types of credit facilities have as their primary source of repayment cash flows from the operations of a business. Interest rates offered are available on a floating basis tied to the prime rate or a similar index or on a fixed-rate basis referenced on the Federal Home Loan Bank of Boston ("FHLBB") index.

Credit extensions are made to established businesses on the basis of loan purpose and assessment of capacity to repay as determined by an analysis of their financial statements, the nature of collateral to secure the credit extension and, in most instances, the personal guarantee of the owner of the business as well as industry and general economic conditions. The Company also participates in U.S. Government programs such as the Small Business Administration (the "SBA") in both the 7A program and as an SBA preferred lender.

The Company’s equipment financing divisions focus on market niches in which its lenders have deep experience and industry contacts, and on making loans to customers with business experience. An important part of the Company’s equipment financing loan origination volume comes from equipment manufacturers and existing customers as they expand their operations. The equipment financing portfolio is composed primarily of loans to finance laundry, tow trucks, fitness, dry cleaning and convenience store equipment. Approximately 16.2% of the commercial loans outstanding were made to borrowers located primarily in the greater New York and New Jersey metropolitan area. Typically, the loans are priced at a fixed rate of interest and require monthly payments over their three- to seven-year life. The yields earned on equipment financing loans are higher than those earned on the commercial loans made by the Banks because they involve a higher degree of credit risk. Equipment financing customers are typically small-business owners who operate with limited financial resources and who face greater risks when the economy weakens or unforeseen adverse events arise. Because of these characteristics, personal guarantees of borrowers are usually obtained along with liens on available assets. The size of loan is determined by an analysis of cash flow and other characteristics pertaining to the business and the equipment to be financed, based on detailed revenue and profitability data of similar operations.

Loans to condominium associations are for the purpose of funding capital improvements, are made for five- to ten-year terms and are secured by a general assignment of condominium association revenues. Among the factors considered in the underwriting of such loans are the level of owner occupancy, the financial condition and history of the condominium association, the attractiveness of the property in relation to the market in which it is located and the reasonableness of estimates of the cost of capital improvements to be made. Depending on loan size, funds are advanced as capital improvements are made and, in more complex situations, after completion of engineering inspections.

Consumer Loans

The consumer loan portfolio is comprised of residential mortgage loans, home equity loans and lines of credit, and other consumer loans and represented 18.0% of total loans outstanding as of December 31, 2017 . The Company focuses its mortgage and home equity lending on existing and new customers within its branch networks in its urban and suburban marketplaces in the greater Boston and Providence metropolitan areas.

The Company originates adjustable- and fixed-rate residential mortgage loans secured by one- to four-family residences. Each residential mortgage loan granted is subject to a satisfactorily completed application, employment verification, credit history and a demonstrated ability to repay the debt. 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. Appraisals are performed by outside independent fee appraisers.

In general, the Company maintains three-, five- and seven-year adjustable-rate mortgage loans and ten-year fixed-rate fully amortizing mortgage loans in its portfolio. Fixed-rate mortgage loans with maturities beyond ten years, such as 15- and 30-year fixed-rate mortgages, are generally sold into the secondary market on a servicing-released basis. The Banks act as correspondent banks in these secondary-market transactions. Loan sales in the secondary market provide funds for additional lending and other banking activities.

Underwriting guidelines for home equity loans and lines of credit are similar to those for residential mortgage loans. Home equity loans and lines of credit are limited to no more than 80% of the appraised value of the property securing the loan including the amount of any existing first mortgage liens.

Other consumer loans have historically been a modest part of the Company's loan originations. As of December 31, 2017 , other consumer loans equaled $14.8 million , or 0.3% of total loans outstanding. Consumer equity and debt securities were pledged as collateral for a substantial part of the total of those loans.

Loans to Insiders

Refer to Note 6, “Loans and Leases” within Notes to Consolidated Financial Statements for information regarding loans to insiders.

Loan Maturities and Repricing

The following table shows the contractual maturity and repricing dates of the Company's loans as of December 31, 2017 . The table does not include projected prepayments or scheduled principal amortization.

	Amount due at December 31, 2017						
	Within One Year	More than One Year to Three Years	More than Three Years to Five Years	More than Five Years to Fifteen Years	More than Fifteen Years	Total after One Year	Total
	(In Thousands)						
Commercial real estate	$ 838,864	$ 541,051	$ 589,739	$ 201,476	$ 3,839	$ 1,336,105	$ 2,174,969
Multi-family mortgage	353,630	133,559	170,345	101,037	2,099	407,040	760,670
Construction	106,738	8,863	20,382	3,957	198	33,400	140,138
Commercial	217,858	137,103	166,433	94,136	89,474	487,146	705,004
Equipment financing	77,542	210,175	438,624	140,147	—	788,946	866,488
Condominium association	6,334	13,986	15,705	16,594	—	46,285	52,619
Residential mortgage	173,447	125,112	209,647	116,557	35,302	486,618	660,065
Home equity	220,546	1,345	5,554	45,118	83,391	135,408	355,954
Other consumer	7,126	2,055	84	—	5,507	7,646	14,772
Total	$ 2,002,085	$ 1,173,249	$ 1,616,513	$ 719,022	$ 219,810	$ 3,728,594	$ 5,730,679

The following table sets forth as of December 31, 2017 the dollar amount of loans contractually due or scheduled to reprice after one year and whether such loans have fixed interest rates or adjustable interest rates.

	Due after One Year		
	Fixed	Adjustable	Total
		(In Thousands)	
Originated:			
Commercial real estate	$ 435,781	$ 825,762	$ 1,261,543
Multi-family mortgage	144,448	241,305	385,753
Construction	2,405	30,994	33,399
Commercial	277,409	203,728	481,137
Equipment financing	595,974	188,958	784,932
Condominium association	25,878	20,407	46,285
Residential mortgage	48,218	407,016	455,234
Home equity	26,479	67,524	94,003
Other consumer	2,172	5,475	7,647
Total originated	1,558,764	1,991,169	3,549,933
Acquired:			
Commercial real estate	9,614	64,949	74,563
Multi-family mortgage	10,822	10,465	21,287
Commercial	317	5,691	6,008
Equipment financing	4,015	—	4,015
Residential mortgage	19,490	11,893	31,383
Home equity	23,398	18,007	41,405
Total acquired	67,656	111,005	178,661
Total loans	$ 1,626,420	$ 2,102,174	$ 3,728,594

Asset Quality

Criticized and Classified Assets

The Company's management rates certain loans and leases as "other assets especially mentioned ("OAEM")", "substandard" or "doubtful" based on criteria established under banking regulations. Refer to Note 7, "Allowance for Loan and Lease Losses," to the consolidated financial statements for more information on the Company's risk rating system. These loans and leases are collectively referred to as "criticized" assets. Loans and leases rated OAEM have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects of the loan or lease at some future date. Loans and leases rated as substandard are inadequately protected by the payment capacity of the obligor or of the collateral pledged, if any. Substandard loans and leases have a well-defined weakness or weaknesses that jeopardize the liquidation of debt and are characterized by the distinct possibility that the Company will sustain some loss if existing deficiencies are not corrected. Loans and leases rated as doubtful have well-defined weaknesses that jeopardize the orderly liquidation of debt and partial loss of principal is likely. As of December 31, 2017 , the Company had $68.2 million of total assets, including acquired assets, that were designated as criticized. This compares to $70.4 million of assets designated as criticized as of December 31, 2016 .

Nonperforming Assets

"Nonperforming assets" consist of nonperforming loans and leases, other real estate owned ("OREO") and other repossessed assets. Under certain circumstances, the Company may restructure the terms of a loan or lease as a concession to a borrower, except for acquired loans and leases which are individually evaluated against expected performance on the date of acquisition. These restructured loans and leases are generally considered "nonperforming loans and leases" until a history of collection of at least six months on the restructured terms of the loan or lease has been established. OREO consists of real estate acquired through foreclosure proceedings and real estate acquired through acceptance of a deed in lieu of foreclosure. Other repossessed assets consist of assets that have been acquired through foreclosure that are not real estate and are included in other assets on the Company's consolidated balance sheets.

In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a troubled debt restructured loan. In determining whether a debtor is experiencing financial difficulties, the Company considers, among other factors, if the debtor is in payment default or is likely to be in payment default in the foreseeable future without the modification, the debtor declared or is in the process of declaring bankruptcy, there is substantial doubt that the debtor will continue as a going concern, the debtor's entity-specific projected cash flows will not be sufficient to service its debt, or the debtor cannot obtain funds from sources other than the existing creditors at market terms for debt with similar risk characteristics.

Nonperforming assets are composed of nonaccrual loans and leases, OREO and other repossessed assets. As of December 31, 2017 , the Company had nonperforming assets of $31.7 million , representing 0.47% of total assets, compared to nonperforming assets of $41.5 million , or 0.64% of total assets, as of December 31, 2016 . The decrease in nonperforming assets was primarily due to the partial charge-off of loans secured by taxi medallions during the year ending December 31, 2017 .

The Company evaluates the underlying collateral of each nonperforming loan and lease and continues to pursue the collection of interest and principal. Management believes that the current level of nonperforming assets remains manageable relative to the size of the Company's loan and lease portfolio. If economic conditions were to worsen or if the marketplace were to experience prolonged economic stress, management believes it is likely that the level of nonperforming assets would increase, as would the level of charged-off loans.

Past Due and Accruing

Accrual of interest on loans generally is discontinued when contractual payment of principal or interest becomes past due 90 days or, if in management's judgment, reasonable doubt exists as to the full timely collection of interest. Exceptions may be made if the loan has matured and is in the process of renewal or is well-secured and in the process of collection. When a loan is placed on nonaccrual status, interest accruals cease and uncollected accrued interest is reversed and charged against current interest income. Interest payments on nonaccrual loans are generally applied to principal. If collection of the principal is reasonably assured, interest payments are recognized as income on the cash basis. Loans are generally returned to accrual status when principal and interest payments are current, full collectability of principal and interest is reasonably assured and a consistent record of at least six consecutive months of performance has been achieved.

As of December 31, 2017 , the Company had loans and leases greater than 90 days past due and accruing of $3.0 million , or 0.05% of total loans and leases, compared to $7.1 million , or 0.13% of total loans and leases, as of December 31, 2016 , representing an decrease of $4.1 million .

The following table sets forth information regarding nonperforming assets for the periods indicated:

	At December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands)				
Nonperforming loans and leases:					
Nonaccrual loans and leases:					
Commercial real estate	$ 3,313	$ 5,340	$ 5,482	$ 1,009	$ 1,098
Multi-family mortgage	608	1,404	291	—	—
Construction	860	—	—	—	—
Total commercial real estate loans	4,781	6,744	5,773	1,009	1,098
Commercial	11,619	22,974	6,264	5,196	6,148
Equipment financing	8,106	6,758	2,610	3,223	4,115
Condominium association	—	—	—	—	1
Total commercial loans and leases	19,725	29,732	8,874	8,419	10,264
Residential mortgage	1,979	2,501	2,225	1,682	2,875
Home equity	744	951	1,757	1,918	1,987
Other consumer	43	149	704	686	277
Total consumer loans	2,766	3,601	4,686	4,286	5,139
Total nonaccrual loans and leases	27,272	40,077	19,333	13,714	16,501
Other real estate owned	3,235	618	729	953	577
Other repossessed assets	1,184	781	614	503	1,001
Total nonperforming assets	$ 31,691	$ 41,476	$ 20,676	$ 15,170	$ 18,079
Loans and leases past due greater than 90 days and accruing	$ 3,020	$ 7,077	$ 8,690	$ 6,008	$ 10,913
Total nonperforming loans and leases as a percentage of total loans and leases	0.48%	0.74%	0.39%	0.28%	0.38%
Total nonperforming assets as a percentage of total assets	0.47%	0.64%	0.34%	0.26%	0.34%

Troubled Debt Restructured Loans and Leases

As of December 31, 2017 , restructured loans included $5.0 million of commercial real estate loans, $0.6 million of multi-family mortgage loans, $13.9 million of commercial loans, $4.0 million of equipment financing loans and leases, $1.1 million of residential mortgage loans and $1.4 million of home equity loans. As of December 31, 2016 , restructured loans included $4.9 million of commercial real estate loans, $2.0 million of multi-family mortgage loans, $13.7 million of commercial loans, $2.1 million of equipment financing loans and leases, $1.3 million of residential mortgage loans and $1.8 million of home equity loans. A restructured loan is a loan for which the maturity date was extended, the principal was reduced, and/or the interest rate was modified to reduce the required monthly payment to a more manageable amount for the borrower.

The following table sets forth information regarding troubled debt restructured loans and leases at the dates indicated:

	At December 31, 2017	At December 31, 2016
	(Dollars in Thousands)	
Troubled debt restructurings:		
On accrual	$ 16,241	$ 13,883
On nonaccrual	9,770	11,919
Total troubled debt restructurings	$ 26,011	$ 25,802

Changes in troubled debt restructured loans and leases were as follows for the periods indicated:

	Year ended December 31,	
	2017	2016
	(Dollars in Thousands)	
Balance at beginning of period	$ 25,802	$ 22,918
Additions	7,001	12,027
Net charge-offs	(4,723)	(4,335)
Repayments	(1,147)	(4,808)
Other reductions [1]	(922)	—
Balance at end of period	$ 26,011	$ 25,802

(1) Includes loans and leases that were removed from TDR status

Allowances for Credit Losses

Allowance for Loan and Lease Losses

The allowance for loan and lease losses consists of general and specific allowances and reflects management's estimate of probable loan and lease losses inherent in the loan portfolio at the balance sheet date. Management uses a consistent and systematic process and methodology to evaluate the adequacy of the allowance for loan and lease losses on a quarterly basis. The allowance is calculated by loan type: commercial real estate loans, commercial loans and leases, and consumer loans, each category of which is further segregated. A formula-based credit evaluation approach is applied to each group that is evaluated collectively, primarily by loss factors, which includes estimates of incurred losses over an estimated loss emergence period ("LEP"), assigned to each risk rating by type, coupled with an analysis of certain loans individually evaluated for impairment. Management continuously evaluates and challenges inputs and assumptions in the allowance for loan and lease loss.

The process to determine the allowance for loan and lease losses requires management to exercise considerable judgment regarding the risk characteristics of the loan portfolios and the effect of relevant internal and external factors. While management evaluates currently available information in establishing the allowance for loan and lease losses, future adjustments to the allowance for loan and lease losses may be necessary if conditions differ substantially from the assumptions used in making the evaluations. Management performs a comprehensive review of the allowance for loan and lease losses on a quarterly basis. In addition, various regulatory agencies, as an integral part of their examination process, periodically review a financial institution's allowance for loan and lease losses and carrying amounts of other real estate owned. Such agencies may require the financial institution to recognize additions to the allowance based on their judgments about information available to them at the time of their examination. See Note 1, "Basis of Presentation," and Note 7, "Allowance for Loan and Lease Losses," to the consolidated financial statements for descriptions of how management determines the balance of the allowance for loan and lease losses for each portfolio and class of loans.

During the third quarter of 2015, the Company enhanced and refined its general allowance methodology to provide further 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 geographic 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 combination of the existing nine qualitative factors used at each of the Banks into a single group of nine factors used across the Company is appropriate based on the commonality of environmental factors, markets and underwriting standards among the Banks. In prior periods each of the Banks utilized a set of qualitative factors applicable to each Bank.

As of December 31, 2017 , the Company had a portfolio of approximately $19.7 million in loans secured by taxi medallions issued by the cities of Boston and Cambridge. As of December 31, 2016 , this portfolio was approximately $31.1 million . Application-based mobile ride services, such as Uber and Lyft, have generated increased competition in the transportation sector, resulting in a reduction in taxi utilization and, as a result, a reduction in the collateral value and credit quality of taxi medallion loans. This has increased the likelihood that loans secured by taxi medallions may default, or that the borrowers may be unable to repay these loans according to terms, resulting in an increase in past due loans, troubled debt restructurings, and charge-offs. Therefore, beginning with the three months ended September 30, 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 special risks associated with the taxi portfolio.

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 qualitative and quantitative components, making the unallocated allowance unnecessary. In prior years, 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.

The following tables present the changes in the allowance for loan and lease losses by portfolio category for the years ended December 31, 2017 , 2016 , 2015 , 2014 , and 2013 , respectively.

	Year Ended December 31, 2017			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at December 31, 2016	$ 27,645	$ 20,906	$ 5,115	$ 53,666
Charge-offs	(494)	(14,914)	(403)	(15,811)
Recoveries	476	1,158	319	1,953
(Credit) provision for loan and lease losses	(515)	19,183	116	18,784
Balance at December 31, 2017	$ 27,112	$ 26,333	$ 5,147	$ 58,592
Total loans and leases	$ 3,075,777	$ 1,624,111	$ 1,030,791	$ 5,730,679
Total allowance for loan and lease losses as a percentage of total loans and leases	0.88%	1.62%	0.50%	1.02%

	Year Ended December 31, 2016				
	Commercial Real Estate	Commercial	Consumer	Unallocated	Total
	(In Thousands)				
Balance at December 31, 2015	$ 30,151	$ 22,018	$ 4,570	$ —	$ 56,739
Charge-offs	(2,169)	(10,516)	(1,982)	—	(14,667)
Recoveries	—	642	750	—	1,392
(Credit) provision for loan and lease losses	(337)	8,762	1,777	—	10,202
Balance at December 31, 2016	$ 27,645	$ 20,906	$ 5,115	$ —	$ 53,666
Total loans and leases	$ 2,918,567	$ 1,495,408	$ 984,889	N/A	$ 5,398,864
Total allowance for loan and lease losses as a percentage of total loans and leases	0.95%	1.40%	0.52%	N/A	0.99%

	Year Ended December 31, 2015				
	Commercial Real Estate	Commercial	Consumer	Unallocated	Total
	(In Thousands)				
Balance at December 31, 2014	$ 29,594	$ 15,957	$ 5,690	$ 2,418	$ 53,659
Charge-offs	(550)	(3,634)	(2,370)	—	(6,554)
Recoveries	—	667	1,544	—	2,211
Provision (credit) for loan and lease losses	1,107	9,028	(294)	(2,418)	7,423
Balance at December 31, 2015	$ 30,151	$ 22,018	$ 4,570	$ —	$ 56,739
Total loans and leases	$ 2,664,394	$ 1,374,296	$ 956,850	N/A	$ 4,995,540
Allowance for loan and lease losses as a percentage of total loans and leases	1.13%	1.60%	0.48%	N/A	1.14%

	Year Ended December 31, 2014				
	Commercial Real Estate	Commercial	Consumer	Unallocated	Total
	(In Thousands)				
Balance at December 31, 2013	$ 23,022	$ 15,220	$ 7,299	$ 2,932	$ 48,473
Charge-offs	(130)	(2,507)	(1,813)	—	(4,450)
Recoveries	4	801	592	—	1,397
Provision (credit) for loan and lease losses	6,698	2,443	(388)	(514)	8,239
Balance at December 31, 2014	$ 29,594	$ 15,957	$ 5,690	$ 2,418	$ 53,659
Total loans and leases	$ 2,467,801	$ 1,167,094	$ 1,187,712	N/A	$ 4,822,607
Allowance for loan and lease losses as a percentage of total loans and leases	1.20%	1.37%	0.48%	N/A	1.11%

	Year Ended December 31, 2013				
	Commercial Real Estate	Commercial	Consumer	Unallocated	Total
			(In Thousands)		
Balance at December 31, 2012	$ 20,018	$ 10,655	$ 7,849	$ 2,630	$ 41,152
Charge-offs	(88)	(2,077)	(2,623)	—	(4,788)
Recoveries	13	657	764	—	1,434
Provision for loan and lease losses	3,079	5,985	1,309	302	10,675
Balance at December 31, 2013	$ 23,022	$ 15,220	$ 7,299	$ 2,932	$ 48,473
Total loans and leases	$ 2,203,623	$ 965,610	$ 1,193,232	N/A	$ 4,362,465
Allowance for loan and lease losses as a percentage of total loans and leases	1.04%	1.58%	0.61%	N/A	1.11%

The allowance for loan and lease losses was $58.6 million as of December 31, 2017 , or 1.02% of total loans and leases outstanding. This compared to an allowance for loan and lease losses of $53.7 million , or 0.99% of total loans and leases outstanding, as of December 31, 2016 . The increase in the allowance for loan and lease losses and in the allowance for loan and lease losses as a percentage of total loans and leases from December 31, 2016 to December 31, 2017 is primarily due to loan growth of $331.8 million during the year, offset by the charge-off of loans which had specific reserve during the year.

Management believes that the allowance for loan and lease losses as of December 31, 2017 is appropriate based on the facts and circumstances discussed further below.

Commercial Real Estate Loans

The allowance for commercial real estate loan losses was $27.1 million , or 0.88% of total commercial real estate loans outstanding, as of December 31, 2017 . This compared to an allowance for commercial real estate loan losses of $27.6 million , or 0.95% of total commercial real estate loans outstanding, as of December 31, 2016 . Specific reserves on commercial real estate loans were zero and $28.0 thousand as of December 31, 2017 and December 31, 2016 , respectively. The $0.5 million decrease in the allowance for commercial real estate loan losses during 2017 was primarily driven by the decrease in specific reserve on commercial real estate loans which had a charge-off during the year and the decrease in historical loss factors, partially offset by the originated loan growth of $200.0 million , or 7.3% from December 31, 2016 .

The ratio of total criticized and classified commercial real estate loans to total commercial real estate loans increased to 0.91% as of December 31, 2017 from 0.74% as of December 31, 2016 . The ratio of originated commercial real estate loans on nonaccrual to total originated commercial real estate loans decreased to 0.16% as of December 31, 2017 from 0.23% as of December 31, 2016 . The increase in total criticized and classified commercial real estate loans had a minimal impact on the allowance for commercial real estate loan losses as these loans are adequately collateralized over the loan carrying balance.

Net charge-offs decreased $2.2 million to $18.0 thousand , or 0.001% of average commercial real estate loans, for the year ended December 31, 2017 , compared with net charge-offs of $2.2 million , or 0.08% of average commercial real estate loans, for the year ended December 31, 2016 . The decrease in net charge-offs was primarily due to the 2016 charge-off of a commercial real estate relationship which had a specific reserve in prior period. Provisions for commercial real estate loans recorded in these periods more than adequately covered charge-offs during those periods. See the *"Results of Operations—Provision for Credit Losses"* section below for additional information.

Commercial Loans and Leases

The allowance for commercial loan and lease losses was $26.3 million , or 1.62% of total commercial loans and leases outstanding, as of December 31, 2017 , compared to $20.9 million , or 1.40% of total commercial loans and leases outstanding, as of December 31, 2016 . Specific reserves on commercial loans and leases increased from $0.1 million as of December 31, 2016 to $3.1 million as of December 31, 2017 . The $5.4 million increase in the allowance for commercial loans and lease losses during 2017 was primarily driven by the increase in specific reserve on taxi medallion loans, the increase in historical loss factors, along with the originated loan growth of $136.3 million , or 9.2% from December 31, 2016 .

The ratio of total criticized and classified commercial loans and leases to total commercial loans and leases decreased to 2.47% as of December 31, 2017 , from 3.27% as of December 31, 2016 . The ratio of originated commercial loans and leases on nonaccrual to total originated commercial loans and leases decreased to 1.15% as of December 31, 2017 from 1.85% as of December 31, 2016 . The decreases in the ratio of total criticized and classified commercial loans and leases to total commercial loans and leases and the ratio of originated commercial loans and leases on nonaccrual to total originated commercial loans and leases was primarily due to the partial charge-offs of loans secured by taxi medallions in 2017 .

Net charge-offs increased $3.9 million to $13.8 million , or 0.88% of average commercial loans and leases, for the year ended December 31, 2017 , compared with net charge-offs of $9.9 million , or 0.69% of average commercial loans and leases, for the year ended December 31, 2016 . The increase in net charge-offs was primarily due to the charge-offs of the taxi medallion and commercial loans which had a specific reserve in prior period. Provisions for commercial loans recorded in these periods more than adequately covered charge-offs during those periods. See the *"Results of Operations—Provision for Credit Losses"* section below for additional information.

Consumer Loans

The allowance for consumer loan losses, including residential loans and home equity loans and lines of credit, was $5.1 million , or 0.50% of total consumer loans outstanding, as of December 31, 2017 , compared to $5.1 million , or 0.52% of consumer loans outstanding, as of December 31, 2016 . Specific reserves on consumer loans were $22.0 thousand and $27.0 thousand as of December 31, 2017 and December 31, 2016 , respectively. The allowance for consumer loans remained steady during 2017 despite of the originated loan growth of $70.8 million , or 8.2% , from December 31, 2016 .

The ratio of originated consumer loans on nonaccrual to total originated consumer loans increased to 0.23% as of December 31, 2017 from 0.32% as of December 31, 2016 . The risk of loss on a home equity loan is higher since the property securing the loan has often been previously pledged as collateral for a first mortgage loan. The Company gathers and analyzes delinquency data, to the extent that data are available on these first liens, for purposes of assessing the collectability of the second liens held by the Company even if these home equity loans are not delinquent. This data are further analyzed for performance differences between amortizing and non-amortizing home equity loans, the percentage borrowed to total loan commitment and by the amount of payments made by the borrowers. The loss exposure is not considered to be high due to the combination of current property values, the historically low loan-to-value ratios, the low level of losses experienced in the past few years and the low level of loan delinquencies as of December 31, 2017 . If the local economy weakens, however, a rise in losses in those loan classes could occur. Historically, losses in these classes have been low.

Net charge-offs in the consumer loan portfolio totaled $0.1 million , or 0.01% of average consumer loans, for the year ended December 31, 2017 , compared with net charge-offs of $1.2 million , or 0.13% of average consumer loans, for the year ended December 31, 2016 . Provisions for consumer loans recorded in these periods more than adequately covered charge-offs during those periods. See the *"Results of Operations—Provision for Credit Losses"* section below for additional information.

The following table sets forth the Company's percent of allowance for loan and lease losses to the total allowance for loan and lease losses and the percent of loans to total loans for each of the categories listed at the dates indicated.

	At December 31,								
	2017			2016			2015		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Each Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Each Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in Thousands)								
Commercial real estate	$ 20,089	34.3%	38.0%	$ 19,354	36.1%	38.1%	$ 21,100	37.3%	37.5%
Multi-family mortgage	5,667	9.7%	13.3%	5,528	10.3%	13.5%	6,376	11.2%	13.2%
Construction	1,356	2.3%	2.4%	2,763	5.1%	2.5%	2,675	4.7%	2.6%
Total commercial real estate loans	27,112	46.3%	53.7%	27,645	51.5%	54.1%	30,151	53.2%	53.3%
Commercial	15,366	26.2%	12.3%	10,096	18.8%	11.8%	12,745	22.5%	11.9%
Equipment financing	10,586	18.1%	15.1%	10,345	19.3%	14.8%	8,809	15.5%	14.5%
Condominium association	381	0.7%	0.9%	465	0.9%	1.1%	464	0.8%	1.2%
Total commercial loans and leases	26,333	45.0%	28.3%	20,906	39.0%	27.7%	22,018	38.8%	27.6%
Residential mortgage	2,743	4.7%	11.5%	2,587	4.8%	11.6%	2,069	3.6%	12.3%
Home equity	2,219	3.8%	6.2%	2,356	4.4%	6.3%	2,149	3.8%	6.3%
Other consumer	185	0.2%	0.3%	172	0.3%	0.3%	352	0.6%	0.5%
Total consumer loans	5,147	8.7%	18.0%	5,115	9.5%	18.2%	4,570	8.0%	19.1%
Total	$ 58,592	100.0%	100.0%	$ 53,666	100.0%	100.0%	$ 56,739	100.0%	100.0%

The following table sets forth the Company's percent of allowance for loan and lease losses to the total allowance for loan and lease losses and the percent of loans to total loans for each of the categories listed at the dates indicated.

	At December 31,					
	2014			2013		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Each Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in Thousands)					
Commercial real estate	$ 20,858	38.9%	34.8%	$ 14,883	30.7%	33.5%
Multi-family mortgage	5,057	9.4%	13.2%	4,890	10.1%	14.4%
Construction	3,679	6.9%	3.1%	3,249	6.7%	2.6%
Total commercial real estate loans	29,594	55.2%	51.1%	23,022	47.5%	50.5%
Commercial	7,463	13.9%	10.7%	6,724	13.9%	9.3%
Equipment financing	8,112	15.1%	12.5%	8,161	16.8%	11.8%
Condominium association	382	0.7%	1.1%	335	0.7%	1.0%
Total commercial loans and leases	15,957	29.7%	24.3%	15,220	31.4%	22.1%
Residential mortgage	1,392	2.6%	11.9%	1,431	3.0%	12.1%
Home equity	1,846	3.5%	5.9%	1,324	2.7%	5.9%
Other consumer	2,452	4.5%	6.8%	4,544	9.4%	9.4%
Total consumer loans	5,690	10.6%	24.6%	7,299	15.1%	27.4%
Unallocated	2,418	4.5%	—%	2,932	6.0%	—%
Total	$ 53,659	100.0%	100.0%	$ 48,473	100.0%	100.0%

Liability for Unfunded Credit Commitments

The liability for unfunded credit commitments, which is included in other liabilities, was $1.7 million , and $1.5 million , as of December 31, 2017 , and 2016 , respectively. The changes in the liability for unfunded credit commitments reflect changes in the estimate of loss exposure associated with certain credit unfunded credit commitments.

See the subsections *"Comparison of Years Ended December 31, 2017 and December 31, 2016 —Provision for Credit Losses"* and " *Comparison of Years Ended December 31, 2016 and December 31, 2015 —Provision for Credit Losses"* appearing elsewhere in this report for a discussion of the provision for loan and lease losses and loan and lease charge-offs recognized in the Company's consolidated financial statements during the past three years.

Investment Securities and Restricted Equity Securities

The investment portfolio exists primarily for liquidity purposes, and secondarily as sources of interest and dividend income, interest-rate risk management and tax planning as a counterbalance to loan and deposit flows. Investment securities are utilized as part of the Company's asset/liability management and may be sold in response to, or in anticipation of, factors such as changes in market conditions and interest rates, security prepayment rates, deposit outflows, liquidity concentrations and regulatory capital requirements.

The investment policy of the Company, which is reviewed and approved by the Board of Directors on an annual basis, specifies the types of investments that are acceptable, required investment ratings by at least one nationally recognized rating agency, concentration limits and duration guidelines. Compliance with the investment policy is monitored on a regular basis. In general, the Company seeks to maintain a high degree of liquidity and targets cash, cash equivalents and investment securities available-for-sale balances between 10% and 30% of total assets.

Cash, cash equivalents, and investment securities increased $32.4 million , or 4.8% , to $710.9 million as of December 31, 2017 from $678.4 million as of December 31, 2016 . The increase was primarily driven by an increase in deposit balances, offset by growth in loans and leases and investment securities. Cash, cash equivalents, and investment securities were 10.48% of total assets as of December 31, 2017 , compared to 10.54% of total assets at December 31, 2016 .

The following table sets forth certain information regarding the amortized cost and market value of the Company's investment securities at the dates indicated:

	At December 31,					
	2017		2016		2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)					
Investment securities available-for-sale:						
GSE debentures	$ 151,483	$ 149,924	$ 98,122	$ 97,020	$ 40,658	$ 40,627
GSE CMOs	131,082	127,022	161,483	158,040	198,000	193,816
GSE MBSs	191,281	189,313	214,946	212,915	230,213	229,881
SBA commercial loan asset- backed securities	73	72	107	107	148	147
Corporate debt obligations	62,811	62,683	48,308	48,485	46,160	46,486
U.S. Treasury bonds	8,785	8,730	4,801	4,737	—	—
Trust preferred securities	1,471	1,398	1,469	1,358	1,466	1,267
Marketable equity securities	978	982	966	972	956	977
Total investment securities available-for-sale	$ 547,964	$ 540,124	$ 530,202	$ 523,634	$ 517,601	$ 513,201
Investment securities held-to-maturity:						
GSE debentures	$ 41,612	$ 40,801	$ 14,735	$ 14,101	$ 34,915	$ 34,819
GSE MBSs	13,923	13,705	17,666	17,479	19,291	18,986
Municipal obligations	53,695	53,517	54,219	53,204	39,051	39,390
Foreign government obligations	500	500	500	487	500	500
Total investment securities held-to-maturity	$ 109,730	$ 108,523	$ 87,120	$ 85,271	$ 93,757	$ 93,695
Restricted equity securities:						
FHLBB stock	$ 42,427		$ 47,284		$ 48,890	
FRB stock	16,842		16,752		16,752	
Other	100		475		475	
Total restricted equity securities	$ 59,369		$ 64,511		$ 66,117	

Total investment securities and restricted equity securities primarily consist of investment securities available-for-sale, investment securities held-to-maturity, stock in the FHLBB and stock in the FRB. The total securities portfolio increased $34.0 million , or 5.0% since December 31, 2016 . As of December 31, 2017 , total securities portfolio was 10.46% of total assets, compared to 10.49% of total assets as of December 31, 2016 .

The fair value of investment securities is based principally on market prices and dealer quotes received from third-party, nationally-recognized pricing services for identical investment securities such as U.S. Treasury and agency securities. The Company's marketable equity securities are priced this way and are included in Level 1. These prices are validated by comparing the primary pricing source with an alternative pricing source when available. When quoted market prices for identical securities are unavailable, the Company uses market prices provided by independent pricing services based on recent trading activity and other observable information, including but not limited to market interest-rate curves, referenced credit spreads and estimated prepayment speeds where applicable. These investments include certain U.S. and government agency debt securities, municipal and corporate debt securities, GSE residential MBSs and CMOs, and trust preferred securities, all of which are included in Level 2. Certain fair values are estimated using pricing models (such as auction-rate municipal securities) and are included in Level 3.

Additionally, management reviews changes in fair value from period to period and performs testing to ensure that prices received from the third parties are consistent with their expectation of the market. Changes in the prices obtained from the pricing service are analyzed from month to month, taking into consideration changes in market conditions including changes in mortgage spreads, changes in U.S. Treasury security yields and changes in generic pricing of 15-year and 30-year securities.

Additional analysis may include a review of prices provided by other independent parties, a yield analysis, a review of average life changes using Bloomberg analytics and a review of historical pricing for the particular security.

Maturities, calls and principal repayments for investment securities available-for-sale and investment securities held-to-maturity totaled $75.4 million for the year ended December 31, 2017 compared to $143.4 million for the same period in 2016 . There were no sales of investment securities available-for-sale in 2017 or 2016 . For the year ended December 31, 2017 , the Company purchased $91.0 million of investment securities available-for-sale and $26.9 million of investment securities held-to-maturity, compared to $115.4 million of investment securities available-for-sale and $36.2 million of investment securities held-to-maturity in 2016 .

As of December 31, 2017 , the fair value of all investment securities available-for-sale was $540.1 million and carried a total of $7.8 million of net unrealized losses, compared to a fair value of $523.6 million and net unrealized losses of $6.6 million as of December 31, 2016 . As of December 31, 2017 , $469.2 million , or 86.9% , of the portfolio, had gross unrealized losses of $8.4 million . This compares to $389.0 million , or 74.3% , of the portfolio with gross unrealized losses of $8.0 million as of December 31, 2016 . The Company's unrealized loss position increased in 2017 driven by higher year over year interest rates and a change in the portfolio mix from shorter duration MBS to longer duration agency debentures and municipal securities.

Management believes that these negative differences between amortized cost and fair value do not include credit losses, but rather differences in interest rates between the time of purchase and the time of measurement. It is more likely than not that the Company will not sell the investment securities before recovery, and, as a result, it will recover the amortized cost basis of the investment securities. As such, management has determined that the securities are not other-than-temporarily impaired as of December 31, 2017 . If market conditions for securities worsen or the creditworthiness of the underlying issuers deteriorates, it is possible that the Company may recognize additional other-than-temporary impairments in future periods. For additional discussion on how the Company validates fair values provided by the third-party pricing service, see Note 21, “Fair Value of Financial Instruments.”

Investment Securities Available-for-Sale

U.S. Government-Sponsored Enterprises

The Company invests in securities issued by U.S. Government-sponsored enterprises ("GSEs"), including GSE debentures, mortgage-backed securities ("MBSs"), and collateralized mortgage obligations ("CMOs"). GSE securities include obligations issued by the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), the Government National Mortgage Association ("GNMA"), the Federal Home Loan Banks ("FHLB") and the Federal Farm Credit Bank. As of December 31, 2017 , only GNMA MBSs and CMOs, and Small Business Administration ("SBA") commercial loan asset-backed securities in our available-for-sale portfolio with an estimated fair value of $23.7 million were backed explicitly by the full faith and credit of the U.S. Government, compared to $26.2 million as of December 31, 2016 .

GSE securities are considered attractive investments because they (1) generate positive yields with minimal administrative expense, (2) impose minimal credit risk as a result of the guarantees usually provided, (3) can be utilized as collateral for borrowings, (4) generate cash flows useful for liquidity management and (5) are ‘‘qualified investments’’ as designated for regulatory purposes that the Company is obligated to meet.

As of December 31, 2017 , the Company owned 48 GSE debentures with a total fair value of $149.9 million , and a net unrealized loss of $1.6 million . As of December 31, 2016 , the Company held 29 GSE debentures with a total fair value of $97.0 million , and a net unrealized loss of $1.1 million . As of December 31, 2017 , 43 of the 48 securities in this portfolio were in an unrealized loss position. As of December 31, 2016 , 21 of the 29 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA/SBA) guarantee of the U.S. Government. During the year ended December 31, 2017 , the Company purchased a total of $54.2 million GSE debentures. This compares to $65.7 million purchased during the same period in 2016 .

As of December 31, 2017 , the Company owned 62 GSE CMOs with a total fair value of $127.0 million and a net unrealized loss of $4.1 million . As of December 31, 2016 , the Company held 62 GSE CMOs with a total fair value of $158.0 million with a net unrealized loss of $3.4 million . As of December 31, 2017 , 47 of the 62 securities in this portfolio were in an unrealized loss position. As of December 31, 2016 , 47 of the 62 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S. Government. During the year ended December 31, 2017 , the Company did not purchase any GSE CMOs. During the year ended December 31, 2016 , the Company purchased a total of $3.1 million of GSE CMOs.

As of December 31, 2017 , the Company owned 194 GSE MBSs with a total fair value of $189.3 million and a net unrealized loss of $2.0 million . As of December 31, 2016 , the Company held 195 GSE MBSs with a total fair value of $212.9 million with a net unrealized loss of $2.0 million . As of December 31, 2017 , 82 of the 194 securities in this portfolio were in an unrealized loss position. As of December 31, 2016 , 60 of the 195 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S. Government. During the years ended December 31, 2017 and 2016 , the Company purchased a total of $18.3 million and $36.6 million , respectively, of GSE MBSs.

SBA Commercial Loan Asset-Backed Securities

As of December 31, 2017 and December 31, 2016 , the Company owned SBA securities with a total fair value of $0.1 million , which approximated amortized cost. As of December 31, 2017 , four of the five securities in this portfolio were in an unrealized loss position. As of December 31, 2016 , four of the six securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the explicit (SBA) guarantee of the U.S Government.

Mortgage-related securities are created by the pooling of mortgages and the issuance of a security with an interest rate that is less than the average interest rate on the underlying mortgages. Mortgage related securities purchased by the Company generally are comprised of a pool of single-family mortgages. The issuers of such securities are generally GSEs such as FNMA, FHLMC and GNMA, which pool and resell participation interests in the form of securities to investors and guarantee the payment of principal and interest to the investors.

Investments in mortgage-related securities issued and guaranteed by GSEs generally do not entail significant credit risk. Such investments, however, are susceptible to significant interest rate and cash flow risks when actual cash flows from the investments differ from cash flows estimated at the time of purchase. Additionally, the market value of such securities can be affected adversely by market changes in interest rates. Prepayments that are faster than anticipated may shorten the life of a security and result in the accelerated expensing of any premiums paid, thereby reducing the net yield earned on the security. Although prepayments of underlying mortgages depend on many factors, the difference between the interest rates on the underlying mortgages and prevailing mortgage interest rates generally is the most significant determinant of the rate of prepayments. During periods of declining interest rates, refinancing generally increases and accelerates the prepayment of underlying mortgages and the related security. Such an occurrence can also create reinvestment risk because of the unavailability of other investments with a comparable rate of return in relation to the nature and maturity of the alternative investment. Conversely, in a rising interest-rate environment, prepayments may decline, thereby extending the estimated life of the security and depriving the Company of the ability to reinvest cash flows at the higher market rates of interest.

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. The Company owned nineteen corporate obligation securities with a total fair value of $62.7 million and a net unrealized gain of $0.1 million as of December 31, 2017 . This compares to sixteen corporate obligation securities with a total fair value of $48.5 million and a net unrealized gain of $0.2 million as of December 31, 2016 . As of December 31, 2017 , nine of the nineteen securities in this portfolio were in an unrealized loss position. As of December 31, 2016 , three of the sixteen securities in this portfolio were in an unrealized loss position. Full collection of the obligations is expected because the financial condition of the issuers is sound, and the issuers have not defaulted on scheduled payments, the obligations are rated investment grade, and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost. During the year ended December 31, 2017 , the Company purchased $14.5 million in corporate obligations compared to $5.1 million in the same period in 2016 .

U.S. Treasury Bonds

The Company invests in securities issued by the U.S. government. As of December 31, 2017 , the Company owned two U.S. Treasury bonds with a total fair value of $8.7 million and a net unrealized loss of $0.1 million . As of December 31, 2016 , the Company owned one U.S. Treasury bond with a total fair value of $4.7 million and a net unrealized loss of $0.1 million . As of December 31, 2017 and 2016 , all of the securities in this portfolio were in an unrealized loss position. For the year ended December 31, 2017 , the Company purchased $4.0 million in U.S. Treasury bonds, compared to $4.8 million during the same period in 2016 .

Trust Preferred Securities

Trust preferred securities represent subordinated debt issued by financial institutions. As of December 31, 2017 and December 31, 2016 , the Company owned two trust preferred securities with a total fair value of $1.4 million and a net unrealized loss of $0.1 million . As of December 31, 2017 and 2016 , both of the securities in this portfolio were in an unrealized loss position. Full collection of the obligations is expected because the financial condition of the issuers is sound, neither of the issuers has defaulted on scheduled payments, the obligations are rated investment grade, and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost.

Marketable Equity Securities

As of December 31, 2017 and 2016 , the Company owned marketable equity securities with a fair value of $1.0 million , which approximated amortized cost. As of December 31, 2017 and 2016 , one of the two securities in this portfolio was in an unrealized loss position.

Investment Securities Held-to-Maturity

U.S. Government-Sponsored Enterprises

As of December 31, 2017 , the Company owned fourteen GSE debentures with a total fair value of $40.8 million and a net unrealized loss of $0.8 million . As of December 31, 2016 , the Company owned five GSE debentures with a total fair value of $14.1 million and a net unrealized loss of $0.6 million . As of December 31, 2017 , all securities in this portfolio were in an unrealized loss position. At December 31, 2016 , all of the securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the years ended December 31, 2017 and December 31, 2016 , the Company purchased a total of $26.9 million and $17.7 million in GSE debentures, respectively.

As of December 31, 2017 , the Company owned eleven GSE MBSs with a total fair value of $13.7 million and a net unrealized loss of $0.2 million . As of December 31, 2016 , the Company owned eleven GSE MBSs with a total fair value of $17.5 million and an unrealized loss of $0.2 million . As of December 31, 2017 , eight of the eleven securities in this portfolio were in an unrealized loss position as compared to December 31, 2016 , when eight of the eleven securities were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S. Government. During the year ended December 31, 2017 , the Company did not purchase any GSE MBSs, compared to the same period in 2016 when the Company purchased $2.3 million in GSE MBSs.

Municipal Obligations

As of December 31, 2017 , the Company owned 100 municipal obligation securities with a total fair value and total amortized cost of $53.5 million and $53.7 million , respectively. As of December 31, 2016 , the Company owned 100 municipal obligation securities with a total fair value and total amortized cost of $53.2 million and $54.2 million , respectively. As of December 31, 2017 , 69 of the 100 securities in this portfolio were in an unrealized loss position as compared to December 31, 2016 , when 93 of the 100 securities were in an unrealized loss position. During the year ended December 31, 2017 , the Company did not purchase any municipal obligations. During the year ended December 31, 2016 , the Company purchased $15.6 million in municipal obligations.

Foreign Government Obligations

As of December 31, 2017 and December 31, 2016 , the Company owned one foreign government obligation security with a fair value and amortized cost of $0.5 million . As of December 31, 2017 , the security was in an unrealized loss position. This security was in an unrealized loss position at December 31, 2016 . During the year ended December 31, 2017 , the Company did not purchase any foreign government obligation securities. During the year ended December 31, 2016 , the Company repurchased the foreign government obligation security that matured during the first quarter of 2016.

Restricted Equity Securities

FHLBB Stock —The Company invests in the stock of the FHLBB as one of the requirements to borrow. The Company maintains an excess balance of capital stock, which allows for additional borrowing capacity at each of the Banks. On December 30th, the FHLBB initiated a stock buyback which reduced the Company's excess balance to zero.

As of December 31, 2017 , the Company owned stock in the FHLBB with a carrying value of $42.4 million , a decrease of $4.9 million from $47.3 million as of December 31, 2016 . As of December 31, 2017 , the FHLBB had total assets of $60.4 billion and total capital of $3.3 billion , of which $1.3 billion was retained earnings. The FHLBB stated that it remained in compliance with all regulatory capital ratios as of December 31, 2017 and was classified as "adequately capitalized" by its regulator, based on the FHLBB's financial information as of September 30, 2017 . See Note 5, "Restricted Equity Securities" to the consolidated financial statements for further information about the FHLBB.

Federal Reserve Bank Stock —The Company invests in the stock of the Federal Reserve Bank of Boston, as a condition of the membership for the Banks in the Federal Reserve System. In 2017 , the Company maintained its investment in the stock of the Federal Reserve Bank of Boston to adjust for deposit growth. The FRB is the primary federal regulator for the Company and the Banks.

Other Stock —The Company invests in a small number of other restricted securities which included Northeast Retirement Services, Inc. ("NRS"). The Company, through its wholly owned subsidiary, Brookline Securities Corp. ("Brookline Securities"), held 9,721 shares of restricted equity securities of NRS. This investment was recorded at cost of $122 thousand as no readily determinable fair value was available. On December 5, 2016, Community Bank Systems, Inc. ("CBU") announced entry into a merger agreement to acquire NRS. After receiving stockholder and regulatory approvals, CBU completed the acquisition of NRS on February 3, 2017. The Company exchanged the 9,721 shares of NRS and received $319.04 in cash and 14.876 shares of CBU common stock for each share of NRS held. As part of the merger agreement, the Company was restricted to selling 5,071 shares per day in the open market and a portion of the merger consideration was held in escrow to be used for indemnification claims, if any, within the 12 month period following the merger. The Company completed the sale of all CBU shares during the first quarter of 2017. The Company recognized a gain on the sale of securities of $11.4 million for the quarter ending March 31, 2017.

Brookline Securities held one Class A Common Stock share and 2,070 Class B Common Stock shares of the Savings Bank Life Insurance Company of Massachusetts ("SBLI"). In July 2017, SBLI converted from a Massachusetts stock insurance company to a Massachusetts mutual insurance company and, as a result, Brookline Securities received $500 for one share of Class A Common Stock and $128 per share for its 2,070 shares of Class B Common Stock of SBLI, or gross proceeds of $265.5 thousand in cash. Brookline Securities recognized a nominal gain on the exchange.

Carrying Value, Weighted Average Yields, and Contractual Maturities of Investment and Restricted Equity Securities

The table below sets forth certain information regarding the carrying value, weighted average yields and contractual maturities of the Company's investment and restricted equity securities portfolio at the date indicated.

	Balance at December 31, 2017									
	One Year or Less		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years		Total	
	Carrying Value	Weighted Average Yield (1)	Carrying Value	Weighted Average Yield (1)	Carrying Value	Weighted Average Yield (1)	Carrying Value	Weighted Average Yield (1)	Carrying Value	Weighted Average Yield (1)
	(Dollars in Thousands)									
Investment securities available-for-sale:										
GSE debentures	$ —	—%	$ 95,330	1.97%	$ 54,594	2.14%	$ —	—%	$ 149,924	2.03%
GSE CMOs	1,196	1.53%	19	6.90%	6,151	1.55%	119,656	1.85%	127,022	1.83%
GSE MBSs	378	3.40%	16,420	2.19%	54,617	1.91%	117,898	2.26%	189,313	2.16%
SBA commercial loan asset- backed securities	—	—%	27	2.26%	45	1.60%	—	—%	72	1.85%
Corporate debt obligations	22,078	2.29%	26,269	2.26%	14,336	2.60%	—	—%	62,683	2.35%
U.S. Treasury bonds	—	—%	3,964	2.24%	4,766	2.02%	—	—%	8,730	2.12%
Trust preferred securities	—	—%	—	—%	469	2.10%	929	2.23%	1,398	2.19%
Marketable equity securities (2)	—	—%	—	—%	—	—%	982	2.06%	982	2.06%
Total investment securities available-for-sale	$ 23,652	2.27%	$ 142,029	2.05%	$ 134,978	2.06%	$ 239,465	2.06%	$ 540,124	2.07%
Investment securities held-to-maturity:										
GSE debentures	$ —	—%	$ 26,867	2.15%	$ 14,745	1.90%	$ —	—%	$ 41,612	2.06%
GSE MBSs	35	1.98%	—	—%	—	—%	13,888	1.98%	13,923	1.98%
Municipal obligations	883	0.81%	30,968	1.38%	21,844	1.72%	—	—%	53,695	1.51%
Foreign government obligations	—	—%	500	2.15%	—	—%	—	—%	500	2.15%
Total investment securities held-to-maturity	$ 918	0.85%	$ 58,335	1.74%	$ 36,589	1.79%	$ 13,888	1.98%	$ 109,730	1.78%
Restricted equity securities (2):										
FHLBB stock	$ —	—%	$ —	—%	$ —	—%	$ 42,427	4.27%	$ 42,427	4.27%
FRB stock	—	—%	—	—%	—	—%	16,842	6.00%	16,842	6.00%
Other stock	—	—%	—	—%	—	—%	100	33.45%	100	33.45%
Total restricted equity securities	$ —	—%	$ —	—%	$ —	—%	$ 59,369	4.81%	$ 59,369	4.81%

(1) Yields have been calculated on a tax-equivalent basis.

(2) Equity securities have no contractual maturity, therefore they are reported above in the over ten year maturity column.

Deposits

The following table presents the Company's deposit mix at the dates indicated.

	At December 31,								
	2017			2016			2015		
	Amount	Percent of Total	Weighted Average Rate	Amount	Percent of Total	Weighted Average Rate	Amount	Percent of Total	Weighted Average Rate
	(Dollars in Thousands)								
Non-interest-bearing deposits:									
Demand checking accounts	$ 942,583	19.3%	—%	$ 900,474	19.5%	—%	$ 799,117	18.6%	—%
Interest-bearing deposits:									
NOW accounts	350,568	7.2%	0.07%	323,160	7.0%	0.07%	283,972	6.6%	0.07%
Savings accounts	646,359	13.3%	0.25%	613,061	13.3%	0.20%	540,788	12.6%	0.25%
Money market accounts	1,724,363	35.4%	0.56%	1,733,359	37.6%	0.47%	1,594,269	37.0%	0.44%
Certificate of deposit accounts	1,207,470	24.8%	1.27%	1,041,022	22.6%	1.04%	1,087,872	25.2%	0.93%
Total interest-bearing deposits	3,928,760	80.7%	0.68%	3,710,602	80.5%	0.55%	3,506,901	81.4%	0.53%
Total deposits	$ 4,871,343	100.0%	0.55%	$ 4,611,076	100.0%	0.44%	$ 4,306,018	100.0%	0.43%

The Company seeks to increase its core (non-certificate of deposit) deposits and decrease its loan-to-deposit ratio over time, while continuing to increase deposits as a percentage of total funding sources. The Company's loan-to-deposit ratio increased to 117.6% as of December 31, 2017 , from 117.1% as of December 31, 2016 .

Total deposits increased $0.3 billion , or 5.6% , to $4.9 billion as of December 31, 2017 , compared to $4.6 billion as of December 31, 2016 . Deposits as a percentage of total assets increased from 71.6% as of December 31, 2016 to 71.8% as of December 31, 2017 . The increase in deposits as a percentage of total assets is primarily due to the growth in core deposits, primarily demand accounts, NOW accounts and MMDA accounts.

As of December 31, 2017 , the Company had $274.7 million of brokered deposits compared to $203.4 million as of December 31, 2016 . Brokered deposits allow the Company to seek additional funding by attracting deposits from outside the Company's core market. The Company's investment policy limits the amount of brokered deposits to 15% of total assets. Brokered deposits are included in the certificate of deposit balance, which increased $166.4 million , or 16.0% , during 2017 . Certificates of deposit have also increased as a percentage of total deposits to 24.8% as of December 31, 2017 from 22.6% as of December 31, 2016 .

In 2017 , core deposits increased $93.8 million , or 2.6% . The ratio of core deposits to total deposits decreased from 77.4% as of December 31, 2016 to 75.2% as of December 31, 2017 , primarily due to the shift in deposit mix and increase in brokered deposits.

The Company's growth in deposits and the shift in the mix of deposits in 2017 and 2016 were due in part to expansion of the Company's cash management services and increased efforts in seeking deposits from existing customer relationships. A rise in interest rates could cause a shift from core deposit accounts to certificate of deposit accounts with longer maturities. Generally, the rates paid on certificates of deposit are higher than those paid on core deposit accounts.

The following table sets forth the distribution of the average balances of the Company's deposit accounts for the years indicated and the weighted average interest rates on each category of deposits presented. Averages for the years presented are based on daily balances.

	Year Ended December 31,								
	2017			2016			2015		
	Average Balance	Percent of Total Average Deposits	Weighted Average Rate	Average Balance	Percent of Total Average Deposits	Weighted Average Rate	Average Balance	Percent of Total Average Deposits	Weighted Average Rate
	(Dollars in Thousands)								
Core deposits:									
Non-interest-bearing demand checking accounts	$ 912,743	19.3%	—%	$ 849,672	18.9%	—%	$ 770,045	18.5%	—%
NOW accounts	322,681	6.8%	0.07%	294,318	6.5%	0.07%	249,204	6.0%	0.07%
Savings accounts	620,757	13.1%	0.21%	578,855	12.9%	0.23%	532,496	12.8%	0.21%
Money market accounts	1,761,112	37.2%	0.50%	1,670,609	37.2%	0.45%	1,560,437	37.6%	0.44%
Total core deposits	3,617,293	76.4%	0.29%	3,393,454	75.5%	0.27%	3,112,182	74.9%	0.26%
Certificate of deposit accounts	1,116,909	23.6%	1.16%	1,102,110	24.5%	1.00%	1,045,328	25.1%	0.78%
Total deposits	$ 4,734,202	100.0%	0.49%	$ 4,495,564	100.0%	0.44%	$ 4,157,510	100.0%	0.44%

As of December 31, 2017 and 2016 , the Company had outstanding certificate of deposit of $100,000 or more, maturing as follows:

	At December 31,			
	2017		2016	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)			
Maturity period:				
Six months or less	$ 157,263	0.96%	$ 134,783	0.82%
Over six months through 12 months	134,297	1.08%	79,543	0.92%
Over 12 months	244,348	1.73%	222,342	1.44%
Total certificate of deposit of $100,000 or more	$ 535,908	1.34%	$ 436,668	1.15%

Borrowed Funds

The following table sets forth certain information regarding FHLBB advances, subordinated debentures and notes and other borrowed funds for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
	(Dollars in Thousands)		
Borrowed funds:			
Average balance outstanding	$ 1,013,360	$ 1,006,200	$ 957,437
Maximum amount outstanding at any month end during the year	1,093,693	1,059,885	1,094,459
Balance outstanding at end of year	1,020,819	1,044,086	983,029
Weighted average interest rate for the period	1.61%	1.56%	1.55%
Weighted average interest rate at end of period	1.82%	1.58%	1.55%

Advances from the FHLBB

On a long-term basis, the Company intends to continue to increase its core deposits. The Company also uses FHLBB borrowings and other wholesale borrowings as part of the Company's overall strategy to fund loan growth and manage interest-rate risk and liquidity. The advances are secured by a blanket security agreement which requires the Banks to maintain certain qualifying assets as collateral, principally mortgage loans and securities in an aggregate amount at least equal to outstanding advances. The maximum amount that the FHLBB will advance to member institutions, including the Company, fluctuates from time to time in accordance with the policies of the FHLBB. The Company may also borrow from the FRB's "discount window" as necessary.

FHLBB borrowings decreased by $20.9 million to $889.9 million as of December 31, 2017 from the December 31, 2016 balance of $910.8 million . The decrease in FHLBB borrowings was primarily due to maturing advances from the FHLBB.

Other Borrowed Funds

In addition to advances from the FHLBB and subordinated debentures and notes, the Company utilizes other funding sources as part of the overall liquidity strategy. Those funding sources include repurchase agreements, committed and uncommitted lines of credit with several financial institutions.

The Company periodically enters into repurchase agreements with its larger deposit and commercial customers as part of its cash management services which are typically overnight borrowings. Repurchase agreements with customers decreased $12.6 million million to $37.6 million million as of December 31, 2017 from $50.2 million as of December 31, 2016 .

The Company has access to a $12.0 million committed line of credit as of December 31, 2017 . As of December 31, 2017 and December 31, 2016 , the Company did not have any borrowings on this committed line of credit outstanding.

The Banks also have access to funding through several uncommitted lines of credit of $203.0 million. As of December 31, 2017 the Company had $10.0 million in borrowings on outstanding uncommitted lines as compared to December 31, 2016 , when the Company did not have any borrowings on these uncommitted lines of credit.

Subordinated Debentures and Notes

In connection with the acquisition of Bancorp Rhode Island, Inc., the Company assumed three subordinated debentures issued by a subsidiary of Bancorp Rhode Island, Inc. One of these subordinated debenture in the amount of $3.0 million was called in the first quarter of 2013 due to its high fixed rate.

On September 15, 2014, the Company offered $75.0 million of 6.0% fixed-to-floating subordinated notes due September 15, 2029. The Company is obligated to pay 6.0% interest semiannually between September 2014 and September 2024. Subsequently, the Company is obligated to pay 3-month LIBOR plus 3.315% quarterly until the notes mature in September 2029. As of December 31, 2017 , the Company had capitalized costs of $ 1.2 million in relation to the issuance of these subordinated notes.

The following table summarizes the Company's subordinated debentures and notes at the dates indicated.

				Carrying Amount	
Issue Date	**Rate**	**Maturity Date**	**Next Call Date**	**December 31, 2017**	**December 31, 2016**
		(Dollars in Thousands)			
June 26, 2003	Variable; 3-month LIBOR + 3.10%	June 26, 2033	March 26, 2018	$ 4,778	$ 4,752
March 17, 2004	Variable; 3-month LIBOR + 2.79%	March 17, 2034	March 19, 2018	4,668	4,628
September 15, 2014	6.0% Fixed-to-Variable; 3-month LIBOR + 3.315%	September 15, 2029	September 15, 2024	73,825	73,725
			Total	$ 83,271	$ 83,105

Derivative Financial Instruments

The Company has entered into loan level derivatives, risk participation agreements, and foreign exchange contracts with certain of its commercial customers and concurrently enters into offsetting swaps with third-party financial institutions. The Company may also, from time to time, enter into risk participation agreements. The Company did not have derivative fair value hedges or derivative cash flow hedges at December 31, 2017 or 2016 . The following table summarizes certain information concerning the Company's loan level derivatives, risk participation agreements, and foreign exchange contracts at

December 31, 2017 and 2016 :

	At December 31, 2017	At December 31, 2016
	(Dollars in Thousands)	
Loan level derivatives:		
Receive fixed, pay variable	$ 494,659	$ 383,780
Pay fixed, receive variable	494,659	383,780
Risk participation-out agreements	36,627	16,961
Risk participation-in agreements	3,825	—
Foreign exchange contracts (Notional Amount)		
Buys foreign currency, sells U.S. currency	$ 1,495	$ 195
Sells foreign currency, buys U.S. currency	1,502	195
Fixed weighted average interest rate from the Company to counterparty	4.17%	4.13%
Floating weighted average interest rate from counterparty to the Company	3.19%	2.77%
Weighted average remaining term to maturity (in months)	81	91
Fair value:		
Recognized as an asset:		
Loan level derivatives	$ 8,865	$ 9,738
Risk participation-out agreements	65	20
Foreign exchange contracts	72	—
Recognized as a liability:		
Loan level derivatives	$ 8,865	$ 9,738
Risk participation-in agreements	10	—
Foreign exchange contracts	65	—

As of December 31, 2016, the Company held no risk participation-in agreements and the fair value of the foreign exchange contracts was nominal.

Stockholders' Equity and Dividends

The Company's total stockholders' equity was $803.8 million as of December 31, 2017 , representing a $108.3 million increase compared to $695.5 million at December 31, 2016 . The increase is due to net income of $50.5 million for the year ended December 31, 2017 , issuance of common stock of $81.9 million, an increase of $3.4 million related to stock-based compensation, which was partially offset by dividends paid by the Company of $27.0 million in 2017 .

On, April 27, 2017, the Company entered into an underwriting agreement with Piper Jaffray & Co., as representative of the underwriters named therein (collectively, the "Underwriters"), to offer and sell 5,175,000 shares of the Company's common stock, $0.01 par value per share at a public offering price of $14.50 per share in an underwritten public offering (the "Offering"). In conjunction with the Offering, the Company granted the Underwriters a 30-day option to purchase up to an additional 776,250 shares of its common stock. On May 2, 2017, the Company and the Underwriters closed the Offering. The Underwriters exercised their option resulting in a new issuance in the aggregate of 5,951,250 shares of the Company's common stock at a price to the public of $14.50 per share. The Company received net proceeds of $82.0 million after deductions for underwriting discounts, commissions, and expenses.

For the year ended December 31, 2017 , the dividend payout ratio was 53.5% , compared to 48.4% for the year ended December 31, 2016 . The dividends paid in the fourth quarter of 2017 represented the Company's 75 consecutive quarter of dividend payments. The Company's quarterly dividend distribution was $0.09 per share in 2017 .

In 2017 , 2016 and 2015 , no shares of the Company's common stock were repurchased by the Company. On February 4, 2016, the Company's Board of Directors authorized a stock repurchase program to acquire up to $10.0 million of total outstanding shares of the Company's common stock over a period of twelve months ending on January 31, 2017. Repurchases may be made from time to time depending on market conditions and other factors, and will be conducted through open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with the Securities and Exchange Commission Rule 10b5-1. There is no guarantee as to the exact number of shares, if any, to be repurchased by the Company. As of December 31, 2017 , no shares of stock were repurchased under the stock repurchase program.

Stockholders' equity represented 11.86% of total assets as of December 31, 2017 and 10.80% of total assets as of December 31, 2016 . Tangible stockholders' equity (total stockholders' equity less goodwill and identified intangible assets, net) represented 9.94% of tangible assets (total assets less goodwill and identified intangible assets, net) as of December 31, 2017 and 8.73% as of December 31, 2016 .

Results of Operations

The primary drivers of the Company's net income are net interest income, which is strongly affected by the net yield on and growth of interest-earning assets and liabilities ("net interest margin"), the quality of the Company's assets, its levels of non-interest income and non-interest expense, and its tax provision.

The Company's net interest income represents the difference between interest income earned on its investments, loans and leases, and its cost of funds. Interest income is dependent on the amount of interest-earning assets outstanding during the period and the yield earned thereon. Cost of funds is a function of the average amount of deposits and borrowed money outstanding during the year and the interest rates paid thereon. The net interest margin is calculated by dividing net interest income by average interest-earning assets. Net interest spread is the difference between the average rate earned on interest-earning assets and the average rate paid on interest-bearing liabilities. The increases or decreases, as applicable, in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate, are summarized under *"Rate/Volume Analysis"* below. Information as to the components of interest income, interest expense and average rates is provided under *"Average Balances, Net Interest Income, Interest-Rate Spread and Net Interest Margin"* below.

Because the Company's assets and liabilities are not identical in duration and in repricing dates, the differential between the two is vulnerable to changes in market interest rates as well as the overall shape of the yield curve. These vulnerabilities are inherent to the business of banking and are commonly referred to as "interest-rate risk." How interest-rate risk is measured and, once measured, how much interest-rate risk is taken are based on numerous assumptions and other subjective judgments. See the discussion in the *"Measuring Interest-Rate Risk"* section of Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" below.

The quality of the Company's assets also influences its earnings. Loans and leases that are not paid on a timely basis and exhibit other weaknesses can result in the loss of principal and/or interest income. Additionally, the Company must make timely provisions to the allowance for loan and lease losses based on estimates of probable losses inherent in the loan and lease portfolio. These additions, which are charged against earnings, are necessarily greater when greater probable losses are expected. Further, the Company incurs expenses as a result of resolving troubled assets. These variables reflect the "credit risk" that the Company takes on in the ordinary course of business and are further discussed under *"Financial Condition—Asset Quality"* above.

Average Balances, Net Interest Income, Interest-Rate Spread and Net Interest Margin

The following table sets forth information about the Company's average balances, interest income and interest rates earned on average interest-earning assets, interest expense and interest rates paid on average interest-bearing liabilities, interest-rate spread and net interest margin for the years ended December 31, 2017 , 2016 and 2015 . Average balances are derived from daily average balances and yields include fees, costs and purchase-accounting-related premiums and discounts which are considered adjustments to coupon yields in accordance with GAAP. Certain amounts previously reported have been reclassified to conform to the current presentation.

	Year Ended December 31,								
	2017			2016			2015		
	Average Balance	Interest (1)	Average Yield/ Cost	Average Balance	Interest (1)	Average Yield/ Cost	Average Balance	Interest (1)	Average Yield/ Cost
	(Dollars in Thousands)								
Assets:									
Interest-earning assets:									
Debt securities	$ 634,930	$ 12,964	2.04%	$ 605,097	$ 12,055	1.99%	$ 583,921	$ 11,521	1.97%
Marketable and restricted equity securities	65,992	3,065	4.64%	66,738	3,017	4.52%	73,808	2,793	3.78%
Short-term investments	40,847	442	1.08%	54,205	242	0.45%	56,520	128	0.23%
Total investments	741,769	16,471	2.22%	726,040	15,314	2.11%	714,249	14,442	2.02%
Commercial real estate loans (2)	2,968,673	123,000	4.09%	2,811,487	113,910	3.99%	2,529,566	106,447	4.21%
Commercial loans (2)	739,369	30,904	4.13%	695,057	27,509	3.90%	636,084	26,590	4.13%
Equipment financing (2)	830,755	55,164	6.64%	748,626	48,217	6.44%	650,376	44,468	6.84%
Residential mortgage loans (2)	645,925	23,593	3.65%	624,994	22,217	3.55%	600,072	21,455	3.58%
Other consumer loans (2)	366,713	15,328	4.18%	353,600	13,864	3.91%	395,073	14,478	3.66%
Total loans and leases	5,551,435	247,989	4.47%	5,233,764	225,717	4.31%	4,811,171	213,438	4.44%
Total interest-earning assets	6,293,204	264,460	4.20%	5,959,804	241,031	4.04%	5,525,420	227,880	4.12%
Allowance for loan and lease losses	(62,972)			(58,071)			(55,950)		
Non-interest-earning assets	377,002			377,989			371,279		
Total assets	$ 6,607,234			$ 6,279,722			$ 5,840,749		
Liabilities and Stockholders' Equity:									
Interest-bearing liabilities:									
Interest-bearing deposits:									
NOW accounts	$ 322,681	225	0.07%	$ 294,318	209	0.07%	$ 249,204	179	0.07%
Savings accounts	620,757	1,297	0.21%	578,855	1,322	0.23%	532,496	1,094	0.21%
Money market accounts	1,761,112	8,863	0.50%	1,670,609	7,549	0.45%	1,560,437	6,935	0.44%
Certificate of deposit	1,116,909	12,903	1.16%	1,102,110	10,990	1.00%	1,045,328	9,272	0.89%
Total interest-bearing deposits (3)	3,821,459	23,288	0.61%	3,645,892	20,070	0.55%	3,387,465	17,480	0.52%
Advances from the FHLBB	884,266	11,330	1.26%	879,650	10,760	1.20%	840,123	9,950	1.17%
Subordinated debentures and notes	83,186	5,081	6.11%	83,017	5,038	6.07%	82,846	5,001	6.04%
Other borrowed funds	45,908	170	0.37%	43,533	116	0.27%	34,468	114	0.33%
Total borrowed funds	1,013,360	16,581	1.61%	1,006,200	15,914	1.56%	957,437	15,065	1.55%
Total interest-bearing liabilities	4,834,819	39,869	0.82%	4,652,092	35,984	0.77%	4,344,902	32,545	0.75%
Non-interest-bearing liabilities:									
Non-interest-bearing demand checking accounts (3)	912,743			849,672			770,045		
Other non-interest-bearing liabilities	78,965			82,073			62,914		
Total liabilities	5,826,527			5,583,837			5,177,861		
Brookline Bancorp, Inc. stockholders' equity	773,244			689,556			657,841		
Noncontrolling interest in subsidiary	7,463			6,329			5,047		
Total liabilities and equity	$ 6,607,234			$ 6,279,722			$ 5,840,749		
Net interest income (tax-equivalent basis) / Interest-rate spread (4)		224,591	3.38%		205,047	3.27%		195,335	3.37%
Less adjustment of tax-exempt income		1,410			1,383			970	
Net interest income		$ 223,181			$ 203,664			$ 194,365	
Net interest margin (5)			3.57%			3.44%			3.54%

(1) Tax-exempt income on debt securities, equity securities and industrial revenue bonds are included in commercial real estate loans on a tax-equivalent basis.
(2) Loans on nonaccrual status are included in the average balances.
(3) Including non-interest-bearing checking accounts, the average interest rate on total deposits was 0.49% , 0.45% and 0.42% in the years ended December 31, 2017 , 2016 and 2015 , respectively.
(4) Interest-rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.
(5) Net interest margin represents net interest income (tax equivalent basis) divided by average interest-earning assets.
See *"Comparison of Years Ended December 31, 2017 and December 31, 2016 "* and *"Comparison of Years Ended December 31, 2016 and December 31, 2015 "* below for a discussion of average assets and liabilities, net interest income, interest-rate spread and net interest margin.

Rate/Volume Analysis

The following table presents, on a tax-equivalent basis, the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume), and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Year Ended December 31, 2017 Compared to Year Ended December 31, 2016			Year Ended December 31, 2016 Compared to Year Ended December 31, 2015		
	Increase (Decrease) Due To			Increase (Decrease) Due To		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(In Thousands)					
Interest and dividend income:						
Investments:						
Debt securities	$ 602	$ 307	$ 909	$ 417	$ 117	$ 534
Marketable and restricted equity securities	(33)	81	48	(267)	491	224
Short-term investments	(72)	272	200	(5)	119	114
Total investments	497	660	1,157	145	727	872
Loans and leases:						
Commercial real estate loans	6,276	2,814	9,090	11,869	(4,406)	7,463
Commercial loans and leases	1,764	1,631	3,395	2,436	(1,517)	919
Equipment financing	5,414	1,533	6,947	6,720	(2,971)	3,749
Residential mortgage loans	747	629	1,376	892	(130)	762
Other consumer loans	512	952	1,464	(1,162)	548	(614)
Total loans	14,713	7,559	22,272	20,755	(8,476)	12,279
Total change in interest and dividend income	15,210	8,219	23,429	20,900	(7,749)	13,151
Interest expense:						
Deposits:						
NOW accounts	16	—	16	32	(2)	30
Savings accounts	94	(119)	(25)	97	131	228
Money market accounts	431	883	1,314	485	129	614
Certificate of deposit	148	1,765	1,913	326	1,392	1,718
Total deposits	689	2,529	3,218	940	1,650	2,590
Borrowed funds:						
Advances from the FHLBB	54	516	570	462	348	810
Subordinated debentures and notes	10	33	43	10	27	37
Other borrowed funds	7	47	54	30	(28)	2
Total borrowed funds	71	596	667	502	347	849
Total change in interest expense	760	3,125	3,885	1,442	1,997	3,439
Change in tax-exempt income	27	—	27	—	413	413
Change in net interest income	$ 14,423	$ 5,094	$ 19,517	$ 19,458	$ (9,333)	$ 10,125

See *"Comparison of Years Ended December 31, 2017 and December 31, 2016 "* and *"Comparison of Years Ended December 31, 2016 and December 31, 2015 "* below for a discussion of changes in interest income, interest-rate spread and net interest margin resulting from changes in rates and volumes.

Comparison of Years Ended December 31, 2017 and December 31, 2016

Net Interest Income

Net interest income increased $19.5 million to $223.2 million for the year ended December 31, 2017 from $203.7 million for the year ended December 31, 2016 . The increase year over year reflects a $22.3 million increase in interest income on loans and leases, and a $0.8 million increase in interest income on debt securities, partially offset by a $3.9 million increase in interest expense on deposit and borrowings, which is reflective of the various portfolios repricing and replacing balances into the current low interest rate environment.

Net interest margin increased by 13 basis points to 3.57% in 2017 from 3.44% in 2016 . The Company's weighted average interest rate on loans (prior to purchase accounting adjustments) increased to 4.47% for the year ended December 31, 2017 from 4.31% for the year ended December 31, 2016 . Interest amortization and accretion on acquired loans totaled $0.8 million and contributed 1 basis point to 2017 loan yields, compared to $1.5 million and 3 basis points in 2016 . The increase in the net interest margin is the result of repricing and originating interest-earning assets in a higher rate environment, partially offset by an increase in funding costs.

The yield on interest-earning assets increased to 4.20% for the year ended December 31, 2017 from 4.04% for the year ended December 31, 2016 . This increase is the result of higher yields on loans and leases. During the year ended December 31, 2017 , the Company recorded $3.7 million in prepayment penalties and late charges, which contributed 6 basis points to yields on interest-earning assets in the year ended December 31, 2017 compared to $3.5 million , or 6 basis points, for the year ended December 31, 2016 .

The overall cost of funds (including non-interest-bearing demand checking accounts) increased 5 basis points to 0.82% for the year ended December 31, 2017 from 0.77% for the year ended December 31, 2016 . Refer to *"Financial Condition - Borrowed Funds"* above for more details.

Management seeks to position the balance sheet to be neutral to asset sensitive to changes in interest rates. Since the end of 2016, short term interest rates have risen while at the same time net interest income, net interest spread, and net interest margin have also increased. In general, the Company's balance sheet position should respond positively in a rising interest rate environment and when the rate curves are steepening, resulting in a positive impact to net interest income, net interest spread, and the net interest margin. A declining interest rate or flattening yield curve environment is expected to have a negative impact on the Company's yields and net interest margin. Additional risk factors include, but are not limited to: ongoing pricing pressures in both the loan and deposit portfolios, the ability to increase the Company's core deposits, decrease its loan-to-deposit ratio, and decrease its reliance on FHLBB advances. Net interest income may also be negatively affected by changes in the amount of accretion on acquired loans and leases, deposits and borrowed funds, which are included in interest income and interest expense, respectively.

Interest Income—Loans and Leases

	Year Ended December 31, 2017	Year Ended December 31, 2016	Dollar Change	Percent Change
	(Dollars in Thousands)			
Interest income—loans and leases:				
Commercial real estate loans	$ 123,000	$ 113,910	$ 9,090	8.0%
Commercial loans	29,936	26,513	3,423	12.9%
Equipment financing	55,164	48,217	6,947	14.4%
Residential mortgage loans	23,593	22,217	1,376	6.2%
Other consumer loans	15,329	13,864	1,465	10.6%
Total interest income—loans and leases	$ 247,022	$ 224,721	$ 22,301	9.9%

Interest income from loans and leases was $247.0 million for 2017 , and represented a yield on total loans of 4.47% . This compares to $224.7 million of interest on loans and a yield of 4.31% for 2016 . This $22.3 million increase in interest income from loans and leases was attributable to $14.7 million of increased origination volume and an increase of $7.6 million due to the changes in interest rates.

Accretion on acquired loans and leases of $0.8 million contributed 1 basis point to the Company's net interest margin for the year ended December 31, 2017 , compared to $1.5 million and 3 basis points for the year ended December 31, 2016 . The decrease was due to the continued paydowns of acquired loans and the recognition of related purchase accounting accretion.

Interest Income—Investments

	Year Ended December 31, 2017	Year Ended December 31, 2016	Dollar Change	Percent Change
	(Dollars in Thousands)			
Interest income—investments:				
Debt securities	$ 12,524	$ 11,710	$ 814	7.0%
Marketable and restricted equity securities	3,062	2,975	87	2.9%
Short-term investments	442	242	200	82.6%
Total interest income—investments	$ 16,028	$ 14,927	$ 1,101	7.4%

Total investment income was $16.0 million for the year ended December 31, 2017 compared to $14.9 million for the year ended December 31, 2016 . As of December 31, 2017 , the yield on total investments was 2.22% as compared to 2.11% as of December 31, 2016 . This year over year increase in total investment income of $1.1 million , or 7.4% , was driven by a $ 0.7 million increase due to rates and a $0.5 million increase due to volume.

Interest Expense—Deposits and Borrowed Funds

	Year Ended December 31, 2017	Year Ended December 31, 2016	Dollar Change	Percent Change
	(Dollars in Thousands)			
Interest expense:				
Deposits:				
NOW accounts	$ 225	$ 209	$ 16	7.7 %
Savings accounts	1,297	1,322	(25)	-1.9 %
Money market accounts	8,863	7,549	1,314	17.4 %
Certificate of deposit	12,903	10,990	1,913	17.4 %
Total interest expense—deposits	23,288	20,070	3,218	16.0 %
Borrowed funds:				
Advances from the FHLBB	11,330	10,760	570	5.3 %
Subordinated debentures and notes	5,081	5,038	43	0.9 %
Other borrowed funds	170	116	54	46.6 %
Total interest expense—borrowed funds	16,581	15,914	667	4.2 %
Total interest expense	$ 39,869	$ 35,984	$ 3,885	10.8 %

Deposits

Except for NOW accounts, ongoing increases in the interest rates paid on deposits contributed to increases in the Company’s overall cost of deposits.

In 2017 , interest paid on deposits increased $3.2 million , or 16.0% , as compared to 2016 . Interest expense increased $2.5 million due to an increase in interest rates and $0.7 million due to the growth in deposits. There was no purchase accounting accretion on acquired deposits for the year ended December 31, 2017 , compared to $0.1 million for the year ended December 31, 2016 . Purchase accounting accretion did not impact the Company's net interest margin in either year.

Borrowed Funds

As of December 31, 2017 the Company's borrowed funds include: $0.9 billion in FHLBB advances, $83.2 million in subordinated debentures and notes, and $47.6 million in other borrowed funds. In 2017 , the average balance of FHLBB advances increased $4.6 million , or 0.5% , while the average balance of subordinated debentures and notes increased $0.2 million , or 0.2% . Other borrowed funds, which include repurchase agreements, increased $2.4 million , or 5.5% , for the year ended December 31, 2017 .

During the year ended December 31, 2017 , interest paid on borrowed funds increased $0.7 million , or 4.2% year over year, primarily driven by an increase in FHLBB borrowings. The cost of borrowed funds was 1.61% for the year ended

December 31, 2017 as compared to 1.56% for the year ended December 31, 2016 . This change was driven by an increase of $0.6 million due to borrowing rates and by an increase of $0.1 million in interest expense due to volume. For the year ended December 31, 2017 , the purchase accounting accretion on acquired borrowed funds was $1.0 million which contributed 2 basis points to the Company's net interest margin. For the year ended December 31, 2016 , the purchase accounting accretion on acquired borrowed funds was $2.6 million which contributed 4 basis points to the Company's net interest margin.

Provision for Credit Losses

The provisions for credit losses are set forth below:

	Originated		Acquired		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016	2017	2016
	(In Thousands)					
Provision (credit) for loan and lease losses:						
Commercial real estate	$ (343)	$ (750)	$ (172)	$ 413	$ (515)	$ (337)
Commercial	18,899	8,469	284	293	19,183	8,762
Consumer	273	1,263	(157)	514	116	1,777
Total provision (credit) for loan and lease losses	18,829	8,982	(45)	1,220	18,784	10,202
Unfunded credit commitments	204	151	—	—	204	151
Total provision (credit) for credit losses	$ 19,033	$ 9,133	$ (45)	$ 1,220	$ 18,988	$ 10,353

For the year ended December 31, 2017 , the provision for credit losses increased $8.6 million , or 83.4% , to $19.0 million from $10.4 million for the year ended December 31, 2016 . The increase in the provision for credit losses for the year ended December 31, 2017 was primarily driven by an increase in the provision due to continued loan growth in the originated portfolios, additional reserves required due to changes in historical loss factors, and an increase to cover net charge-offs. The increase was partially offset by a decrease in the provision related to improved credit characteristics and strong credit quality of the loan portfolios. See management's discussion in "Allowances for Credit Losses-Allowance for Loan and Lease Losses" and Note 7, "Allowance for Loan and Lease Losses," to the consolidated financial statements for a description of how management determined the allowance for loan and lease losses for each portfolio and class of loans.

The liability for unfunded credit commitments, which is included in other liabilities, was $1.7 million and $1.5 million as of December 31, 2017 and December 31, 2016 , respectively. For the year ended December 31, 2017 , the liability for unfunded credit commitments increased by $0.2 million to reflect changes in the estimate of loss exposure associated with certain unfunded credit commitments. No credit commitments were charged off against the Company's liability account for the years ended December 31, 2017 and 2016 .

Non-Interest Income

The following table sets forth the components of non-interest income:

	Year Ended December 31,		Dollar Change	Percent Change
	2017	2016		
	(Dollars in Thousands)			
Deposit fees	$ 10,050	$ 9,467	$ 583	6.2 %
Loan fees	1,110	1,299	(189)	-14.5 %
Loan level derivative income, net	2,187	3,962	(1,775)	-44.8 %
Gain on sales of investment securities, net	11,393	—	11,393	100.0 %
Gain on sales of loans and leases held-for-sale	2,644	3,256	(612)	-18.8 %
Other	4,789	4,683	106	2.3 %
Total non-interest income	$ 32,173	$ 22,667	$ 9,506	41.9 %

For the year ended December 31, 2017 , non-interest income increased $9.5 million , or 41.9% , to $32.2 million as compared to the same period in 2016 . This increase is primarily due to a $0.6 million increase in deposit fees, offset by a decrease of $1.8 million in loan level derivative income, and an increase of $11.4 million in gain on sales of investment securities.

Deposit fees increased $0.6 million , or 6.2% , to $10.1 million for the year ended December 31, 2017 from $9.5 million for the same period of 2016 , primarily due to growth in deposits, and an increase in fees earned on foreign exchange transactions in 2017.

Loan level derivative income decreased $1.8 million , or 44.8% , to $2.2 million for the year ended December 31, 2017 from $4.0 million for the same period of 2016 , primarily driven by fewer loan level derivatives completed in 2017.

Gain on sales of investment securities increased $11.4 million , or 100.0% , for the year ended December 31, 2017 from zero for the same period of 2016 , primarily driven by the gain on sale of NRS stock in the first quarter of 2017.

Non-Interest Expense

The following table sets forth the components of non-interest expense:

	Year Ended December 31,			
	2017	**2016**	**Dollar Change**	**Percent Change**
	(Dollars in Thousands)			
Compensation and employee benefits	$ 82,413	$ 77,836	$ 4,577	5.9 %
Occupancy	14,546	13,882	664	4.8 %
Equipment and data processing	16,854	15,496	1,358	8.8 %
Professional services	4,315	3,852	463	12.0 %
FDIC insurance	3,326	3,332	(6)	-0.2 %
Advertising and marketing	3,369	3,381	(12)	-0.4 %
Amortization of identified intangible assets	2,089	2,500	(411)	-16.4 %
Merger and acquisition expense	411	—	411	100.0 %
Other	11,788	10,083	1,705	16.9 %
Total non-interest expense	$ 139,111	$ 130,362	$ 8,749	6.7 %

For the year ended December 31, 2017 , non-interest expense increased $8.7 million , or 6.7% , to $139.1 million as compared to the same period in 2016 . This increase is primarily due to a $4.6 million increase in compensation and employee benefits expense, a $1.4 million increase in equipment and data processing expense, and a $1.7 million increase in other expense.

The efficiency ratio decreased to 54.48% for the year ended December 31, 2017 from 57.60% for the same period in 2016 . Efforts to drive revenue growth contributed to the overall improvement in the efficiency ratio, along with an $11.4 million gain on sales of investment securities in 2017 .

Compensation and employee benefits expense increased $4.6 million , or 5.9% , to $82.4 million for the year ended December 31, 2017 from $77.8 million for the same period in 2016 . The increase was primarily driven by an increase in employee headcount and incentive plan expenses.

Equipment and data processing expense increased $1.4 million , or 8.8% , to $16.9 million for the year ended December 31, 2017 from $15.5 million for the same period in 2016 . This increase was primarily driven by an increase related to core processing, software licenses, and loan processing expense.

Other expense increased $1.7 million , or 16.9% , to $11.8 million for the year ended December 31, 2017 from $10.1 million for the same period in 2016 . The increase was primarily driven by an increase related to loan expenses and customer losses.

Provision for Income Taxes

	Year Ended December 31, 2017	Year Ended December 31, 2016	Dollar Change	Percent Change
	(Dollars in Thousands)			
Income before provision for income taxes	$ 97,255	$ 85,616	$ 11,639	13.6 %
Provision for income taxes	43,636	30,392	13,244	43.6 %
Net income, before non-controlling interest in subsidiary	$ 53,619	$ 55,224	$ (1,605)	-2.9 %
Effective tax rate	44.9%	35.5%	N/A	26.5 %

The Company recorded income tax expense of $43.6 million for 2017 , compared to $30.4 million for 2016 . This represents total effective tax rates of 44.9% and 35.5% for 2017 and 2016 , respectively. The increase in the Company's effective tax rate from 2016 was primarily driven by $9.0 million related to the enactment on December 22, 2017, of the Tax Reform Act and nondeductible merger and acquisition expenses.

The Tax Reform Act represents the most comprehensive reform to the U.S. tax code in over thirty years. The majority of the provisions of the Tax Reform Act takes effect on January 1, 2018. The Tax Reform Act lowers the Company's federal tax rate from 35% to 21%. The Tax Reform Act also contains other provisions that may affect the Company currently or in future years. Among these are changes to the deductibility of meals and entertainment, the deductibility of executive compensation, accelerated expensing of depreciable property for assets placed in service after September 27, 2017 and before 2023, limits the deductibility of net interest expense, eliminated the corporate alternative minimum tax, limited net operating loss carryforwards to 80% of taxable income and other provisions.

As a result of the Tax Reform Act, management re-valued the carrying value of our net deferred tax asset and investments in low income housing tax credits. The impact of the Tax Reform Act resulted in a write down of the carrying balance of net deferred tax assets and investments in affordable housing projects of $8.6 million and $0.3 million, respectively.

Comparison of Years Ended December 31, 2016 and December 31, 2015

Net Interest Income

Net interest income increased $9.3 million to $203.7 million for the year ended December 31, 2016 from $194.4 million for the year ended December 31, 2015. The increase year over year reflects a $12.1 million increase in interest income on loans and leases, and a $0.3 million increase in interest income on debt securities, offset by a $3.4 million increase in interest expense on deposit and borrowings, which is reflective of the various portfolios repricing and replacing balances into the current low interest rate environment.

Net interest margin decreased by 10 basis points to 3.44% in 2016 from 3.54% in 2015. Competitive pressures on loan pricing resulted in decreases in the Company's weighted average interest rate on loans (prior to purchase accounting adjustments) to 4.31% for the year ended December 31, 2016 from 4.44% for the year ended December 31, 2015. Interest amortization and accretion on acquired loans totaled $1.5 million and contributed 3 basis points to 2016 loan yields, compared to $4.5 million and 9 basis points in 2015. The decrease in the net interest margin is the result of repricing interest-earning assets in a lower interest rate environment without a comparable offset in lower funding costs.

The yield on interest-earning assets decreased to 4.04% for the year ended December 31, 2016 from 4.12% for the year ended December 31, 2015. This decrease is the result of the continued pricing pressure due to the low interest rate environment and the intense competition in most loan categories, as well as a decrease in accretion on acquired loans and leases, offset by an increase in prepayment penalties and late charges. During the year ended December 31, 2016, the Company recorded $3.5 million in prepayment penalties and late charges, which contributed 6 basis points to yields on interest-earning assets in the year ended December 31, 2016 compared to $3.2 million, or 6 basis points, for the year ended December 31, 2015.

The overall cost of funds (including non-interest-bearing demand checking accounts) increased 2 basis points to 0.77% for the year ended December 31, 2016 from 0.75% for the year ended December 31, 2015. Refer to *"Financial Condition - Borrowed Funds"* above for more details.

Future net interest income, net interest spread and net interest margin may continue to be negatively affected by the low interest-rate environment; ongoing pricing pressures in both loan and deposit portfolios; and the ability of the Company to increase its core deposit ratio, increase its non-interest-bearing deposits as a percentage of total deposits, decrease its loan-to deposit ratio, or decrease its reliance on FHLBB advances. The Company maintains a slight asset sensitivity to the change in and level of interest rates. In general, higher overall average interest rates are beneficial to the Company and recent increases in the aggregate level of rates and the steepness of the rate curves are expected to have a positive effect on net interest income, net interest spread, and net interest margin. Net interest income may also be negatively affected by changes in the amount of accretion on acquired loans and leases, deposits and borrowed funds, which are included in interest income and interest expense, respectively.

Interest Income—Loans and Leases

	Year Ended December 31,		Dollar Change	Percent Change
	2016	2015		
	(Dollars in Thousands)			
Interest income—loans:				
Commercial real estate loans	$ 113,910	$ 106,447	$ 7,463	7.0 %
Commercial loans	26,513	25,756	757	2.9 %
Equipment financing	48,217	44,468	3,749	8.4 %
Residential mortgage loans	22,217	21,455	762	3.6 %
Other consumer loans	13,864	14,478	(614)	-4.2 %
Total interest income—loans	$ 224,721	$ 212,604	$ 12,117	5.7 %

Interest income from loans and leases was $224.7 million for 2016, and represented a yield on total loans of 4.31%. This compares to $212.6 million of interest on loans and a yield of 4.44% for 2015. This $12.1 million increase in interest income from loans and leases was attributable to $20.8 million of increased origination volume, which was offset by a decrease of $8.5 million due to the changes in interest rates. The $2.2 million decrease in interest income from the indirect automobile portfolio was the result of management's decision to cease origination of indirect automobile loans in December 2014 and, in March 2015 the sale of $255.2 million of the indirect automobile portfolio.

Accretion on acquired loans and leases of $1.5 million contributed 3 basis points to the Company's net interest margin for the year ended December 31, 2016, compared to $4.5 million and 9 basis points for the year ended December 31, 2015. The decrease was due to the continued paydowns of acquired loans and the recognition of related purchase accounting accretion.

Interest Income—Investments

	Year Ended December 31,		Dollar Change	Percent Change
	2016	2015		
	(Dollars in Thousands)			
Interest income—investments:				
Debt securities	$ 11,710	$ 11,416	$ 294	2.6%
Marketable and restricted equity securities	2,975	2,762	213	7.7%
Short-term investments	242	128	114	89.1%
Total interest income—investments	$ 14,927	$ 14,306	$ 621	4.3%

Total investment income was $14.9 million for the year ended December 31, 2016 compared to $14.3 million for the year ended December 31, 2015. As of December 31, 2016, the yield on total investments was 2.11% as compared to 2.02% as of December 31, 2015. This year over year increase in total investment income of $0.6 million, or 4.3%, was driven by a $0.7 million increase due to rates and a $0.1 million increase due to volume.

Interest Expense—Deposits and Borrowed Funds

	Year Ended December 31, 2016	Year Ended December 31, 2015	Dollar Change	Percent Change
	(Dollars in Thousands)			
Interest expense:				
Deposits:				
NOW accounts	$ 209	$ 179	$ 30	16.8%
Savings accounts	1,322	1,094	228	20.8%
Money market accounts	7,549	6,935	614	8.9%
Certificate of deposit	10,990	9,272	1,718	18.5%
Total interest expense—deposits	20,070	17,480	2,590	14.8%
Borrowed funds:				
Advances from the FHLBB	10,760	9,950	810	8.1%
Subordinated debentures and notes	5,038	5,001	37	0.7%
Other borrowed funds	116	114	2	1.8%
Total interest expense—borrowed funds	15,914	15,065	849	5.6%
Total interest expense	$ 35,984	$ 32,545	$ 3,439	10.6%

Deposits

Except for NOW accounts, ongoing increases in the interest rates paid on deposits contributed to increases in the Company’s overall cost of deposits.

In 2016, interest paid on deposits increased $2.6 million, or 14.8%, as compared to 2015. Interest expense increased $1.7 million due to an increase in interest rates and $0.9 million due to the growth in deposits. Purchase accounting accretion on acquired deposits was $0.1 million for the year ended December 31, 2016, compared to $0.2 million for the year ended December 31, 2015. Purchase accounting accretion did not impact the Company's net interest margin in either year.

Borrowed Funds

As of December 31, 2016 the Company's borrowed funds include: $0.9 billion in FHLBB advances, $83.1 million in subordinated debentures and notes, and $50.2 million in other borrowed funds. In 2016, the average balance of FHLBB advances increased $39.5 million, or 4.7%, while the average balance of subordinated debentures and notes increased $0.2 million, or 0.2%. Other borrowed funds, which include repurchase agreements, increased $9.1 million, or 26.3%, for the year ended December 31, 2016.

During the year ended December 31, 2016, interest paid on borrowed funds increased $0.8 million, or 5.6% year over year, primarily driven by an increase in FHLBB borrowings. The cost of borrowed funds was 1.56% for the year ended December 31, 2016 as compared to 1.55% for the year ended December 31, 2015. This change was driven by an increase of $0.5 million in interest expense due to volume and by an increase of $0.3 million due to borrowing rates. For the years ended December 31, 2016 and 2015, the purchase accounting accretion on acquired borrowed funds was $2.6 million which contributed 4 basis points to the Company's net interest margin in both years.

Provision for Credit Losses

The provisions for credit losses are set forth below:

	Originated		Acquired		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015	2016	2015
	(In Thousands)					
Provision (credit) for loan and lease losses:						
Commercial real estate	$ (750)	$ 1,459	$ 413	$ (352)	$ (337)	$ 1,107
Commercial	8,469	9,077	293	(49)	8,762	9,028
Consumer	1,263	(763)	514	469	1,777	(294)
Unallocated	—	(2,418)	—	—	—	(2,418)
Total provision for loan and lease losses	8,982	7,355	1,220	68	10,202	7,423
Unfunded credit commitments	151	28	—	—	151	28
Total provision for credit losses	$ 9,133	$ 7,383	$ 1,220	$ 68	$ 10,353	$ 7,451

For the year ended December 31, 2016, the provision for credit losses increased $2.9 million, or 38.9%, to $10.4 million from $7.5 million for the year ended December 31, 2015. The increase in the provision for credit losses for the year ended December 31, 2016 was primarily driven by an increase in the provision due to continued loan growth in the originated portfolios, additional reserves required due to credit deterioration in the acquired portfolios, and an increase to cover net charge-offs. The increase was partially offset by a decrease in the provision related to improved credit characteristics and strong credit quality of the loan portfolios. See management's discussion in "Allowances for Credit Losses-Allowance for Loan and Lease Losses" and Note 7, "Allowance for Loan and Lease Losses," to the consolidated financial statements for a description of how management determined the allowance for loan and lease losses for each portfolio and class of loans.

The liability for unfunded credit commitments, which is included in other liabilities, was $1.5 million and $1.3 million as of December 31, 2016 and December 31, 2015, respectively. For the year ended December 31, 2016, the liability for unfunded credit commitments increased by $0.2 million to reflect changes in the estimate of loss exposure associated with certain unfunded credit commitments. No credit commitments were charged off against the Company's liability account for the years ended December 31, 2016 and 2015.

Non-Interest Income

The following table sets forth the components of non-interest income:

	Year Ended December 31,			
	2016	2015	Dollar Change	Percent Change
	(Dollars in Thousands)			
Deposit fees	$ 8,913	$ 8,730	$ 183	2.1%
Loan fees	1,299	1,186	113	9.5%
Loan level derivative income, net	3,962	3,397	565	16.6%
Gain on sales of loans and leases held-for-sale	3,256	2,208	1,048	47.5%
Other	5,237	4,663	574	12.3%
Total non-interest income	$ 22,667	$ 20,184	$ 2,483	12.3%

For the year ended December 31, 2016 , non-interest income increased $2.5 million , or 12.3% , to $22.7 million as compared to the same period in 2015 . This increase is primarily due to a $0.6 million increase in loan level derivative income, a $1.0 million increase in gain on sales of loans and leases held-for-sale, and a $0.6 million increase in other income.

Loan level derivative income increased $0.6 million , or 16.6% , to $4.0 million for the year ended December 31, 2016 primarily driven by the new loan level derivatives completed in the year.

Gain on sales of loans and leases held-for-sale increased $1.0 million , or 47.5% , to $3.3 million for the year ended December 31, 2016 primarily driven by an increase in loan sales and syndication transactions.

Other income increased $0.6 million , or 12.3% , to $5.2 million for the year ended December 31, 2016 primarily driven by the sale of a money market fund held in Trust which was replaced with Bank Owned Life Insurance assets.

Non-Interest Expense

The following table sets forth the components of non-interest expense:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Dollar Change	Percent Change
	(Dollars in Thousands)			
Compensation and employee benefits	$ 77,836	$ 71,272	$ 6,564	9.2 %
Occupancy	13,882	13,926	(44)	-0.3 %
Equipment and data processing	15,496	14,837	659	4.4 %
Professional services	3,852	4,192	(340)	-8.1 %
FDIC insurance	3,332	3,510	(178)	-5.1 %
Advertising and marketing	3,381	3,352	29	0.9 %
Amortization of identified intangible assets	2,500	2,911	(411)	-14.1 %
Other	10,083	11,377	(1,294)	-11.4 %
Total non-interest expense	$ 130,362	$ 125,377	$ 4,985	4.0 %

For the year ended December 31, 2016 , non-interest expense increased $5.0 million , or 4.0% , to $130.4 million as compared to the same period in 2015. This increase is primarily due to a $6.6 million increase in compensation and employee benefits expense, and a $0.7 million increase in equipment and data processing expense, offset by a decrease of $1.3 million in other expense.

The efficiency ratio decreased to 57.60% for the year ended December 31, 2016 from 58.44% for the year ended December 31, 2015 . Efforts to drive revenue growth contributed to the improvement in the efficiency ratio in 2016.

Compensation and employee benefits expense for the year ended December 31, 2016 increased $6.6 million , or 9.2% , to $77.8 million compared to the same period in 2015. The increase was primarily driven by an increase in employee headcount and incentive plan expenses, offset by a decrease in the discount rate on the Supplemental Executive Retirement Plan.

Equipment and data processing expense for the year ended December 31, 2016 increased $0.7 million , or 4.4% , to $15.5 million compared to the same period in 2015. This increase was primarily driven by an increase related to software licenses, loan processing expense and IT consulting expense.

Other expense decreased $1.3 million , or 11.4% , to $10.1 million compared to the same period in 2015. The decrease was primarily due to a decrease in loan workout expense, legal expense relating to loans, and debit and ATM losses.

Provision for Income Taxes

	Year Ended December 31, 2016	Year Ended December 31, 2015	Dollar Change	Percent Change
	(Dollars in Thousands)			
Income before provision for income taxes	$ 85,616	$ 81,721	$ 3,895	4.8 %
Provision for income taxes	30,392	29,353	1,039	3.5 %
Net income before non-controlling interest in subsidiary	$ 55,224	$ 52,368	$ 2,856	5.5 %
Effective tax rate *	35.5%	35.9%	N/A	-1.1 %

* Previously reported amounts prior to January 1, 2015 have been restated to reflect a retrospective change in accounting principle for investments in qualified affordable housing projects, in accordance with ASU 2014-01.

The Company recorded income tax expense of $30.4 million and $29.4 million for year ended December 31, 2016 and 2015, respectively. This represents an effective tax rates of 35.5% and 35.9% for 2016 and 2015, respectively. The decrease in the Company's effective tax rate from 2015 was primarily driven by investments in municipal bonds and the utilization of state net operating loss carryforwards which became available in 2016 due to New York state tax law changes.

Liquidity and Capital Resources

Liquidity

Liquidity is defined as the ability to meet current and future financial obligations of a short-term nature. The Company further defines liquidity as the ability to respond to the needs of depositors and borrowers, as well as to earnings enhancement opportunities, in a changing marketplace. Liquidity management is monitored by an Asset/Liability Committee ("ALCO"), consisting of members of management, which is responsible for establishing and monitoring liquidity targets as well as strategies and tactics to meet these targets.

The primary source of funds for the payment of dividends and expenses by the Company is dividends paid to it by the Banks and Brookline Securities Corp. The primary sources of liquidity for the Banks consist of deposit inflows, loan repayments, borrowed funds, and maturing investment securities.

Deposits, which are considered the most stable source of liquidity, totaled $4.9 billion as of December 31, 2017 and represented 82.7% of total funding (the sum of total deposits and total borrowings), compared to deposits of $4.6 billion , or 81.5% of total funding, as of December 31, 2016 . Core deposits, which consist of demand checking, NOW, savings and money market accounts, totaled $3.7 billion as of December 31, 2017 and represented 75.2% of total deposits, compared to core deposits of $3.6 billion , or 77.4% of total deposits, as of December 31, 2016 . Additionally, the Company had $274.7 million of brokered deposits as of December 31, 2017 , which represented 5.6% of total deposits, compared to $203.4 million or 4.4% of total deposits, as of December 31, 2016 . The Company offers attractive interest rates based on market conditions to increase deposits balances, while managing cost of funds.

Borrowings are used to diversify the Company's funding mix and to support asset growth. When profitable lending and investment opportunities exist, access to borrowings provides a means to grow the balance sheet. Borrowings totaled $1.0 billion as of December 31, 2017 , representing 17.3% of total funding, compared to $1.0 billion , or 18.5% of total funding, as of December 31, 2016 .

As members of the FHLBB, the Banks have access to both short- and long-term borrowings. As of December 31, 2017 , the Company's total borrowing limit from the FHLBB for advances and repurchase agreements was $1.7 billion as compared to $1.5 billion as of December 31, 2016 , based on the level of qualifying collateral available for these borrowings.

As of December 31, 2017 , the Banks also have access to funding through certain uncommitted lines of credit of $203.0 million . The Company had a $12.0 million committed line of credit for contingent liquidity as of December 31, 2017 .

The Company has access to the Federal Reserve Bank "discount window" to supplement its liquidity. The Company has $82.0 million of borrowing capacity at the Federal Reserve Bank as of December 31, 2017 . As of December 31, 2017 , the Company did not have any borrowings with the Federal Reserve Bank outstanding.

Additionally, the Banks have access to liquidity through repurchase agreements and brokered deposits.

In general, the Company seeks to maintain a high degree of liquidity and targets cash, cash equivalents and investment securities available-for-sale balances of between 10% and 30% of total assets. As of December 31, 2017 , cash, cash equivalents and investment securities available-for-sale totaled $601.1 million , or 8.9% of total assets. This compares to $591.3 million , or 9.2% of total assets as of December 31, 2016 .

While management believes that the Company has adequate liquidity to meet its commitments, and to fund the Banks' lending and investment activities, the availabilities of these funding sources are subject to broad economic conditions and could be restricted in the future. Such restrictions would impact the Company's immediate liquidity and/or additional liquidity needs.

Capital Resources

As of December 31, 2017 and 2016 , the Company and the Banks were under the primary regulation of and required to comply with the capital requirements of the FRB. At those dates, the Company, Brookline Bank, BankRI, and First Ipswich exceeded all regulatory capital requirements and the banks were considered "well-capitalized." See details in "Supervision and Regulation" in Item 1.

The Company's and the Banks' actual and required capital amounts and ratios were as follows:

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required for Fully Phased in Capital Adequacy Purposes plus Capital Conservation Buffer		Minimum Required to be Considered "Well-Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)							
At December 31, 2017:								
Brookline Bancorp, Inc.								
Common equity Tier 1 capital ratio (1)	$ 669,238	12.02%	$ 250,547	4.50%	$ 389,739	7.00%	N/A	N/A
Tier 1 leverage capital ratio (2)	687,299	10.43%	263,585	4.00%	263,585	4.00%	N/A	N/A
Tier 1 risk-based capital ratio (3)	687,299	12.34%	334,181	6.00%	473,423	8.50%	N/A	N/A
Total risk-based capital ratio (4)	821,373	14.75%	445,490	8.00%	584,706	10.50%	N/A	N/A
Brookline Bank								
Common equity Tier 1 capital ratio (1)	$ 414,282	11.56%	$ 161,269	4.50%	$ 250,863	7.00%	$ 232,944	6.50%
Tier 1 leverage capital ratio (2)	423,035	10.35%	163,492	4.00%	163,492	4.00%	204,365	5.00%
Tier 1 risk-based capital ratio (3)	423,035	11.81%	214,920	6.00%	304,471	8.50%	286,561	8.00%
Total risk-based capital ratio (4)	463,986	12.95%	286,632	8.00%	376,205	10.50%	358,290	10.00%
BankRI								
Common equity Tier 1 capital ratio (1)	$ 193,849	11.38%	$ 76,654	4.50%	$ 119,239	7.00%	$ 110,722	6.50%
Tier 1 leverage capital ratio (2)	193,849	9.16%	84,650	4.00%	84,650	4.00%	105,813	5.00%
Tier 1 risk-based capital ratio (3)	193,849	11.38%	102,205	6.00%	144,791	8.50%	136,273	8.00%
Total risk-based capital ratio (4)	210,025	12.33%	136,269	8.00%	178,853	10.50%	170,337	10.00%
First Ipswich								
Common equity Tier 1 capital ratio (1)	$ 37,502	13.38%	$ 12,613	4.50%	$ 19,620	7.00%	$ 18,218	6.50%
Tier 1 leverage capital ratio (2)	37,502	9.44%	15,891	4.00%	15,891	4.00%	19,863	5.00%
Tier 1 risk-based capital ratio (3)	37,502	13.38%	16,817	6.00%	23,824	8.50%	22,423	8.00%
Total risk-based capital ratio (4)	40,625	14.50%	22,414	8.00%	29,418	10.50%	28,017	10.00%

(1) Common equity Tier 1 capital ratio is calculated by dividing common equity Tier 1 capital by risk-weighted assets. The ratio was established as part of the implementation of Basel III, effective January 1, 2015.

(2) Tier 1 leverage capital ratio is calculated by dividing Tier 1 capital by average assets.

(3) Tier 1 risk-based capital ratio is calculated by dividing Tier 1 capital by risk-weighted assets.

(4) Total risk-based capital ratio is calculated by dividing total capital by risk-weighted assets.

The following table presents actual and required capital ratios as of December 31, 2016 for the Company and the Banks under the regulatory capital rules then in effect.

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required for Fully Phased in Capital Adequacy Purposes plus Capital Conservation Buffer		Minimum Required To Be Considered "Well-Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)							
At December 31, 2016:								
Brookline Bancorp, Inc.								
Common equity Tier 1 capital ratio (1)	$ 559,644	10.48%	$ 240,305	4.50%	$ 373,808	7.00%	N/A	N/A
Tier 1 leverage capital ratio (2)	575,830	9.16%	251,454	4.00%	251,454	4.00%	N/A	N/A
Tier 1 risk-based capital ratio (3)	575,830	10.79%	320,202	6.00%	453,620	8.50%	N/A	N/A
Total risk-based capital ratio (4)	704,675	13.20%	427,076	8.00%	560,537	10.50%	N/A	N/A
Brookline Bank								
Common equity Tier 1 capital ratio (1)	$ 384,759	11.31%	$ 153,087	4.50%	$ 238,136	7.00%	$ 221,126	6.50%
Tier 1 leverage capital ratio (2)	391,964	10.07%	155,696	4.00%	155,696	4.00%	194,620	5.00%
Tier 1 risk-based capital ratio (3)	391,964	11.53%	203,971	6.00%	288,959	8.50%	271,961	8.00%
Total risk-based capital ratio (4)	428,966	12.61%	272,143	8.00%	357,188	10.50%	340,179	10.00%
BankRI								
Common equity Tier 1 capital ratio (1)	$ 182,202	10.94%	$ 74,946	4.50%	$ 116,583	7.00%	$ 108,255	6.50%
Tier 1 leverage capital ratio (2)	182,202	8.97%	81,249	4.00%	81,249	4.00%	101,562	5.00%
Tier 1 risk-based capital ratio (3)	182,202	10.94%	99,928	6.00%	141,565	8.50%	133,237	8.00%
Total risk-based capital ratio (4)	197,702	11.87%	133,245	8.00%	174,884	10.50%	166,556	10.00%
First Ipswich								
Common equity Tier 1 capital ratio (1)	$ 33,433	12.61%	$ 11,931	4.50%	$ 18,559	7.00%	$ 17,234	6.50%
Tier 1 leverage capital ratio (2)	33,433	9.23%	14,489	4.00%	14,489	4.00%	18,111	5.00%
Tier 1 risk-based capital ratio (3)	33,433	12.61%	15,908	6.00%	22,536	8.50%	21,210	8.00%
Total risk-based capital ratio (4)	36,053	13.60%	21,208	8.00%	27,835	10.50%	26,510	10.00%

(1) Common equity Tier 1 capital ratio is calculated by dividing common equity Tier 1 capital by risk-weighted assets. The ratio was established as part of the implementation of Basel III, effective January 1, 2015.

(2) Tier 1 leverage capital ratio is calculated by dividing Tier 1 capital by average assets.

(3) Tier 1 risk-based capital ratio is calculated by dividing Tier 1 capital by risk-weighted assets.

(4) Total risk-based capital ratio is calculated by dividing total capital by risk-weighted assets.

Off-Balance-Sheet Arrangements

The Company is party to off-balance sheet financial instruments in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include loan commitments, standby and commercial letters of credit and loan level derivatives. According to GAAP, these financial instruments are not recorded in the financial statements until they are funded or related fees are incurred or received. The effect of such activity on the Company's financial condition and results of operations, such as recorded liability for unfunded credit commitment, is immaterial. See Note 13, "Commitments and Contingencies," to the consolidated financial statements for a description of off-balance-sheet financial instruments.

Contractual Obligations

A summary of contractual obligations by the expected payment period for the date indicated follows.

	Payment Due by Period				
	Less Than One Year	One to Three Years	More than Three Years to Five Years	Over Five Years	Total
	(In Thousands)				
At December 31, 2017:					
Advances from the FHLBB	$ 514,314	$ 295,954	$ 64,066	$ 15,575	$ 889,909
Subordinated debentures and notes	—	—	—	83,271	83,271
Other borrowed funds	47,639	—	—	—	47,639
Loan commitments (1)	1,215,744	—	—	—	1,215,744
Occupancy lease commitments (2)	4,921	7,550	5,731	10,138	28,340
Service provider contracts (3)	22,549	54,896	28,683	14,953	121,081
Postretirement benefit obligations (4)	425	1,325	1,099	16,849	19,698
	$ 1,805,592	$ 359,725	$ 99,579	$ 140,786	$ 2,405,682

(1) These amounts represent commitments made by the Company to extend credit to borrowers as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since some of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

(2) The Company leases certain office space under various noncancellable operating leases. These leases have original terms ranging from 5 years to over 25 years. Certain leases contain renewal options and escalation clauses for real estate taxes and other expenditures which can increase rental expenses based principally on the consumer price index and fair market rental value provisions.

(3) Payments to service providers under most of the existing contracts are based on the volume of accounts served or transactions processed. Some contracts also call for higher required payments when there are increases in the Consumer Price Index. The expected payments shown in this table are based on an estimate of the number of accounts to be served or transactions to be processed, but do not include any projection of the effect of changes in the Consumer Price Index.

(4) These amounts represent commitments made by the Company for a Supplemental Executive Retirement Plan as part of the acquisition of BankRI and a Postretirement Benefits Plan, at Brookline Bank, that provides part of the annual expense of health insurance premiums for retired employees and their dependents.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

Market risk is the risk that the market value or estimated fair value of the Company's assets, liabilities, and derivative financial instruments will decline as a result of changes in interest rates or financial market volatility, or that the Company's net income will be significantly reduced by interest-rate changes.

Interest-Rate Risk

The principal market risk facing the Company is interest-rate risk, which can occur in a variety of forms, including repricing risk, yield-curve risk, basis risk, and prepayment risk. Repricing risk occurs when the change in the average yield of either interest-earning assets or interest-bearing liabilities is more sensitive than the other to changes in market interest rates. Such a change in sensitivity could reflect a number of possible mismatches in the repricing opportunities of the Company's assets and liabilities. Yield-curve risk reflects the possibility that changes in the shape of the yield curve could have different effects on the Company's assets and liabilities. Basis risk occurs when different parts of the balance sheet are subject to varying base rates reflecting the possibility that the spread from those base rates will deviate. Prepayment risk is associated with financial instruments with an option to prepay before the stated maturity, often a disadvantage to person selling the option; this risk is most often associated with the prepayment of loans, callable investments, and callable borrowings.

Asset/Liability Management

Market risk and interest-rate risk management is governed by the Company's Asset/Liability Committee ("ALCO"). The ALCO establishes exposure limits that define the Company's tolerance for interest-rate risk. The ALCO and the Company's Treasury Group measure and manage the composition of the balance sheet over a range of possible changes in interest rates while remaining responsive to market demand for loan and deposit products. The ALCO monitors current exposures versus limits and reports those results to the Board of Directors. The policy limits and guidelines serve as benchmarks for measuring interest-rate risk and for providing a framework for evaluation and interest-rate risk-management decision-making. The Company measures its interest-rate risk by using an asset/liability simulation model. The model considers several factors to determine the Company's potential exposure to interest-rate risk, including measurement of repricing gaps, duration, convexity, value-at-risk, market value of portfolio equity under assumed changes in the level of interest rates, the shape of yield curves, and general market volatility.

Management controls the Company's interest-rate exposure using several strategies, which include adjusting the maturities of securities in the Company's investment portfolio, limiting or expanding the terms of loans originated, limiting fixed-rate deposits with terms of more than five years, and adjusting maturities of FHLBB advances. The Company limits this risk by restricting the types of MBSs it invests in to those with limited average life changes under certain interest-rate-shock scenarios, or securities with embedded prepayment penalties. The Company also places limits on holdings of fixed-rate mortgage loans with maturities greater than five years. The Company may also use derivative instruments, principally interest-rate swaps, to manage its interest-rate risk; however, the Company had no derivative fair value hedges or derivative cash flows hedges as of December 31, 2017 or 2016 . See Note 16, "Derivatives and Hedging Activities," to the consolidated financial statements.

Measuring Interest-Rate Risk

As noted above, interest-rate risk can be measured by analyzing the extent to which the repricing of assets and liabilities are mismatched to create an interest-rate sensitivity gap. An asset or liability is said to be interest-rate sensitive within a specific period if it will mature or reprice within that period. The interest-rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time period and the amount of interest-bearing liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest-rate-sensitive assets exceeds the amount of interest-rate-sensitive liabilities. A gap is considered negative when the amount of interest-rate-sensitive liabilities exceeds the amount of interest-rate-sensitive assets. During a period of falling interest rates, therefore, a positive gap would tend to adversely affect net interest income. Conversely, during a period of rising interest rates, a positive gap position would tend to result in an increase in net interest income.

The Company's interest-rate risk position is measured using both income simulation and interest-rate sensitivity "gap" analysis. Income simulation is the primary tool for measuring the interest-rate risk inherent in the Company's balance sheet at a given point in time by showing the effect on net interest income, over a twelve-month period, of a variety of interest-rate shocks. These simulations take into account repricing, maturity, and prepayment characteristics of individual products. The ALCO reviews simulation results to determine whether exposure resulting from changes in market interest rates remains within established tolerance levels over a twelve-month horizon, and develops appropriate strategies to manage this exposure. The Company's interest-rate risk analysis remains modestly asset-sensitive as of December 31, 2017 .

The assumptions used in the Company's interest-rate sensitivity simulation discussed above are inherently uncertain and, as a result, the simulations cannot precisely measure net interest income or precisely predict the impact of changes in interest rates.

As of December 31, 2017 , net interest income simulation indicated that the Company's exposure to changing interest rates was within tolerance. The ALCO reviews the methodology utilized for calculating interest-rate risk exposure and may periodically adopt modifications to this methodology. The following table presents the estimated impact of interest-rate changes on the Company's estimated net interest income over the twelve-month periods indicated:

	Estimated Exposure to Net Interest Income over Twelve-Month Horizon Beginning			
	December 31, 2017		December 31, 2016	
Gradual Change in Interest Rate Levels	Dollar Change	Percent Change	Dollar Change	Percent Change
	(Dollars in Thousands)			
Up 300 basis points	$ 11,494	4.9 %	$ 6,403	3.0 %
Up 200 basis points	8,179	3.5 %	4,420	2.1 %
Up 100 basis points	4,434	1.9 %	2,288	1.1 %
Down 100 basis points	(10,512)	-4.5 %	(5,196)	-2.5 %

The estimated impact of a 300 basis points increase in market interest rates on the Company's estimated net interest income over a twelve-month horizon was a positive 4.9% as of December 31, 2017 , compared to a positive 3.0% as of December 31, 2016 , the increase in asset sensitivity was due to a change in the funding mix, as deposits replaced wholesale funding.

Economic Value of Equity ("EVE") at Risk Simulation is conducted in tandem with net interest income simulations to ascertain a longer term view of the Company's interest-rate risk position by capturing longer-term repricing risk and options risk embedded in the balance sheet. It measures the sensitivity of the economic value of equity to changes in interest rates. The EVE at Risk Simulation values only the current balance sheet and does not incorporate growth assumptions. As with the net interest income simulation, this simulation captures product characteristics such as loan resets, repricing terms, maturity dates, and rate caps and floors. Key assumptions include loan prepayment speeds, deposit pricing elasticity, and non-maturity deposit attrition rates. These assumptions can have significant impacts on valuation results as the assumptions remain in effect for the entire life of each asset and liability. The Company conducts non-maturity deposit behavior studies on a periodic basis to support deposit assumptions used in the valuation process. All key assumptions are subject to a periodic review.

EVE at Risk is calculated by estimating the net present value of all future cash flows from existing assets and liabilities using current interest rates as well as parallel shocks to the current interest-rate environment. The following table sets forth the estimated percentage change in the Company's EVE at Risk, assuming various shifts in interest rates. Given the interest rate environment as of December 31, 2017 , simulations for interest rate declines of more than 100 basis points were not deemed to be meaningful.

	Estimated Percent Change in Economic Value of Equity	
Parallel Shock in Interest Rate Levels	At December 31, 2017	At December 31, 2016
Up 300 basis points	-0.7 %	-4.6 %
Up 200 basis points	— %	-4.4 %
Up 100 basis points	1.0 %	-1.6 %
Down 100 basis points	-7.1 %	-6.4 %

The Company's EVE sensitivity for Up shock scenarios increased from December 31, 2016 to December 31, 2017 due to the issuance of common stock which replaced short wholesale funding as well as the duration of assets shortened due to increased prepayments driven by lower, long term rates.

The Company also uses interest-rate sensitivity "gap" analysis to provide a more general overview of its interest-rate risk profile. The interest-rate sensitivity gap is defined as the difference between interest-earning assets and interest-bearing liabilities maturing or repricing within a given time period. The table below shows the Company's interest-rate sensitivity gap position as of December 31, 2017 .

	One Year or Less	More than One Year to Two Years	More than Two Years to Three Years	More than Three Years to Five Years	More than Five Years	Total
			(Dollars in Thousands)			
Interest-earning assets [(1)] :						
Short-term investments	$ 35,383	$ —	$ —	$ —	$ —	$ 35,383
Weighted average rate	1.50%	—%	—%	—%	—%	1.50%
Investment securities [(1) (3)]	99,803	81,717	68,659	191,128	208,547	649,854
Weighted average rate	2.03%	1.90%	1.88%	2.00%	2.14%	2.03%
Commercial real estate loans [(1)]	1,581,185	428,655	372,345	548,368	145,224	3,075,777
Weighted average rate	3.97%	4.33%	4.36%	4.44%	4.39%	4.17%
Commercial loans and leases [(1)]	756,970	303,303	226,532	263,360	73,946	1,624,111
Weighted average rate	5.72%	6.14%	6.10%	6.22%	3.39%	5.83%
Consumer loans [(1)]	654,696	138,562	85,419	95,083	57,031	1,030,791
Weighted average rate	4.02%	3.87%	3.88%	3.93%	3.17%	3.93%
Total interest-earning assets	3,128,037	952,237	752,955	1,097,939	484,748	6,415,916
Weighted average rate	4.32%	4.63%	4.60%	4.40%	3.13%	4.32%
Interest-bearing liabilities [(1)] :						
NOW accounts	$ —	$ —	$ —	$ —	$ 350,568	$ 350,568
Weighted average rate	—%	—%	—%	—%	0.06%	0.06%
Savings accounts	—	—	—	—	646,359	646,359
Weighted average rate	—%	—%	—%	—%	0.25%	0.25%
Money market savings accounts	1,719,948	—	—	—	4,415	1,724,363
Weighted average rate	0.56%	—%	—%	—%	—%	0.56%
Certificates of deposit [(1)]	711,364	300,372	90,663	103,392	1,679	1,207,470
Weighted average rate	1.00%	1.48%	1.87%	1.99%	0.03%	1.27%
Borrowed funds [(1)]	675,707	240,121	16,589	5,963	82,439	1,020,819
Weighted average rate	1.32%	1.75%	0.64%	2.04%	5.86%	1.78%
Total interest-bearing liabilities	3,107,019	540,493	107,252	109,355	1,085,460	4,949,579
Weighted average rate	0.83%	1.60%	1.68%	1.99%	0.61%	0.91%
Interest sensitivity gap [(2)]	$ 21,018	$ 411,744	$ 645,703	$ 988,584	$ (600,712)	$ 1,466,337
Cumulative interest sensitivity gap	$ 21,018	$ 432,762	$ 1,078,465	$ 2,067,049	$ 1,466,337	
Cumulative interest sensitivity gap as a percentage of total assets	0.31%	6.38%	15.91%	30.49%	21.63%	
Cumulative interest sensitivity gap as a percentage of total interest-earning assets	0.33%	6.75%	16.81%	32.22%	22.85%	

(1) Interest-earning assets and interest-bearing liabilities are included in the period in which the balances are expected to be redeployed and/or repriced as a result of anticipated prepayments, scheduled rate adjustments and contractual maturities.

(2) Interest sensitivity gap represents the difference between interest-earning assets and interest-bearing liabilities.

(3) Investment securities include all debt, equity and restricted equity securities and unrealized gains and losses on investment securities.

As of December 31, 2017 , interest-earning assets maturing or repricing within one year amounted to $3.1 billion and interest-bearing liabilities maturing or repricing within one year amounted to $3.1 billion , resulting in a cumulative one-year positive gap position of $21.0 million or 0.33% of total interest-earning assets. As of December 31, 2016 , the Company had a cumulative one-year negative gap position of $275.3 million , or 4.56% of total interest-earning assets. The change in the cumulative one-year gap position from December 31, 2016 was due to an increase in short term commercial and commercial real estate loans.

Interest rates paid on NOW accounts, savings accounts and money market accounts are subject to change at any time and such deposits are available for immediate withdrawal. A review of rates paid on these deposit categories over the last several years indicated that the amount and timing of rate changes did not coincide with the amount and timing of rate changes on other deposits when the FRB adjusted its benchmark federal funds rate.

Management views NOW and savings accounts to be less sensitive to interest rates than money market accounts and these accounts are therefore characterized as stable long-term funding sensitive beyond five years. Management views money market accounts to be more volatile deposits and these accounts are therefore characterized as sensitive to changes in interest rates within the first year.

Item 8. Financial Statements and Supplementary Data

The following financial statements and supplementary data required by this item are presented on the following pages which appear elsewhere herein:

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), the Company has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including its Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting identified in connection with the quarterly evaluation that occurred during the Company's last fiscal quarter that has materially and detrimentally affected, or is reasonably likely to materially and detrimentally affect, the Company's internal control over financial reporting.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control system was designed to provide reasonable assurance to its management and the Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. The Company's management assessed the effectiveness of its internal control over financial reporting as of the end of the period covered by this report. In addition, the effectiveness of the Company's internal control over financial reporting as of the end of the period covered by this report has been audited by KPMG LLP, an independent registered public accounting firm as stated in its report which is included in Item 8 of this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting as of December 31, 2017 appears on page F-1 herein and the related Report of Independent Registered Public Accounting Firm thereon appears on page F-2 herein.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated herein by reference to the Company's Proxy Statement to be filed in connection with the Annual Meeting of Stockholders ("Proxy Statement").

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference to Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference to Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) *Financial Statements*

All financial statements are included in Item 8 of Part II of this Annual Report on Form 10-K.

(2) *Financial Statement Schedules*

All financial statement schedules have been omitted because they are not required, not applicable or are included in the consolidated financial statements or related notes.

(3) *Exhibits*

The exhibits listed in paragraph (b) below are filed herewith or incorporated herein by reference to other filings.

(b) *Exhibits*

EXHIBIT INDEX

Exhibit	Description
1.1	Underwriting Agreement, dated September 11, 2014, by and among Brookline Bancorp, Inc., Sterne, Agee & Leach, Inc. and Sandler O'Neil + Partners, L.P., as representatives of the several underwriters named therein (incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 8-K filed on September 12, 2014)
2.1	Agreement and Plan of Merger dated as of September 20, 2017 by and among Brookline Bancorp, Inc., Brookline Bank, and First Commons Bank, N.A. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 21, 2017)
3.1	Certificate of Incorporation of Brookline Bancorp, Inc. (incorporated by reference to Exhibit 3.1 (included in Exhibit 2) of the Registration Statement on Form S-1 filed by the Company on April 10, 2002 (Registration No. 333-85980))
3.2	Amended and Restated Bylaws of Brookline Bancorp, Inc. (incorporated by reference to Exhibit 3.02 of the Company's Current Report on Form 8-K filed on January 10, 2013)
4	Form of Common Stock Certificate of the Company (incorporated by reference to Exhibit 4 of the Registration Statement on Form S-1 filed by the Company on April 10, 2002 (Registration No. 333-85980))
4.1	Subordinated Indenture, dated as of September 16, 2014, between Brookline Bancorp, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on September 17, 2014)
4.2	First Supplemental Indenture, dated as of September 16, 2014, between Brookline Bancorp, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on September 17, 2014)
4.3	Form of Global Note to represent the 6.000% Fixed-to-Floating Rate Subordinated Notes due September 15, 2029 (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed on September 17, 2014)
10.1+	Brookline Bancorp, Inc. Deferred Compensation Plan effective January 1, 2011 (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K filed on September 16, 2010)
10.1.1	Form of Voting Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 21, 2017)
10.2+	Brookline Bancorp, Inc. 2003 Stock Option Plan (incorporated by reference to Exhibit A of the Company's Proxy Statement filed on July 23, 2003)
10.2.1	Consulting Agreement by and between Brookline Bank and Anthony G. Nuzzo dated September 20, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 21, 2017)
10.3+	Brookline Bancorp, Inc. 2003 Recognition and Retention Plan (incorporated by reference to Exhibit B of the Company's Proxy Statement filed on July 23, 2003)
10.4+	Brookline Bancorp, Inc. 2011 Restricted Stock Plan (incorporated by reference to Appendix A of the Company's Proxy Statement filed on March 17, 2011)
10.5+	Brookline Bancorp, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on May 9, 2014)

Exhibit	Description
10.6+	Employment Agreement, dated as of April 11, 2011, by and among Brookline Bancorp, Inc., Brookline Bank and Paul A. Perrault (incorporated by reference to Exhibit 10.10 of the Company's Current Report on Form 8-K filed on April 15, 2011)
10.7+	Retirement Agreement, dated as of December 23, 2010, by and between Brookline Bancorp, Inc., Brookline Bank and Charles H. Peck (incorporated by reference to Exhibit 10.11 of the Company's Current Report on Form 8-K filed on December 27, 2010)
10.8+	Employment Letter Agreement, dated as of April 19, 2011, by and between Brookline Bancorp, Inc. and Mark J. Meiklejohn (incorporated by reference to Exhibit 10.3 of Pre-effective Amendment No. 2 of the Registration Statement on Form S-4 filed by the Company on July 25, 2011 (Registration Number 333-174731))
10.9+	Form of Amended Change in Control Agreement (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed May 9, 2014)
14.1	Code of Ethics for Financial Professionals (incorporated by reference to Exhibit 14 to Form 10-K filed on March 10, 2006)
21	Subsidiaries of the Registrant (incorporated by reference in Part I, Item 1. "Business—General" of this Annual Report on Form 10-K)
23*	Consent of Independent Registered Public Accounting Firm
31.1*	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Rule 13a-14(b) Certifications of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Rule 13a-14(b) Certifications of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Brookline Bancorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017 were formatted in xBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2017 and 2016, (ii) Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015, (iv) Consolidated Statements of Changes in Equity for the years ended December 31, 2017, 2016 and 2015, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015 and (vi) Notes to Consolidated Financial Statements.

* Filed herewith

** Furnished herewith

+ Management contract or compensatory plan or agreement

(c) *Other Required Financial Statements and Schedules*

Not applicable.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2018

BROOKLINE BANCORP, INC.

By: /s/ PAUL A. PERRAULT
Paul A. Perrault
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By:	/s/ PAUL A. PERRAULT Paul A. Perrault, *President and Chief Executive Officer* *(Principal Executive Officer)* Date: February 28, 2018	By:	/s/ CARL M. CARLSON Carl M. Carlson, *Chief Financial Officer* *(Principal Financial Officer)* Date: February 28, 2018
By:	/s/ MARGARET BOLES FITZGERALD Margaret Boles Fitzgerald, *Director* Date: February 28, 2018	By:	/s/ CHARLES H. PECK Charles H. Peck, *Director* Date: February 28, 2018
By:	/s/ DAVID C. CHAPIN David C. Chapin, *Director* Date: February 28, 2018	By:	/s/ JOHN M. PEREIRA John M. Pereira, *Director* Date: February 28, 2018
By:	/s/ JOHN J. DOYLE, JR. John J. Doyle, Jr., *Director* Date: February 28, 2018	By:	/s/ MERRILL W. SHERMAN Merrill W. Sherman, *Director* Date: February 28, 2018
By:	/s/ JOHN A. HACKETT John A. Hackett, *Director* Date: February 28, 2018	By:	/s/ JOSEPH J. SLOTNIK Joseph J. Slotnik, *Chairman and Director* Date: February 28, 2018
By:	/s/ JOHN L. HALL, II John L. Hall, II, *Director* Date: February 28, 2018	By:	/s/ ROSAMOND B. VAULE Rosamond B. Vaule, *Director* Date: February 28, 2018
By:	/s/ THOMAS J. HOLLISTER Thomas J. Hollister, *Director* Date: February 28, 2018	By:	/s/ PETER O. WILDE Peter O. Wilde, *Director* Date: February 28, 2018
By:	/s/ BOGDAN NOWAK Bogdan Nowak, *Director* Date: February 28, 2018		

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Brookline Bancorp, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Brookline Bancorp Inc.'s internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well-designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Brookline Bancorp, Inc.'s management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017 . In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013)*. Based on our assessment, we believe that, as of December 31, 2017 , the Company's internal control over financial reporting is effective based on those criteria.

Brookline Bancorp, Inc.'s independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page F-2.

/s/ PAUL A. PERRAULT	/s/ CARL M. CARLSON
Paul A. Perrault	Carl M. Carlson
Chief Executive Officer *(Principal Executive Officer)*	*Chief Financial Officer* *(Principal Financial Officer)*

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Brookline Bancorp, Inc.:

Opinion on Internal Control over Financial Reporting

We have audited Brookline Bancorp, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016 , the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017 , and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Effectiveness of Internal Control Over Financial Reporting and Compliance with Designated Laws and Regulations. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Boston, Massachusetts
February 28, 2018

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Brookline Bancorp, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Brookline Bancorp, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016 , the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017 and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016 , and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2003.

Boston, Massachusetts
February 28, 2018

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	At December 31, 2017	At December 31, 2016
	(In Thousands Except Share Data)	
ASSETS		
Cash and due from banks	$ 25,622	$ 36,055
Short-term investments	35,383	31,602
Total cash and cash equivalents	61,005	67,657
Investment securities available-for-sale	540,124	523,634
Investment securities held-to-maturity (fair value of $108,523 and $85,271, respectively)	109,730	87,120
Total investment securities	649,854	610,754
Loans held-for-sale	2,628	13,078
Loans and leases:		
Commercial real estate loans	3,075,777	2,918,567
Commercial loans and leases	1,624,111	1,495,408
Consumer loans	1,030,791	984,889
Total loans and leases	5,730,679	5,398,864
Allowance for loan and lease losses	(58,592)	(53,666)
Net loans and leases	5,672,087	5,345,198
Restricted equity securities	59,369	64,511
Premises and equipment, net of accumulated depreciation of $63,423 and $58,790, respectively	80,283	76,176
Deferred tax asset	15,061	25,247
Goodwill	137,890	137,890
Identified intangible assets, net of accumulated amortization of $33,738 and $31,649, respectively	6,044	8,133
Other real estate owned ("OREO") and repossessed assets, net	4,419	1,399
Other assets	91,609	88,086
Total assets	$ 6,780,249	$ 6,438,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing deposits:		
Demand checking accounts	$ 942,583	$ 900,474
Interest-bearing deposits:		
NOW accounts	350,568	323,160
Savings accounts	646,359	613,061
Money market accounts	1,724,363	1,733,359
Certificate of deposit accounts	1,207,470	1,041,022
Total interest-bearing deposits	3,928,760	3,710,602
Total deposits	4,871,343	4,611,076
Borrowed funds:		
Advances from the Federal Home Loan Bank of Boston ("FHLBB")	889,909	910,774
Subordinated debentures and notes	83,271	83,105
Other borrowed funds	47,639	50,207
Total borrowed funds	1,020,819	1,044,086
Mortgagors' escrow accounts	7,686	7,645
Accrued expenses and other liabilities	67,818	72,573
Total liabilities	5,967,666	5,735,380
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Brookline Bancorp, Inc. stockholders' equity:		
Common stock, $0.01 par value; 200,000,000 shares authorized; 81,695,695 shares issued and 75,744,445 shares issued, respectively	817	757
Additional paid-in capital	699,976	616,734

Retained earnings, partially restricted	161,217	136,671
Accumulated other comprehensive loss	(5,950)	(3,818)
Treasury stock, at cost; 4,440,665 shares and 4,707,096 shares, respectively	(51,454)	(53,837)
Unallocated common stock held by ESOP; 142,332 shares and 176,688 shares, respectively	(776)	(963)
Total Brookline Bancorp, Inc. stockholders' equity	803,830	695,544
Noncontrolling interest in subsidiary	8,753	7,205
Total stockholders' equity	812,583	702,749
Total liabilities and stockholders' equity	$ 6,780,249	$ 6,438,129

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Income

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands Except Share Data)		
Interest and dividend income:			
Loans and leases	$ 247,022	$ 224,721	$ 212,604
Debt securities	12,524	11,710	11,416
Marketable and restricted equity securities	3,062	2,975	2,762
Short-term investments	442	242	128
Total interest and dividend income	263,050	239,648	226,910
Interest expense:			
Deposits	23,288	20,070	17,480
Borrowed funds	16,581	15,914	15,065
Total interest expense	39,869	35,984	32,545
Net interest income	223,181	203,664	194,365
Provision for credit losses	18,988	10,353	7,451
Net interest income after provision for credit losses	204,193	193,311	186,914
Non-interest income:			
Deposit fees	10,050	9,467	9,269
Loan fees	1,110	1,299	1,186
Loan level derivative income, net	2,187	3,962	3,397
Gain on sales of investment securities, net	11,393	—	—
Gain on sales of loans and leases held-for-sale	2,644	3,256	2,208
Other	4,789	4,683	4,124
Total non-interest income	32,173	22,667	20,184
Non-interest expense:			
Compensation and employee benefits	82,413	77,836	71,272
Occupancy	14,546	13,882	13,926
Equipment and data processing	16,854	15,496	14,837
Professional services	4,315	3,852	4,192
FDIC insurance	3,326	3,332	3,510
Advertising and marketing	3,369	3,381	3,352
Amortization of identified intangible assets	2,089	2,500	2,911
Merger and acquisition expense	411	—	—
Other	11,788	10,083	11,377
Total non-interest expense	139,111	130,362	125,377
Income before provision for income taxes	97,255	85,616	81,721
Provision for income taxes	43,636	30,392	29,353
Net income before noncontrolling interest in subsidiary	53,619	55,224	52,368
Less net income attributable to noncontrolling interest in subsidiary	3,101	2,862	2,586
Net income attributable to Brookline Bancorp, Inc.	$ 50,518	$ 52,362	$ 49,782
Earnings per common share:			
Basic	$ 0.68	$ 0.74	$ 0.71
Diluted	0.68	0.74	0.71
Weighted average common shares outstanding during the year:			
Basic	74,459,508	70,261,954	70,098,561
Diluted	74,811,408	70,444,083	70,235,868
Dividends declared per common share	$ 0.36	$ 0.36	$ 0.355

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2017	2016	2015
		(In Thousands)	
Net income before noncontrolling interest in subsidiary	$ 53,619	$ 55,224	$ 52,368
Other comprehensive loss, net of taxes:			
Investment securities available-for-sale:			
Unrealized securities holding losses	(1,274)	(2,167)	(1,573)
Income tax benefit	457	781	479
Net unrealized securities holding losses before reclassification adjustments	(817)	(1,386)	(1,094)
Postretirement benefits:			
Adjustment of accumulated obligation for postretirement benefits	(422)	69	353
Income tax benefit (expense)	170	(25)	(113)
Net adjustment of accumulated obligation for postretirement benefits	(252)	44	240
Other comprehensive loss, net of taxes	(1,069)	(1,342)	(854)
Comprehensive income	52,550	53,882	51,514
Net income attributable to noncontrolling interest in subsidiary	3,101	2,862	2,586
Comprehensive income attributable to Brookline Bancorp, Inc.	$ 49,449	$ 51,020	$ 48,928

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
Year Ended December 31, 2017 , 2016 and 2015

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity	Noncontrolling Interest in Subsidiary	Total Stockholders' Equity
	(In Thousands)								
Balance at December 31, 2016	$ 757	$ 616,734	$ 136,671	$ (3,818)	$ (53,837)	$ (963)	$ 695,544	$ 7,205	$ 702,749
Reclassification due to the adoption of ASU No. 2018-02	—	—	1,063	(1,063)	—	—	—	—	—
Net income attributable to Brookline Bancorp, Inc.	—	—	50,518	—	—	—	50,518	—	50,518
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	3,101	3,101
Issuance of common stock	60	81,883	—	—	—	—	81,943	—	81,943
Issuance of noncontrolling units	—	—	—	—	—	—	—	118	118
Other comprehensive income	—	—	—	(1,069)	—	—	(1,069)	—	(1,069)
Common stock dividends of $0.36 per share	—	—	(27,035)	—	—	—	(27,035)	—	(27,035)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,671)	(1,671)
Compensation under recognition and retention plan	—	1,045	—	—	2,383	—	3,428	—	3,428
Common stock held by ESOP committed to be released (34,356 shares)	—	314	—	—	—	187	501	—	501
Balance at December 31, 2017	$ 817	$ 699,976	$ 161,217	$ (5,950)	$ (51,454)	$ (776)	$ 803,830	$ 8,753	$ 812,583

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity (Continued)
Year Ended December 31, 2017 , 2016 and 2015

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity	Noncontrolling Interest in Subsidiary	Total Stockholders' Equity
	(In Thousands)								
Balance at December 31, 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.	—	—	52,362	—	—	—	52,362	—	52,362
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	2,862	2,862
Issuance of non-controlling interest	—	—	—	—	—	—	—	76	76
Other comprehensive loss	—	—		(1,342)	—	—	(1,342)	—	(1,342)
Common stock dividends of $0.36 per share	—	—	(25,366)	—		—	(25,366)	—	(25,366)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,734)	(1,734)
Compensation under recognition and retention plans	—	(361)	—	—	2,371	—	2,010	—	2,010
Common stock held by ESOP committed to be released (36,372 shares)	—	196	—	—	—	199	395	—	395
Balance at December 31, 2016	$ 757	$ 616,734	$ 136,671	$ (3,818)	$ (53,837)	$ (963)	$ 695,544	$ 7,205	$ 702,749

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity (Continued)
Year Ended December 31, 2017 , 2016 and 2015

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity	Noncontrolling Interest in Subsidiary	Total Stockholders' Equity
	(In Thousands)								
Balance at December 31, 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.	—	—	49,782	—	—	—	49,782	—	49,782
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	2,586	2,586
Issuance of non-controlling interest	—	—	—	—	—	—	—	65	65
Other comprehensive income	—	—	—	(854)	—	—	(854)	—	(854)
Common stock dividends of $0.355 per share	—	—	(24,967)	—	—	—	(24,967)	—	(24,967)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,437)	(1,437)
Compensation under recognition and retention plans	—	(763)	—	—	2,074	—	1,311	—	1,311
Common stock held by ESOP committed to be released (38,316 shares)	—	187	—	—	—	208	395	—	395
Balance at December 31, 2015	$ 757	$ 616,899	$ 109,675	$ (2,476)	$ (56,208)	$ (1,162)	$ 667,485	$ 6,001	$ 673,486

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Cash flows from operating activities:			
Net income attributable to Brookline Bancorp, Inc.	$ 50,518	$ 52,362	$ 49,782
Adjustments to reconcile net income to net cash provided from operating activities:			
Net income attributable to noncontrolling interest in subsidiary	3,101	2,862	2,586
Provision for credit losses	18,988	10,353	7,451
Origination of loans and leases held-for-sale	(27,425)	(56,080)	(74,841)
Proceeds from sales of loans and leases held-for-sale, net	32,073	55,636	64,398
Deferred income tax expense	10,798	2,322	1,239
Depreciation of premises and equipment	7,232	7,080	7,074
Amortization of investment securities premiums and discounts, net	2,042	2,158	1,841
Amortization of deferred loan and lease origination costs, net	6,695	5,883	4,775
Amortization of identified intangible assets	2,089	2,500	2,911
Amortization of debt issuance costs	100	101	100
Accretion of acquisition fair value adjustments, net	(1,583)	(3,960)	(7,242)
Gain on sales of investment securities, net	(11,393)	—	—
Gain on sales of loans and leases held-for-sale	(2,644)	(3,256)	(2,208)
Loss on sales of OREO and other repossessed assets, net	(79)	(84)	102
Write-down of OREO and other repossessed assets	458	190	229
Compensation under recognition and retention plans	2,308	1,844	1,276
ESOP shares committed to be released	501	395	395
Net change in:			
Cash surrender value of bank-owned life insurance	(1,041)	(1,050)	(1,049)
Other assets	(2,413)	(287)	(5,135)
Accrued expenses and other liabilities	(5,378)	(1,039)	10,920
Net cash provided from operating activities	84,947	77,930	64,604
Cash flows from investing activities:			
Proceeds from maturities, calls, and principal repayments of investment securities available-for-sale	71,611	100,957	97,771
Purchases of investment securities available-for-sale	(90,971)	(115,403)	(63,615)
Proceeds from maturities, calls, and principal repayments of investment securities held to maturity	3,817	42,492	9,579
Purchases of investment securities held-to-maturity	(26,873)	(36,167)	(102,847)
Proceeds from redemption/sales of restricted equity securities	24,462	5,623	9,924
Purchase of restricted equity securities	(7,927)	(4,017)	(1,237)
Proceeds from sales of loans and leases held-for-investment, net	28,608	45,979	273,688
Net increase in loans and leases	(378,906)	(465,527)	(457,460)
Purchase of premises and equipment, net	(11,557)	(5,262)	(4,775)
Proceeds from sales of OREO and other repossessed assets	3,762	3,530	7,152
Net cash used for investing activities	(383,974)	(427,795)	(231,820)
			(Continued)

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

	Year Ended December 31,		
	2017	**2016**	**2015**
		(In Thousands)	
Cash flows from financing activities:			
Increase in demand checking, NOW, savings and money market accounts	93,819	351,908	206,748
(Decrease) increase in certificates of deposit	166,448	(46,752)	141,338
Proceeds from FHLBB advances	4,685,706	5,905,511	4,018,000
Repayment of FHLBB advances	(4,705,543)	(5,854,019)	(4,157,392)
Increase (decrease) in other borrowed funds, net	(2,568)	11,980	(1,388)
Increase (decrease) in mortgagors' escrow accounts, net	41	129	(985)
Proceeds from exercise of stock options	1,469	300	—
Proceeds from issuance of common stock	81,943	—	—
Payment of dividends on common stock	(27,035)	(25,366)	(24,967)
Payment of income taxes for shares withheld in share based activity	(352)	—	—
Proceeds from issuance of noncontrolling units	118	76	65
Payment of dividends to owners of noncontrolling interest in subsidiary	(1,671)	(1,734)	(1,437)
Net cash provided from financing activities	292,375	342,033	179,982
Net (decrease) increase in cash and cash equivalents	(6,652)	(7,832)	12,766
Cash and cash equivalents at beginning of year	67,657	75,489	62,723
Cash and cash equivalents at end of year	$ 61,005	$ 67,657	$ 75,489
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest on deposits, borrowed funds and subordinated debt	$ 40,785	$ 38,620	$ 35,522
Income taxes	34,026	29,770	26,694
Non-cash investing activities:			
Transfer from loans and leases to loan and leases held-for-sale	$ 7,500	$ 2,500	$ —
Transfer from loans to other real estate owned	7,161	3,692	7,370

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017 , 2016 and 2015

(1) Basis of Presentation

Overview

Brookline Bancorp, Inc. (the "Company") is a bank holding company (within the meaning of the Bank Holding Company Act of 1956, as amended) and the parent of Brookline Bank, a Massachusetts-chartered savings bank; Bank Rhode Island ("BankRI"), a Rhode Island-chartered financial institution; and First Ipswich Bank ("First Ipswich"), a Massachusetts-chartered trust company (collectively referred to as the "Banks"). The Banks are all members of the Federal Reserve System. The Company is also the parent of Brookline Securities Corp. ("BSC"). The Company's primary business is to provide commercial, business and retail banking services to its corporate, municipal and retail customers through its banks and non-bank subsidiaries.

Brookline Bank, which includes its wholly-owned subsidiaries BBS Investment Corp., Longwood Securities Corp. and its 84.2% -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 20 full-service banking offices in the greater Providence area, Rhode Island area. First Ipswich, which includes its wholly-owned subsidiaries, First Ipswich Insurance Agency and First Ipswich Securities II Corp., operates six full-service banking offices on the north shore of eastern Massachusetts.

The Company's activities include acceptance of commercial, municipal and retail deposits, origination of mortgage loans on commercial and residential real estate located principally in Massachusetts and Rhode Island, origination of commercial loans and leases to small- and mid-sized businesses, investment in debt and equity securities, and the offering of cash management and investment advisory services. The Company also provides specialty equipment financing through its subsidiaries Eastern Funding, which is based in New York City, New York, and Macrolease, which is based in Plainview, New York.

The Company and the Banks are supervised, examined and regulated by the Board of Governors of the Federal Reserve System ("FRB"). As Massachusetts-chartered savings 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 subject to regulation under the laws of the State of Rhode Island and the jurisdiction of the Banking Division of the Rhode Island Department of Business Regulation.

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

Basis of Financial Statement Presentation

The Company's consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as set forth by the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification and through the rules and interpretive releases of the Securities and Exchange Commission ("SEC") under the authority of federal securities laws.

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

In preparing these consolidated financial statements, management is required to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates based upon changing conditions, including economic conditions and future events. Material estimates that are particularly susceptible to significant 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, the review of goodwill and intangibles for impairment and the review of deferred tax assets for valuation allowance.

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

Reclassification

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

Cash and Cash Equivalents

For purposes of reporting asset balances and cash flows, cash and cash equivalents includes cash on hand and due from banks (including cash items in process of clearing), interest-bearing deposits with banks, federal funds sold, money market mutual funds and other short-term investments with original maturities of three months or less.

Investment Securities

Investment securities, other than those reported as short-term investments, are classified at the time of purchase as "available-for-sale," or "held-to-maturity." Classification is periodically re-evaluated for consistency with the Company's goals and objectives. Equity investments in the Federal Home Loan Bank of Boston ("FHLBB"), the Federal Reserve Bank of Boston and other restricted equities are discussed in more detail in Note 5, "Restricted Equity Securities."

Investment Securities Available-for-Sale and Held-to-Maturity

Investment securities for which the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at amortized cost. Those investment securities held for indefinite periods of time but not necessarily to maturity are classified as available-for-sale. Investment securities held for indefinite periods of time include investment securities that management intends to use as part of its asset/liability, liquidity, and/or capital management strategies and may be sold in response to changes in interest rates, maturities, asset/liability mix, liquidity needs, regulatory capital needs or other business factors. Investment securities available-for-sale are carried at estimated fair value, primarily obtained from a third-party pricing service, with unrealized gains and losses reported on an after-tax basis in stockholders' equity as accumulated other comprehensive income or loss. As of December 31, 2017 and 2016 , the Company did not make any adjustments to the prices provided by the third-party pricing service.

Security transactions are recorded on the trade date. Realized gains and losses are determined using the specific identification method and are recorded in non-interest income. Interest and dividends on securities are recorded using the accrual method. Premiums and discounts on securities are amortized or accreted into interest income using the level-yield method over the remaining period to contractual maturity, adjusted for the effect of actual prepayments in the case of mortgage-backed securities ("MBSs") and collateralized mortgage obligations ("CMOs"). These estimates of prepayment assumptions are made based upon the actual performance of the underlying security, current interest rates, the general market consensus regarding changes in mortgage interest rates, the contractual repayment terms of the underlying loans, the priority rights of the investors to the cash flows from the mortgage securities and other economic conditions. When differences arise between anticipated prepayments and actual prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. Unamortized premium or discount is adjusted to the amount that would have existed had the new effective yield been applied since purchase, with a corresponding charge or credit to interest income.

Management evaluates securities for other-than-temporary impairment ("OTTI") on a periodic basis. Factors considered in determining whether an impairment is OTTI include: (1) the length of time and the extent to which the fair value has been less than amortized cost, (2) projected future cash flows, (3) the financial condition and near-term prospects of the issuers, and (4) the intent and ability of the Company to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value. The Company records an OTTI loss in an amount equal to the entire difference between the fair value and amortized cost if: (1) the Company intends to sell an impaired investment security, (2) it is more likely than not that the Company will be required to sell the investment security before its amortized cost, or (3) for debt securities, the present value of expected future cash flows is not sufficient to recover the entire amortized cost basis. If an investment security is determined to be OTTI but the Company does not intend to sell the investment security, only the credit portion of the estimated loss is recognized in earnings, with the non credit portion of the loss recognized in other comprehensive income.

Restricted Equity Securities

The Company invests in the stock of the FHLBB, the Federal Reserve Bank of Boston and a small amount of other restricted securities. No ready market exists for these stocks, and they have no quoted market values. The Banks, as members of the FHLBB, are required to maintain investments in the capital stock of the FHLBB equal to their membership base investments plus an activity-based investment determined according to the Banks' level of outstanding FHLBB advances. Federal Reserve Bank of Boston stock was purchased and is redeemable at par. The Company reviews for impairment of these securities based on the ultimate recoverability of the cost basis in the stock. As of December 31, 2017 and 2016 , no impairment has been recognized.

Loans

Originated Loans

Loans the Company originates for the portfolio, and for which it has the intent and ability to hold to maturity, are reported at amortized cost, inclusive of deferred loan origination fees and expenses, less unadvanced funds due borrowers on loans and the allowance for loan and lease losses.

Interest income on loans and leases originated for the portfolio is accrued on unpaid principal balances as earned. Loan origination fees and direct loan origination costs are deferred, and the net fee or cost is recognized in interest income using the interest method. Deferred amounts are recognized for fixed-rate loans over the contractual life of the loans and for adjustable-rate loans over the period of time required to adjust the contractual interest rate to a yield approximating a market rate at the origination date. If a loan is prepaid, the unamortized portion of the loan origination costs, including third party referral related costs not subject to rebate from the dealer, is charged to income.

Loans and Leases Held-for-Sale

Management identifies and designates certain newly originated loans and leases for sale to specific financial institutions, subject to the underwriting criteria of those financial institutions. These loans and leases are held for sale and are carried at the lower of cost or market as determined in the aggregate. Deferred loan fees and costs are included in the determination of the gain or loss on sale.

Acquired Loans

Acquired loans that have evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. The difference between the undiscounted cash flows expected at acquisition and the recorded fair value of the loan, or the “accretable yield,” is recognized as interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the “nonaccretable difference,” are not recognized as a yield adjustment or as a loss accrual or a valuation allowance. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining life. Decreases in expected cash flows are recognized as impairment. Valuation allowances on these impaired loans reflect only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately are not to be received).

Nonperforming Loans

Nonaccrual Loans

Accrual of interest on loans generally is discontinued when contractual payment of principal or interest becomes past due 90 days or, if in management's judgment, reasonable doubt exists as to the full timely collection of interest. Exceptions may be made if the loan has matured and is in the process of renewal or is well-secured and in the process of collection. When a loan is placed on nonaccrual status, interest accruals cease and uncollected accrued interest is reversed and charged against current interest income. Interest payments on nonaccrual loans are generally applied to principal. If collection of the principal is reasonably assured, interest payments are recognized as income on the cash basis. Loans are generally returned to accrual status when principal and interest payments are current, full collectability of principal and interest is reasonably assured and a consistent record of at least six consecutive months of performance has been achieved.

Impaired Loans

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. Smaller-balance, homogeneous loans that are evaluated collectively for impairment, such as residential, home equity and other consumer loans are specifically excluded from the impaired loan portfolio except where the loan is classified as a troubled debt restructuring. The Company has defined the population of impaired loans to include nonaccrual loans and troubled debt restructured ("TDR") 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 value of an impaired loan is measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the collateral if the loan is collateral-dependent and its payment is expected solely based on the underlying collateral. For impaired loans deemed collateral dependent, where impairment is measured using the fair value of the collateral, the Company will either obtain a new appraisal or use another available source of collateral assessment to determine a reasonable estimate of the fair value of the collateral.

Interest collected on impaired loans is either applied against principal or reported as income according to management's judgment as to the collectability of principal. If management does not consider a loan ultimately collectible within an acceptable time frame, payments are applied as principal to reduce the loan balance. If full collection of the remaining recorded investment should subsequently occur, interest receipts are recorded as interest income on a cash basis.

Troubled Debt Restructured Loans

In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a TDR loan. In determining whether a debtor is experiencing financial difficulties, the Company considers, among other factors, whether the debtor is in payment default or is likely to be in payment default in the foreseeable future without the modification, if the debtor declared or is in the process of declaring bankruptcy, there is substantial doubt that the debtor will continue as a going concern, the debtor's entity-specific projected cash flows will not be sufficient to service its debt, or the debtor cannot obtain funds from sources other than the existing creditors at market terms for debt with similar risk characteristics.

Large groups of small-balance homogeneous loans such as residential real estate, residential construction, home equity and other consumer portfolios are collectively evaluated for impairment. As such, the Company does not typically identify individual loans within these groupings as impaired loans or for impairment evaluation and disclosure. However, the Company evaluates all TDRs for impairment on an individual loan basis regardless of loan type.

Modifications may include interest-rate reductions, short-term (defined as one year or less) changes in payment structure to interest-only payments, short-term extensions of the loan's original contractual term, or less frequently, principal forgiveness, interest capitalization, forbearance and other actions intended to minimize economic loss and avoid foreclosure or repossession of collateral. Typically, TDRs are placed on nonaccrual status and reported as nonperforming loans. Generally, a nonaccrual loan that is restructured remains on nonaccrual for a period of six months to demonstrate that the borrower can meet the restructured terms; however, performance prior to the restructuring, or significant events that coincide with the restructuring, are considered in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is not reasonably assured, the loan remains classified as a nonaccrual loan.

Loans restructured at an interest rate equal to or greater than that of a new loan with comparable risk at the time the loan agreement is modified may be excluded from restructured loan disclosures in years subsequent to the restructuring if they are in compliance with the modified terms.

Allowance for Loan and Lease Losses

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

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

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. Under the enhanced methodology, management combined the historical loss histories of the Banks to generate a single set of historical loss ratios. Management believes it is appropriate to aggregate the ratios as the Banks share common environmental factors, operate in similar geographic 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 used for the Company is appropriate based on the commonality of environmental factors, markets and underwriting standards among the Banks. Prior to 2015, each of the Banks utilized a set of qualitative factors applicable to each Bank.

The Company’s December 31, 2017 allowance calculation included a further segmentation of the commercial loans and leases to reflect the increased risk in the Company’s taxi medallion portfolio. As of December 31, 2017 , this portfolio is approximately $19.7 million . Based on industry conditions, management established a loss factor for this portfolio that best represents the changing risks associated with it.

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

As of December 31, 2017 , 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.

Liability for Unfunded Commitments

In the ordinary course of business, the Company enters into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable. The credit risk associated with these commitments is evaluated in a manner similar to the allowance for loan losses.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization, except for land which is carried at cost. Premises and equipment are depreciated using the straight-line method over the estimated useful life of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the improvements.

Costs related to internal-use software development projects that provide significant new functionality are capitalized. Internal-use software is software acquired or modified solely to meet the Company's needs and for which there is no plan to market the software externally. Direct and indirect costs associated with the application development stage of internal use software are capitalized until such time that the software is substantially complete and ready for its intended use. Capitalized costs are amortized on a straight-line basis over the remaining estimated life of the software. Computer software and development costs incurred in the preliminary project stage, as well as training and maintenance costs, are expensed as incurred.

Leases

The Company leases properties for offices and branches in the states of Massachusetts, Rhode Island and New York. Lease terms range from five years to over 25 years with options to renew. Management performs an analysis to determine proper lease accounting at lease inception and for each renewal. If a lease meets any of the following four criteria, the lease is classified as capital lease. The four criteria are: transfer of ownership by the end of lease term; contains bargain purchase option; lease term is at least 75% of the property’s estimated remaining economic life; or present value of the minimum lease payment is at least 90% of the fair value of the leased property. All leases are classified as operating leases and rental payments are expensed as incurred. Certain leases contain rent escalation clauses which are amortized over the life of the lease under the straight-line method.

Bank-Owned Life Insurance

The Company acquired bank-owned life insurance ("BOLI") plans as part of its acquisitions of First Ipswich and BankRI. BOLI represents life insurance on the lives of certain current and former employees who have provided positive consent allowing their employer to be the beneficiary of such policies. BankRI and First Ipswich are the beneficiaries of their respective policies. BankRI and First Ipswich utilize BOLI as tax-efficient financing for their benefit obligations to their employees, including their retirement obligations and Supplemental Executive Retirement Plans ("SERPs").

Since BankRI and First Ipswich are the primary beneficiaries of their respective insurance policies, increases in the cash value of the policies, as well as insurance proceeds received, are recorded in non-interest income and are not subject to income taxes. BOLI is recorded at the cash value of the policies, less any applicable cash surrender charges, and is reflected as an asset in the accompanying consolidated balance sheets. Cash proceeds, if any, are classified as cash flows from investing activities.

The Company reviews the financial strength of the insurance carriers prior to the purchase of BOLI to ensure minimum credit ratings of at least investment grade. The financial strength of the carriers is reviewed at least annually, and BOLI with any individual carrier is limited to 10% of the Company's capital. Total BOLI is limited to 25% of the Company's capital.

Goodwill and Other Identified Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill and indefinite-lived identified intangible assets are not subject to amortization. Definite-lived identified intangible assets are assets resulting from acquisitions that are being amortized over their estimated useful lives. The recoverability of goodwill and identified intangible assets is evaluated for impairment at least annually. As part of this evaluation, the Company makes a qualitative assessment of whether it is more likely than not that the fair value of an acquired asset is greater than its carrying amount. If the Company qualitatively concludes that it is more likely than not that the fair value of an acquired asset is greater than its carrying amount, no further testing is necessary. If, however, the Company qualitatively concludes that the fair value of an acquired asset is less than its carrying value, the Company should recognize an impairment charge for the amount by which the carrying amount exceeds the fair value. The Company did not have any impairment of Goodwill and other identified intangible assets as of December 31, 2017 and 2016 .

OREO and Other Repossessed Assets

OREO and other repossessed assets consists of properties acquired through foreclosure, real estate acquired through acceptance of a deed in lieu of foreclosure and loans determined to be substantively repossessed. Real estate loans that are substantively repossessed include only those loans for which the Company has taken possession of the collateral. OREO and other repossessed assets which consist of vehicles and equipment, if any, are recorded initially at estimated fair value less costs to sell, resulting in a new cost basis. The amount by which the recorded investment in the loan exceeds the fair value (net of estimated cost to sell) of the foreclosed or repossessed asset is charged to the allowance for loan and lease losses. Such evaluations are based on an analysis of individual properties/assets as well as a general assessment of current real estate market conditions. Subsequent declines in the fair value of the foreclosed or repossessed asset below the new cost basis are recorded through the use of a valuation allowance. Subsequent increases in the fair value are recorded as reductions in the allowance, but not below zero. Rental revenue received on foreclosed or repossessed assets is included in other non-interest income, whereas operating expenses and changes in the valuation allowance relating to foreclosed and repossessed assets are included in other non-interest expense. Certain costs used to improve such properties are capitalized. Gains and losses from the sale of OREO and other repossessed assets are reflected in non-interest expense when realized. Together with nonperforming loans, OREO and repossessed assets comprise nonperforming assets.

Derivatives

The Company utilizes loan level derivatives which consists of interest rate swap agreements and risk participation agreements as part of the Company's interest-rate risk management strategy for certain assets and liabilities and not for speculative purposes. Based on the Company's intended use for the loan level derivatives at inception, the Company designates the derivative as either an economic hedge of an asset or liability, or a hedging instrument subject to the hedge accounting provisions of FASB ASC Topic 815, "Derivatives and Hedging."

Loan level derivatives and foreign exchange contracts entered into on behalf of our customers are designated as economic hedges and are recorded at fair value within other assets or liabilities. Changes in the fair value of these non hedging derivatives are recorded directly through earnings at each reporting period.

Transfer of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Securities Sold under Agreements to Repurchase

The Company enters into sales of securities under agreements to repurchase with the Banks' commercial customers. These agreements are treated as financings, and the obligations to repurchase securities sold are reflected as a liability in the consolidated balance sheets. Securities pledged as collateral under agreements to repurchase are reflected as assets in the accompanying consolidated balance sheets.

Employee Benefits

Costs related to the Company's 401(k) plan are recognized in current earnings. Costs related to the Company's nonqualified deferred compensation plan, SERPs and postretirement benefits are recognized over the vesting period or the related service periods of the participating employees. Changes in the funded status of postretirement benefits are recognized through comprehensive income in the year in which changes occur.

Compensation expense for the Company's Employee Stock Ownership Program ("ESOP") is recorded at an amount equal to the shares allocated by the ESOP multiplied by the average fair market value of the shares during the year. The Company recognizes compensation expense ratably over the year based upon the Company's estimate of the number of shares expected to be allocated by the ESOP. The difference between the average fair market value and the cost of the shares allocated by the ESOP is recorded as an adjustment to additional paid-in capital.

The fair value of restricted stock awards and stock option grants are determined as of the grant date and are recorded as compensation expense over the period in which the shares of restricted stock awards and stock options vest. Forfeitures are accounted for as they occur.

Fair Value Measurements

ASC 820-10, "Fair Value Measurements and Disclosures," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities. It is not a forced transaction. Market participants are buyers and sellers in the principal market that are independent, knowledgeable, able to transact, and willing to transact.

A fair-value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs are included in ASC 820. The fair value hierarchy is as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for assets and liabilities identical to those reported at fair value.

Level 2: Inputs other than quoted prices included within Level 1. Level 2 inputs are observable either directly or indirectly. These inputs might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3: Inputs are unobservable inputs for an asset or liability that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities. These inputs are used to determine fair value only when observable inputs are not available.

Earnings per Common Share

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of shares of common stock outstanding for the applicable period, exclusive of Treasury shares, unearned ESOP shares and unvested shares of restricted stock. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all potential dilutive common shares outstanding during the period. The dilutive effects of options and unvested restricted stock awards are computed using the "treasury stock" method. Management evaluated the "two class" method and concluded that the method did not apply to the Company's EPS calculation.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Tax positions that are more likely than not to be sustained upon a tax examination are recognized in the Company's financial statements to the extent that the benefit is greater than 50% likely of being recognized. Interest resulting from underpayment of income taxes is classified as income tax expense in the first period the interest would begin accruing according to the provision of the relevant tax law. Penalties resulting from underpayment of income taxes are classified as income tax expense in the period for which the Company claims or expects to claim an uncertain tax position or in the period in which the Company's judgment changes regarding an uncertain tax position.

Treasury Stock

Any shares repurchased under the Company's share repurchase programs were purchased in open-market transactions and are held as treasury stock. Treasury stock also consists of common stock withheld to satisfy federal, state and local income tax withholding requirements for employee restricted stock awards upon vesting. All treasury stock is held at cost.

Segment Reporting

An operating segment is defined as a component of a business for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and evaluate performance. The Company is a bank holding company with subsidiaries engaged in the business of banking and activities closely related to banking. The Company's banking business provided substantially all of its total revenues and pre-tax income in 2017 , 2016 and 2015 . Therefore, the Company has determined to be a single segment.

Recent Accounting Pronouncements

In February 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" was issued to address a narrow-scope financial reporting issue that arose as a consequence of the change in the tax law. On December 22, 2017, the U.S. federal government enacted a tax bill, H.R.1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (the “Tax Reform Act”). The ASU No. 2018-02 requires a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate. The amount of the reclassification would be the difference between the historical corporate income tax rate of 35 percent and the newly enacted 21 percent corporate income tax rate. The ASU No. 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years with early adoption permitted, including adoption in any interim period, for (i) public business entities for reporting periods for which financial statements have not yet been issued and (ii) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The changes are required to be applied retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017 is recognized. Management early adopted this ASU as of December 31, 2017 , which resulted in the reclassification from accumulated other comprehensive loss to retained earnings totaling $1.1 million , reflected in the Consolidated Statements of Changes in Shareholders' Equity.

In November 2017, the FASB issued ASU 2017-14, Income Statement-Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606): Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403. This ASU was issued to amend certain SEC paragraphs pursuant to the SEC Staff Accounting Bulletin No.116 and SEC Release No. 33-10403, which bring existing guidance into conformity with Topic 606, Revenue from Contract with Customers. The ASU was effective for annual periods beginning after December 15, 2017. Management has determined that this ASU does apply as of December 31, 2017 and has determined the impact to be immaterial. The standard will be adopted on January 1, 2018.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting. FASB issued this Update to address the diversity in practice as well as the cost and complexity when applying the guidance in Topic 718, Compensation - Stock Compensation, to a change to the terms or conditions of a share-based payment award. For public entities, this ASU is effective for annual reporting periods beginning after December 15, 2017. Management has evaluated this ASU and has determined that ASU 2017-09 does apply as of December 31, 2017 .

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

In March 2017, the FASB issued Accounting Standards Update ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715). This ASU was issued primarily to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. This ASU is effective for annual reporting periods beginning after December 15, 2017. Management has determined that this ASU does apply as of December 31, 2017 and has determined the impact to be immaterial. The standard will be adopted on January 1, 2018.

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

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230). This ASU was issued to provide clarification and uniformity on the presentation and classification of certain cash receipts and cash payments in the statement of cash flows under Topic 230. Early adoption is permitted as of the fiscal years beginning after December 15, 2017, for public entities that file with the SEC. The Company adopted ASU 2016-15 effective January 1, 2017 and the adoption did not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The intent of this ASU is to replace the current GAAP method of calculating credit losses. Current GAAP uses a higher threshold at which likely losses can be calculated and recorded. The new process will require institutions to account for likely losses that originally would not have been part of the calculation. The calculation will incorporate future forecasting in addition to historical and current measures. For public entities that file with the SEC, this ASU is effective for the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This ASU must be applied prospectively to debt securities marked as other than temporarily impaired. A retrospective approach will be applied cumulatively to retained earnings. Early adoption is permitted as of the fiscal years beginning after December 15, 2018. Management has determined that ASU 2016-13 does apply, but has not determined the impact, if any, as of December 31, 2017 . In preparation for the adoption in 2019 of this ASU, management formed a steering committee to oversee the adoption of ASU 2016-13. The steering committee along with a project team has developed an approach for implementation and has selected a third party software service provider. The project team is in the testing phase of the third party software.

In 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. The ASU was effective for annual periods beginning after December 15, 2017. Management has determined that ASU 2016-12 does apply as of December 31, 2017 . Management assembled a project team to address the changes pursuant to Topic 606. The work has been completed on the contracts and management believes there will be no material impact or significant changes in the timing of revenue recognition when considering the amended accounting guidance. The standard will be adopted on January 1, 2018 .

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. The ASU was effective for annual periods beginning after December 15, 2016, and interim periods within those annual reporting periods with early adoption available. The Company adopted ASU 2016-09 effective January 1, 2017 and the adoption did not have a material impact on the Company's consolidated financial statements.

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. The ASU was effective for annual periods beginning after December 15, 2017. Management has determined that ASU 2016-08 does apply as of December 31, 2017 . Management assembled a project team to address the changes pursuant to Topic 606. The work has been completed on the contracts and management believes there will be no material impact or significant changes in the timing of revenue recognition when considering the amended accounting guidance. The standard will be adopted on January 1, 2018 .

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. Management believes that this ASU applies and has not determined the impact, if any, as of December 31, 2017 . Management has met to discuss the impact and will assemble a project team to assess steps required for adoption. The steps will include a review of third party lease software service providers.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments. This ASU significantly revises an entity’s accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods therein. Management has determined that ASU 2016-01 does apply as of December 31, 2017 and management believes the impact to be immaterial.

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. Management has determined that ASU 2015-14 does apply as of December 31, 2017 . Management assembled a project team to address the changes pursuant to Topic 606. The work has been completed on the contracts and management believes there will be no material impact or significant changes in the timing of revenue recognition when considering the amended accounting guidance. The standard will be adopted on January 1, 2018 **.**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU was issued to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS that would: remove inconsistencies and weaknesses in revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices across entities industries, jurisdictions, and capital markets, provide more useful information to users of financial statements through improved disclosure requirements and simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. The main provisions in this ASU are 1) Identify the contract(s) with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract and 5) Recognize revenue when (or as) the entity satisfies a performance obligation. The ASU was effective for annual periods beginning after December 15, 2017. Management has determined that this ASU 2014-09 does apply as of December 31, 2017 . Management assembled a project team to address the changes pursuant to Topic 606. The work has been completed on the contracts and management believes there will be no material impact or significant changes in the timing of revenue recognition when considering the amended accounting guidance. The standard will be adopted on January 1, 2018 **.**

(2) Acquisitions

First Commons Bank, N.A.

On September 20, 2017, the Company and First Commons Bank, N.A. (“First Commons Bank”) entered into a definitive agreement and plan of merger (the “Merger Agreement”) pursuant to which First Commons Bank will merge with and into Brookline Bank. The Company expects to consummate the transaction during the first quarter of 2018, subject to approval by First Commons Bank shareholders, the Board of Governors of the Federal Reserve System and the Massachusetts Division of Banks.

Under the terms of the Merger Agreement, the Company will pay $16.70 per share for the outstanding shares and warrants of First Commons Bank representing a total transaction value of approximately $56.0 million . First Commons Bank stockholders will receive 1.171 shares of the Company's common stock for each First Commons Bank share they own, subject to adjustment based on Company's ten-day, volume-weighted average stock price between $13.19 and $15.33 .

First Commons Bank is a national banking association which was organized in 2009 and is headquartered in Newton and Wellesley, Massachusetts. First Commons Bank operates its business from two banking offices located in Massachusetts. First Commons Bank is engaged principally in the business of attracting deposits from the general public and investing those deposits in residential, commercial real estate loans, consumer and small business loans.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

At December 31, 2017 , First Commons Bank had total assets of approximately $324.8 million (unaudited), loans of approximately $263.0 million (unaudited), deposits of approximately $282.8 million (unaudited) and stockholders' equity of approximately $35.7 million (unaudited).

The Company recorded $411.0 thousand of merger and acquisition expense in connection with the proposed acquisition of First Commons Bank for the year ended December 31, 2017 .

(3) Cash, Cash Equivalents and Short-Term Investments

The Banks are required to maintain average reserve balances with the FRB based upon a percentage of certain of the Banks' deposits. As of December 31, 2017 and 2016 , the average amount required to be held before a credit for vault cash was $5.9 million and $6.9 million , respectively. Aggregate reserve balances included in cash and cash equivalents were $40.0 million and $30.9 million , respectively, as of December 31, 2017 and 2016 .

Short-term investments are summarized as follows:

	At December 31,	
	2017	2016
	(In Thousands)	
FRB interest bearing reserve	$ 28,263	$ 19,952
FHLB overnight deposits	4,676	2,142
Federal funds sold	2,444	9,508
Total short-term investments	$ 35,383	$ 31,602

Short-term investments are stated at cost which approximates market value.

(4) Investment Securities

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

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

	At December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
GSE debentures	$ 98,122	$ 188	$ 1,290	$ 97,020
GSE CMOs	161,483	37	3,480	158,040
GSE MBSs	214,946	794	2,825	212,915
SBA commercial loan asset-backed securities	107	—	—	107
Corporate debt obligations	48,308	360	183	48,485
U.S. treasury bonds	4,801	—	64	4,737
Trust preferred securities	1,469	—	111	1,358
Marketable equity securities	966	15	9	972
Total investment securities available-for-sale	$ 530,202	$ 1,394	$ 7,962	$ 523,634
Investment securities held-to-maturity:				
GSE debentures	$ 14,735	$ —	$ 634	$ 14,101
GSEs MBSs	17,666	—	187	17,479
Municipal obligations	54,219	5	1,020	53,204
Foreign government obligations	500	—	13	487
Total investment securities held-to-maturity	$ 87,120	$ 5	$ 1,854	$ 85,271

As of December 31, 2017 , the fair value of all investment securities available-for-sale was $540.1 million , with net unrealized losses of $7.8 million , compared to a fair value of $523.6 million and net unrealized losses of $6.6 million as of December 31, 2016 . As of December 31, 2017 , $469.2 million , or 86.9% of the portfolio, had gross unrealized losses of $8.4 million , compared to $ 389.0 million , or 74.3% of the portfolio, with gross unrealized losses of $8.0 million as of December 31, 2016 .

As of December 31, 2017 , the fair value of all investment securities held-to-maturity was $108.5 million , with net unrealized losses of $1.2 million , compared to a fair value of $85.3 million with net unrealized losses of $1.8 million as of December 31, 2016 . As of December 31, 2017 , $92.9 million , or 85.6% of the portfolio, had gross unrealized losses of $1.4 million . As of December 31, 2016 , $82.0 million , or 96.1% of the portfolio had gross unrealized losses $1.9 million .

Investment Securities as Collateral

As of December 31, 2017 and 2016 , respectively, $431.2 million and $429.1 million of investment securities were pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits (TT&L); swap agreements; and FHLBB borrowings. The Banks did not have any outstanding FRB borrowings as of December 31, 2017 and 2016 .

Other-Than-Temporary Impairment ("OTTI")

Investment securities as of December 31, 2017 and 2016 that have been in a continuous unrealized loss position for less than twelve months or twelve months or longer are as follows:

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

	At December 31, 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 debentures	$ 67,216	$ 1,291	$ —	$ —	$ 67,216	$ 1,291
GSE CMOs	118,450	2,162	38,852	1,318	157,302	3,480
GSE MBSs	149,687	2,821	198	3	149,885	2,824
SBA commercial loan asset-backed securities	—	—	72	—	72	—
Corporate debt obligations	7,953	183	—	—	7,953	183
U.S. Treasury bonds	4,737	64	—	—	4,737	64
Trust preferred securities	—	—	1,358	111	1,358	111
Marketable equity securities	503	9	—	—	503	9
Temporarily impaired investment securities available-for-sale	348,546	6,530	40,480	1,432	389,026	7,962
Investment securities held-to-maturity:						
GSE debentures	14,101	634	—	—	14,101	634
GSEs MBSs	17,289	187	—	—	17,289	187
Municipal obligations	50,098	1,020	—	—	50,098	1,020
Foreign government obligations	487	13	—	—	487	13
Temporarily impaired investment securities held-to-maturity	81,975	1,854	—	—	81,975	1,854
Total temporarily impaired investment securities	$ 430,521	$ 8,384	$ 40,480	$ 1,432	$ 471,001	$ 9,816

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

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

Investment Securities Available-For-Sale Impairment Analysis

The following discussion summarizes, by investment security type, the basis for evaluating if the applicable investment securities within the Company's available-for-sale portfolio were OTTI as of December 31, 2017 . Based on the analysis below and the determination that, it is more likely than not that the Company will not sell or be required to sell the investment securities before recovery of its amortized cost. The Company's ability and intent to hold these investment securities until recovery is supported by the Company's strong capital and liquidity positions as well as its historically low portfolio turnover. As such, management has determined that the investment securities are not OTTI as of December 31, 2017 . If market conditions for investment securities worsen or the creditworthiness of the underlying issuers deteriorates, it is possible that the Company may recognize additional OTTI in future periods.

U.S. Government-Sponsored Enterprises

The Company invests in securities issued by U.S. Government-sponsored enterprises ("GSEs"), including GSE debentures, mortgage-backed securities ("MBSs"), and collateralized mortgage obligations ("CMOs"). GSE securities include obligations issued by the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), the Government National Mortgage Association ("GNMA"), the Federal Home Loan Banks ("FHLB") and the Federal Farm Credit Bank. As of December 31, 2017 , only GNMA MBSs and CMOs, and Small Business Administration ("SBA") commercial loan asset-backed securities in our available-for-sale portfolio with an estimated fair value of $23.7 million were backed explicitly by the full faith and credit of the U.S. Government, compared to $26.2 million as of December 31, 2016 .

As of December 31, 2017 , the Company owned 48 GSE debentures with a total fair value of $149.9 million , and a net unrealized loss of $1.6 million . As of December 31, 2016 , the Company held 29 GSE debentures with a total fair value of $97.0 million , and a net unrealized loss of $1.1 million . As of December 31, 2017 , 43 of the 48 securities in this portfolio were in an unrealized loss position. As of December 31, 2016 , 21 of the 29 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA/SBA) guarantee of the U.S Government. For the years ended December 31, 2017 and 2016, the Company purchased a total of $54.2 million and $65.7 million , respectively, of GSE debentures.

As of December 31, 2017 , the Company owned 62 GSE CMOs with a total fair value of $127.0 million and a net unrealized loss of $4.1 million . As of December 31, 2016 , the Company held 62 GSE CMOs with a total fair value of $158.0 million with a net unrealized loss of $3.4 million . As of December 31, 2017 and 2016 , 47 of the 62 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. For the year ended December 31, 2017 , the Company did no t purchase any GSE CMOs. During the year ended December 31, 2016 , the Company purchased $3.1 million of GSE CMOs.

As of December 31, 2017 , the Company owned 194 GSE MBSs with a total fair value of $189.3 million and a net unrealized loss of $2.0 million . As of December 31, 2016 , the Company held 195 GSE MBSs with a total fair value of $212.9 million with a net unrealized loss of $2.0 million . As of December 31, 2017 , 82 of the 194 securities in this portfolio were in an unrealized loss position. As of December 31, 2016 , 60 of the 195 securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. For the years ended December 31, 2017 and 2016 , the Company purchased a total of $18.3 million and $36.6 million , respectively, of GSE MBSs.

SBA Commercial Loan Asset-Backed

As of December 31, 2017 and December 31, 2016 , the Company owned SBA securities with a total fair value of $0.1 million , which approximated amortized cost. As of December 31, 2017 , four of the five securities in this portfolio were in an unrealized loss position. As of December 31, 2016 , four of the six securities in this portfolio were in an unrealized loss position. All securities are performing and 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. As of December 31, 2017 , the Company owned 19 corporate obligation securities with a total fair value of $62.7 million and a net unrealized loss of $0.1 million . This compares to 16 corporate obligation securities with a total fair value of $48.5 million and a net unrealized gain of $0.2 million as of December 31, 2016 . As of December 31, 2017 , nine of the 19 securities in this portfolio were in an unrealized loss position. As of December 31, 2016 , three of the 16 securities in this portfolio was in an unrealized loss position. Full collection of the obligations is expected because the financial condition of the issuers is sound, they have not defaulted on scheduled payments, the obligations are rated investment grade, and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost. For the years ended December 31, 2017 and 2016 , the Company purchased $14.5 million and $5.1 million , respectively, of corporate obligations.

U.S. Treasury Bonds

The Company invests in securities issued by the U.S. government. As of December 31, 2017 , the Company owned two U.S. Treasury bonds with a total fair value of $8.7 million and a net unrealized loss of $0.1 million . As of December 31, 2016 , the Company owned one U.S. Treasury bond with a total fair value of $4.7 million and a net unrealized loss of $0.1 million . As of December 31, 2017 and 2016 , all of the securities in this portfolio were in unrealized loss positions. For the year ended December 31, 2017 and 2016, the Company purchased $4.0 million and $4.8 million in U.S. Treasury bonds, respectively.

Trust Preferred Securities

Trust preferred securities represent subordinated debt issued by financial institutions. As of December 31, 2017 , the Company owned two trust preferred securities with a total fair value of $1.4 million and a net unrealized loss of $0.1 million . This compares to two trust preferred securities with a total fair value of $1.4 million and a net unrealized loss of $0.1 million as of December 31, 2016 . As of December 31, 2017 and 2016 , both of the securities in this portfolio were in an unrealized loss position. Full collection of the obligations is expected because the financial condition of the issuers is sound, neither of the issuers has defaulted on scheduled payments, the obligations are rated investment grade, and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost.

Marketable Equity Securities

As of December 31, 2017 , the Company owned two marketable equity securities with a fair value of $1.0 million , which approximated amortized cost, compared to a fair value of $1.0 million , which approximated cost as of December 31, 2016 . As of December 31, 2017 and December 31, 2016 , one of the two 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 December 31, 2017 . Management does not intend to sell these securities prior to maturity.

U.S. Government-Sponsored Enterprises

As of December 31, 2017 , the Company owned fourteen GSE debentures with a total fair value of $40.8 million and a net unrealized loss of $0.8 million . As of December 31, 2016 , the Company owned five GSE debentures with a total fair value of $14.1 million and a net unrealized loss of $0.6 million . As of December 31, 2017 , all securities in this portfolio were in an unrealized loss position. At December 31, 2016 , all securities in this portfolio were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the years ended December 31, 2017 and December 31, 2016 , the Company purchased a total of $26.9 million and $17.7 million in GSE debentures, respectively.

As of December 31, 2017 , the Company owned eleven GSE MBSs with a total fair value of $13.7 million and a net unrealized loss of $0.2 million . As of December 31, 2016 , the Company owned eleven GSE MBSs with a total fair value of $17.5 million and an unrealized loss of $0.2 million . As of December 31, 2017 , eight of the eleven securities in this portfolio were in an unrealized loss position. At December 31, 2016 , eight of the eleven securities were in an unrealized loss position. All securities are performing and backed by the implicit (FHLB/FNMA/FHLMC) or explicit (GNMA) guarantee of the U.S Government. During the year ended December 31, 2017 , the Company did no t purchase any GSE MBSs. During the year ended December 31, 2016, the Company purchased $2.3 million in GSE MBSs.

Municipal Obligations

As of December 31, 2017 , the Company owned 100 municipal obligation securities with a total fair value and total amortized cost of $53.5 million and $53.7 million , respectively. As of December 31, 2016 , the Company owned 100 municipal obligation securities with a total fair value and total amortized cost of $53.2 million and $54.2 million , respectively. As of December 31, 2017 , 69 of the 100 securities in this portfolio were in an unrealized loss position as compared to December 31, 2016 , when 93 of the 100 securities were in an unrealized loss position. During the year ended December 31, 2017 , the Company did no t purchase any of municipal obligations. During the year ended December 31, 2016 , the Company purchased $15.6 million in municipal obligations.

Foreign Government Obligations

As of December 31, 2017 and 2016, the Company owned one foreign government obligation security with a fair value and amortized cost of $0.5 million . As of December 31, 2017 , the security was in an unrealized loss position. As of December 31, 2016 , the security was in an unrealized loss position. During the year ended December 31, 2017 , the Company did not purchase any foreign government obligation securities. During the year ended December 31, 2016 , the Company repurchased the foreign government obligation security that matured during the first quarter of 2016.

Portfolio Maturities

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

	At December 31,					
	2017			2016		
	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	$ 23,612	$ 23,652	2.27%	$ 13	$ 13	0.17%
After 1 year through 5 years	142,772	142,029	2.05%	81,524	81,833	2.14%
After 5 years through 10 years	136,746	134,978	2.06%	128,956	127,952	2.03%
Over 10 years	243,856	238,483	2.06%	318,743	312,864	2.03%
	$ 546,986	$ 539,142	2.07%	$ 529,236	$ 522,662	2.04%
Investment securities held-to-maturity:						
Within 1 year	$ 918	$ 916	0.78%	$ 190	$ 190	1.00%
After 1 year through 5 years	58,335	57,939	1.74%	23,012	22,750	1.30%
After 5 years through 10 years	36,589	35,998	1.79%	46,442	45,042	1.75%
Over 10 years	13,888	13,670	1.98%	17,476	17,289	2.11%
	$ 109,730	$ 108,523	1.78%	$ 87,120	$ 85,271	1.70%

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

As of December 31, 2017 , issuers of debt securities with an estimated fair value of $58.8 million had the right to call or prepay the obligations. Of the $58.8 million , approximately $32.7 million matures in 1 - 5 years, $25.2 million matures in 6 - 10 years, and $0.9 million matures after ten years. As of December 31, 2016 , issuers of debt securities with an estimated fair value of approximately $27.9 million had the right to call or prepay the obligations. Of the $27.9 million , $3.0 million matures in 1-5 years, $23.5 million matures in 6-10 years, and $1.4 million matures after ten years.

Security Sales

Security transactions are recorded on the trade date. When securities are sold, the adjusted cost of the specific security sold is used to compute the gain or loss on the sale.

On February 3, 2017, the Company, through its wholly owned subsidiary, Brookline Securities Corp. ("Brookline Securities"), received $319.04 in cash and 14.876 shares of Community Bank Systems, Inc. (“CBU”) common stock in exchange for each of the 9,721 shares of Northeast Retirement Services, Inc. (“NRS”) stock held by Brookline Securities. The exchange was completed in accordance with the merger agreement entered into between NRS and CBU. As part of the merger agreement, the Company was restricted to selling 5,071 shares of CBU per day in the open market. During the quarter ended March 31, 2017, the Company completed the sale of all of the CBU shares. Brookline Securities recognized a gain on the sale of securities of $11.4 million for the year end December 31, 2017.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

On July 26, 2017, the Savings Bank Life Insurance Company of Massachusetts ("SBLI") converted from a Massachusetts stock insurance company to a Massachusetts mutual insurance company and, as a result, the Company, through its wholly owned subsidiary, Brookline Securities received $500 for the one share of Class A Common Stock and $128 per share for its 2,070 shares of Class B Common Stock held of SBLI, in exchange for $265.5 thousand in cash. Brookline Securities recognized a nominal gain on the exchange for the year end December 31, 2017.

Sales of investment and restricted equity securities are summarized as follows:

	Year Ended December 31,	
	2017	
	(In Thousands)	
Sales of debt securities	$	—
Sales of marketable and restricted equity securities		11,393
Gross gains from sales		11,612
Gross losses from sales		(219)
Gain on sales of securities, net	$	11,393

There were no sales of investment and restricted equity securities in 2016 and 2015.

(5) Restricted Equity Securities

Investments in the restricted equity securities of various entities are as follows:

	At December 31,			
	2017		2016	
	(In Thousands)			
FHLBB stock	$	42,427	$	47,284
FRB stock		16,842		16,752
Other restricted equity securities		100		475
	$	59,369	$	64,511

The Company invests in the stock of FHLBB as one of the requirements to borrow. As of December 31, 2017 and 2016 , FHLBB stock is recorded at its carrying value, which is equal to cost and which management believes approximates its fair value. The FHLBB stated that it remained in compliance with all regulatory capital ratios as of December 31, 2017 and was classified as "adequately capitalized" by its regulator, based on the FHLBB's financial information as of September 30, 2017. The FHLBB paid a dividend to member banks at an annualized rate of 363 basis points in 2016. The FHLBB increased its dividend from 394 basis points in the first quarter of 2017 to 433 basis points in the fourth quarter of 2017 . As of December 31, 2017 , the Company's investment in FHLBB stock exceeded its required investment which provides for additional borrowing capacity.

The Company invests in the stock of the Federal Reserve Bank of Boston as required by its the Banks' membership in the Federal Reserve system. As of December 31, 2017 and 2016 , Federal Reserve Bank of Boston stock is recorded at its carrying value, which is equal to cost and which management believes approximates its fair value.

The Company, through its wholly owned subsidiary, Brookline Securities Corp., ("Brookline Securities") held 9,721 shares of restricted equity securities of Northeast Retirement Services, Inc. ("NRS"). This investment was recorded at cost of $122 thousand as no readily determinable fair value was available. On December 5, 2016, Community Bank Systems, Inc. ("CBU") announced entry into a merger agreement to acquire NRS. After receiving stockholder and regulatory approvals, CBU completed the acquisition of NRS on February 3, 2017. The Company exchanged the 9,721 shares of NRS and received $319.04 in cash and 14.876 shares of CBU common stock for each share of NRS held. As part of the merger agreement, the Company was restricted to selling 5,071 shares per day in the open market. The Company completed the sale of all CBU shares during the first quarter of 2017. The Company recognized a gain on the sale of securities of $11.4 million for the quarter ending March 31, 2017.

Brookline Securities held one Class A Common Stock share and 2,070 Class B Common Stock shares of the Savings Bank Life Insurance Company of Massachusetts ("SBLI"). In July 2017, SBLI converted from a Massachusetts stock insurance company to a Massachusetts mutual insurance company and, as a result, Brookline Securities received $500 for one share of Class A Common Stock and $128 per share for its 2,070 shares of Class B Common Stock of SBLI, in exchange for $265.5 thousand in cash. Brookline Securities recognized a nominal gain on the exchange.

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

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

	At December 31, 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	$ 1,907,254	3.95%	$ 143,128	4.24%	$ 2,050,382	3.97%
Multi-family mortgage	701,450	3.79%	29,736	4.53%	731,186	3.82%
Construction	136,785	3.79%	214	3.67%	136,999	3.79%
Total commercial real estate loans	2,745,489	3.90%	173,078	4.29%	2,918,567	3.92%
Commercial loans and leases:						
Commercial	621,285	4.11%	14,141	5.44%	635,426	4.14%
Equipment financing	793,702	7.06%	6,158	5.86%	799,860	7.05%
Condominium association	60,122	4.39%	—	—%	60,122	4.39%
Total commercial loans and leases	1,475,109	5.71%	20,299	5.57%	1,495,408	5.71%
Consumer loans:						
Residential mortgage	555,430	3.67%	68,919	3.98%	624,349	3.70%
Home equity	289,361	3.50%	52,880	4.26%	342,241	3.62%
Other consumer	18,171	5.48%	128	17.92%	18,299	5.57%
Total consumer loans	862,962	3.65%	121,927	4.12%	984,889	3.71%
Total loans and leases	$ 5,083,560	4.38%	$ 315,304	4.31%	$ 5,398,864	4.38%

The net unamortized deferred loan origination fees and costs included in total loans and leases were $15.5 million and $14.2 million as of December 31, 2017 and 2016 , respectively.

The Company's Banks and subsidiaries lend primarily in eastern Massachusetts, southern New Hampshire and Rhode Island, with the exception of equipment financing, 28.0% of which is in the greater New York and New Jersey metropolitan area and 72.0% of which is in other areas in the United States of America as of December 31, 2017 , as compared to 29.6% of which is in the greater New York and New Jersey metropolitan area and 70.4% of which is in other areas in the United States of America as of December 31, 2016 .

Competition for indirect automobile loans increased significantly in recent years 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 on the allowance for loan and lease losses.

Accretable Yield for the Acquired Loan Portfolio

The following table summarizes activity in the accretable yield for the acquired loan portfolio for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Balance at beginning of year	$ 14,353	$ 20,796	$ 32,044
Accretion	(7,801)	(6,781)	(10,467)
Reclassification from/(to) nonaccretable difference as a result from changes in expected cash flows	3,970	338	(781)
Balance at end of year	$ 10,522	$ 14,353	$ 20,796

On a quarterly basis, subsequent to acquisition, management reforecasts the expected cash flows for acquired ASC 310-30 loans, taking into account prepayment speeds, probability of default and loss given defaults. Management compares cash flow projections per the reforecast to the original cash flow projections and determines whether any reduction in cash flow expectations are due to deterioration, or if the change in cash flow expectation is related to noncredit events. This cash flow analysis is used to evaluate the need for a provision for loan and lease losses and/or prospective yield adjustments. During the years ended December 31, 2017 , 2016 and 2015 , accretable yield adjustments totaling $4.0 million , $0.3 million , and $(0.8) million , respectively, were made for certain loan pools. These accretable yield adjustments, which are subject to continued re-assessment, will be recognized over the remaining lives of those pools.

Related Party Loans

The Banks' authority to extend credit to their respective directors and executive officers, as well as to entities controlled by such persons, is currently governed by the requirements of the Sarbanes-Oxley Act and Regulation O of the FRB. Among other things, these provisions require that extensions of credit to insiders (1) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and (2) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Banks' capital. In addition, the extensions of credit to insiders must be approved by the applicable Bank's Board of Directors.

The following table summarizes the change in the total amounts of loans and advances, to directors, executive officers and their affiliates for the periods indicated. All loans were performing as of December 31, 2017 .

	Year Ended December 31,	
	2017	2016
	(In Thousands)	
Balance at beginning of year	$ 43,458	$ 37,375
New loans granted during the year	13,554	8,352
Advances on lines of credit	473	26
Repayments	(9,544)	(2,295)
Balance at end of year	$ 47,941	$ 43,458

Unfunded commitments on extensions of credit to related parties totaled $15.7 million and $8.7 million as of December 31, 2017 and 2016 , respectively.

Loans and Leases Pledged as Collateral

As of December 31, 2017 and 2016 , there were $2.3 billion and $2.1 billion , respectively, of loans and leases pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits; swap agreements; and FHLBB borrowings. The Banks did not have any outstanding FRB borrowings as of December 31, 2017 and 2016 .

(7) 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:

	Year Ended December 31, 2017			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at December 31, 2016	$ 27,645	$ 20,906	$ 5,115	$ 53,666
Charge-offs	(494)	(14,914)	(403)	(15,811)
Recoveries	476	1,158	319	1,953
(Credit) provision for loan and lease losses	(515)	19,183	116	18,784
Balance at December 31, 2017	$ 27,112	$ 26,333	$ 5,147	$ 58,592

	Year Ended December 31, 2016			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at December 31, 2015	$ 30,151	$ 22,018	$ 4,570	$ 56,739
Charge-offs	(2,169)	(10,516)	(1,982)	(14,667)
Recoveries	—	642	750	1,392
(Credit) provision for loan and lease losses	(337)	8,762	1,777	10,202
Balance at December 31, 2016	$ 27,645	$ 20,906	$ 5,115	$ 53,666

	Year Ended December 31, 2015				
	Commercial Real Estate	Commercial	Consumer	Unallocated	Total
	(In Thousands)				
Balance at December 31, 2014	$ 29,594	$ 15,957	$ 5,690	$ 2,418	$ 53,659
Charge-offs	(550)	(3,634)	(2,370)	—	(6,554)
Recoveries	—	667	1,544	—	2,211
Provision (credit) for loan and lease losses	1,107	9,028	(294)	(2,418)	7,423
Balance at December 31, 2015	$ 30,151	$ 22,018	$ 4,570	$ —	$ 56,739

The liability for unfunded credit commitments, which is included in other liabilities, was $1.7 million , and $1.5 million , at December 31, 2017 , and 2016 , respectively. The changes in the liability for unfunded credit commitments reflect changes in the estimate of loss exposure associated with certain unfunded credit commitments. No credit commitments were charged off against the liability account in the years ended December 31, 2017 , and 2016 .

Provision for Credit Losses

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

	Originated			Acquired			Total		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
	(In Thousands)								
Provision (credit) for loan and lease losses:									
Commercial real estate	$ (343)	$ (750)	$ 1,459	$ (172)	$ 413	$ (352)	$ (515)	$ (337)	$ 1,107
Commercial	18,899	8,469	9,077	284	293	(49)	19,183	8,762	9,028
Consumer	273	1,263	(763)	(157)	514	469	116	1,777	(294)
Unallocated	—	—	(2,418)	—	—	—	—	—	(2,418)
Total provision for loan and lease losses	18,829	8,982	7,355	(45)	1,220	68	18,784	10,202	7,423
Unfunded credit commitments	204	151	28	—	—	—	204	151	28
Total provision (credit) for credit losses	$ 19,033	$ 9,133	$ 7,383	$ (45)	$ 1,220	$ 68	$ 18,988	$ 10,353	$ 7,451

Allowance for Loan and Lease Losses Methodology

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

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

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 the third quarter of 2015, the Company enhanced and refined its general allowance methodology to provide further 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 geographic markets, and utilize common underwriting standards in accordance with the Company's Credit Policy. In prior periods to the three months ended September 30, 2015, 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 prior periods to the three months ended September 30, 2015, each of the Banks utilized a set of qualitative factors applicable to each Bank.

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

As of December 31, 2017 , management believes that the methodology for calculating the allowance provides a reasonable basis for determining and reporting on probable losses in the Company’s loan portfolios.

As of December 31, 2017 , the Company had a portfolio of approximately $19.7 million in loans secured by taxi medallions issued by the cities of Boston and Cambridge. As of December 31, 2016 , this portfolio was approximately $31.1 million . Application-based mobile ride services, such as Uber and Lyft, have generated increased competition in the transportation sector, resulting in a reduction in taxi utilization and, as a result, a reduction in the collateral value and credit quality of taxi medallion loans. This has increased the likelihood that loans secured by taxi medallions may default, or that the borrowers may be unable to repay these loans at maturity, resulting in an increase in past due loans, troubled debt restructurings, and charge-offs. Therefore, beginning with the three months ended September 30, 2015, the Company’s allowance calculation included an enhanced 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 special risks associated with the taxi portfolio.

As of December 31, 2017 , the Company had an allowance for loan and lease losses associated with taxi medallion loans of $3.8 million of which $2.7 million were specific reserves and $1.1 million was a general reserve. As of December 31, 2016 , the Company had a reserve for loan and lease losses associated with taxi medallion loans of $1.3 million of which $0.1 million were specific reserves and $1.2 million was a general reserve.The increase in the allowance for loan and leases associated with taxi medallion loans was primarily driven by the increase in specific reserves due to changes in the underlying collateral value of taxi medallions and the increase in general reserve due to the increase in the historical loss factor applied to the taxi medallion loans. The total troubled debt restructured loans and leases secured by taxi medallions decreased by $2.4 million from $6.1 million at December 31, 2016 to $3.7 million at December 31, 2017 . The total loans and leases secured by taxi medallions that were placed on nonaccrual decreased to $7.8 million at December 31, 2017 from $13.4 million at December 31, 2016 . 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.

The general allowance for loan and lease losses was $55.5 million as of December 31, 2017 , compared to $53.5 million as of December 31, 2016 . The general portion of the allowance for loan and lease losses increased by $2.0 million during the year ended December 31, 2017 , as a result of the continued growth in the Company's loan portfolios, the increase in historical loss factors applied to the commercial loan portfolio and the improvement of credit risk ratings of loans within the commercial real estate and commercial portfolios.

The specific allowance for loan and lease losses was $3.1 million as of December 31, 2017 , compared to $0.2 million as of December 31, 2016 . The specific allowance increased by $3.0 million during the year ended December 31, 2017 , primarily due to changes in the underlying collateral value of taxi medallions during the year ended December 31, 2017 .

Credit Quality Assessment

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

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

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

1 -4 Rating—Pass

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

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

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

6 Rating—Substandard

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

7 Rating—Doubtful

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

8 Rating—Definite Loss

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

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

Credit Quality Information

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

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

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

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

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

The following tables present the recorded investment in loans in each class as of December 31, 2016 by credit quality indicator.

	At December 31, 2016							
	Commercial Real Estate	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer	Total
	(In Thousands)							
Originated:								
Loan rating:								
Pass	$ 1,899,162	$ 700,046	$ 136,607	$ 583,940	$ 786,050	$ 60,122	$ 12,018	$ 4,177,945
OAEM	1,538	—	178	8,675	824	—	—	11,215
Substandard	6,288	1,404	—	28,595	4,848	—	12	41,147
Doubtful	266	—	—	75	1,980	—	—	2,321
Total originated	1,907,254	701,450	136,785	621,285	793,702	60,122	12,030	4,232,628
Acquired:								
Loan rating:								
Pass	131,850	29,153	214	10,312	6,158	—	128	177,815
OAEM	1,408	270	—	249	—	—	—	1,927
Substandard	9,768	313	—	3,017	—	—	—	13,098
Doubtful	102	—	—	563	—	—	—	665
Total acquired	143,128	29,736	214	14,141	6,158	—	128	193,505
Total loans	$ 2,050,382	$ 731,186	$ 136,999	$ 635,426	$ 799,860	$ 60,122	$ 12,158	$ 4,426,133

As of December 31, 2016 , there were no loans categorized as definite loss.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

	At December 31, 2016			
	Residential Mortgage		Home Equity	
	($ In Thousands)			
Originated:				
Loan-to-value ratio:				
Less than 50%	$ 138,030	22.1%	$ 153,679	44.9%
50%—69%	229,799	36.9%	61,553	18.1%
70%—79%	162,614	26.0%	49,987	14.6%
80% and over	21,859	3.5%	23,317	6.8%
Data not available*	3,128	0.5%	825	0.2%
Total originated	555,430	89.0%	289,361	84.6%
Acquired:				
Loan-to-value ratio:				
Less than 50%	17,809	2.9%	32,334	9.4%
50%—69%	24,027	3.8%	15,059	4.4%
70%—79%	14,030	2.2%	3,069	0.9%
80% and over	10,069	1.6%	1,016	0.3%
Data not available*	2,984	0.5%	1,402	0.4%
Total acquired	68,919	11.0%	52,880	15.4%
Total loans	$ 624,349	100.0%	$ 342,241	100.0%

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

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

	At December 31, 2017	At December 31, 2016
	(In Thousands)	
Foreclosed residential real estate property held by the creditor	$ —	$ 251
Recorded investment in mortgage loans collateralized by residential real estate property that are in the process of foreclosure	633	1,213

Age Analysis of Past Due Loans and Leases

The following tables present an age analysis of the recorded investment in total loans and leases as of December 31, 2017 and 2016 .

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

(Continued)

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

	At December 31, 2017							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Acquired:								
Commercial real estate loans:								
Commercial real estate	$ 1,008	$ —	$ 656	$ 1,664	$ 103,913	$ 105,577	$ 586	$ 131
Multi-family mortgage	—	—	3	3	24,746	24,749	3	—
Total commercial real estate loans	1,008	—	659	1,667	128,659	130,326	589	131
Commercial loans and leases:								
Commercial	—	44	1,022	1,066	7,113	8,179	17	1,254
Equipment financing	—	—	13	13	4,501	4,514	13	—
Total commercial loans and leases	—	44	1,035	1,079	11,614	12,693	30	1,254
Consumer loans:								
Residential mortgage	—	463	1,990	2,453	52,715	55,168	1,990	—
Home equity	508	—	186	694	41,071	41,765	186	612
Other consumer	—	—	—	—	105	105	—	—
Total consumer loans	508	463	2,176	3,147	93,891	97,038	2,176	612
Total acquired loans and leases	1,516	507	3,870	5,893	234,164	240,057	2,795	1,997
Total loans and leases	$ 25,040	$ 7,376	$ 18,288	$ 50,704	$ 5,679,975	$ 5,730,679	$ 3,020	$ 27,272

	At December 31, 2016							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Originated:								
Commercial real estate loans:								
Commercial real estate	$ 1,525	$ 2,075	$ 429	$ 4,029	$ 1,903,225	$ 1,907,254	$ 2	$ 5,035
Multi-family mortgage	2,296	—	291	2,587	698,863	701,450	—	1,404
Construction	547	—	—	547	136,238	136,785	—	—
Total commercial real estate loans	4,368	2,075	720	7,163	2,738,326	2,745,489	2	6,439
Commercial loans and leases:								
Commercial	5,396	815	10,014	16,225	605,060	621,285	—	20,587
Equipment financing	2,983	1,444	5,341	9,768	783,934	793,702	—	6,758
Condominium association	266	—	—	266	59,856	60,122	—	—
Total commercial loans and leases	8,645	2,259	15,355	26,259	1,448,850	1,475,109	—	27,345
Consumer loans:								
Residential mortgage	3,745	2,294	163	6,202	549,228	555,430	—	2,455
Home equity	25	219	5	249	289,112	289,361	3	128
Other consumer	549	87	16	652	17,519	18,171	—	149
Total consumer loans	4,319	2,600	184	7,103	855,859	862,962	3	2,732
Total originated loans and leases	$ 17,332	$ 6,934	$ 16,259	$ 40,525	$ 5,043,035	$ 5,083,560	$ 5	$ 36,516

(Continued)

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

	At December 31, 2016							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Acquired:								
Commercial real estate loans:								
Commercial real estate	$ 925	$ —	$ 4,011	$ 4,936	$ 138,192	$ 143,128	$ 3,786	$ 305
Multi-family mortgage	—	—	—	—	29,736	29,736	—	—
Construction	—	—	—	—	214	214	—	—
Total commercial real estate loans	925	—	4,011	4,936	168,142	173,078	3,786	305
Commercial loans and leases:								
Commercial	306	—	2,651	2,957	11,184	14,141	264	2,387
Equipment financing	—	—	—	—	6,158	6,158	—	—
Total commercial loans and leases	306	—	2,651	2,957	17,342	20,299	264	2,387
Consumer loans:								
Residential mortgage	—	318	2,865	3,183	65,736	68,919	2,820	46
Home equity	288	97	339	724	52,156	52,880	202	823
Other consumer	—	1	—	1	127	128	—	—
Total consumer loans	288	416	3,204	3,908	118,019	121,927	3,022	869
Total acquired loans and leases	1,519	416	9,866	11,801	303,503	315,304	7,072	3,561
Total loans and leases	$ 18,851	$ 7,350	$ 26,125	$ 52,326	$ 5,346,538	$ 5,398,864	$ 7,077	$ 40,077

Commercial Real Estate Loans —As of December 31, 2017 , 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 (38.0%); multi-family mortgage loans (13.3%); and construction loans (2.4%).

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 —As of December 31, 2017 , 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 (12.3%); equipment financing loans (15.1%); and loans to condominium associations (0.9%).

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 each of the three classes in the portfolio.

Consumer Loans —As of December 31, 2017 , loans outstanding within the three classes within this segment expressed as a percent of total loans and leases outstanding were as follows: residential mortgage loans (11.5%), home equity loans (6.2%), and other consumer loans (0.3%).

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 indicator 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.

	At December 31, 2017			At December 31, 2016		
	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	$ 9,978	$ 9,962	$ —	$ 9,113	$ 9,104	$ —
Commercial	24,906	25,040	—	39,269	39,210	—
Consumer	3,508	3,500	—	4,823	4,815	—
Total originated with no related allowance recorded	38,392	38,502	—	53,205	53,129	—
With an allowance recorded:						
Commercial real estate	3,056	3,056	—	3,984	3,984	28
Commercial	8,912	8,862	3,105	605	605	97
Total originated with an allowance recorded	11,968	11,918	3,105	4,589	4,589	125
Total originated impaired loans and leases	50,360	50,420	3,105	57,794	57,718	125
Acquired:						
With no related allowance recorded:						
Commercial real estate	1,880	1,880	—	10,400	10,400	—
Commercial	1,594	1,594	—	3,948	3,948	—
Consumer	4,736	4,736	—	6,384	6,399	—
Total acquired with no related allowance recorded	8,210	8,210	—	20,732	20,747	—
With an allowance recorded:						
Consumer	115	115	22	253	253	27
Total acquired with an allowance recorded	115	115	22	253	253	27
Total acquired impaired loans and leases	8,325	8,325	22	20,985	21,000	27
Total impaired loans and leases	$ 58,685	$ 58,745	$ 3,127	$ 78,779	$ 78,718	$ 152

(1) Includes originated and acquired nonaccrual loans of $24.9 million and $2.0 million , respectively as of December 31, 2017 .

(2) Includes originated and acquired nonaccrual loans of $34.1 million and $3.6 million , respectively as of December 31, 2016 .

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

	Year Ended					
	December 31, 2017		December 31, 2016		December 31, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In Thousands)					
Originated:						
With no related allowance recorded:						
Commercial real estate	$ 10,125	$ 72	$ 6,608	$ 152	$ 3,999	$ 86
Commercial	26,439	225	23,445	600	15,143	641
Consumer	3,565	14	4,126	76	4,267	65
Total originated with no related allowance recorded	40,129	311	34,179	828	23,409	792
With an allowance recorded:						
Commercial real estate	3,058	38	4,715	195	5,132	197
Commercial	13,604	—	9,915	6	5,650	10
Consumer	—	—	124	—	84	—
Total originated with an allowance recorded	16,662	38	14,754	201	10,866	207
Total originated impaired loans and leases	56,791	349	48,933	1,029	34,275	999
Acquired:						
With no related allowance recorded:						
Commercial real estate	1,996	1	8,906	151	9,200	125
Commercial	1,610	5	4,255	75	4,428	65
Consumer	4,784	17	7,537	68	7,837	62
Total acquired with no related allowance recorded	8,390	23	20,698	294	21,465	252
With an allowance recorded:						
Commercial real estate	—	—	1,093	—	713	—
Commercial	—	—	364	—	638	—
Consumer	116	1	431	8	249	8
Total acquired with an allowance recorded	116	1	1,888	8	1,600	8
Total acquired impaired loans and leases	8,506	24	22,586	302	23,065	260
Total impaired loans and leases	$ 65,297	$ 373	$ 71,519	$ 1,331	$ 57,340	$ 1,259

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

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

	At December 31, 2017			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Allowance for Loan and Lease Losses:				
Originated:				
Individually evaluated for impairment	$ —	$ 3,105	$ —	$ 3,105
Collectively evaluated for impairment	26,366	23,078	5,003	54,447
Total originated loans and leases	26,366	26,183	5,003	57,552
Acquired:				
Individually evaluated for impairment	—	—	22	22
Collectively evaluated for impairment	145	13	17	175
Acquired with deteriorated credit quality	601	137	105	843
Total acquired loans and leases	746	150	144	1,040
Total allowance for loan and lease losses	$ 27,112	$ 26,333	$ 5,147	$ 58,592
Loans and Leases:				
Originated:				
Individually evaluated for impairment	$ 13,031	$ 29,386	$ 3,070	$ 45,487
Collectively evaluated for impairment	2,932,420	1,582,032	930,683	5,445,135
Total originated loans and leases	2,945,451	1,611,418	933,753	5,490,622
Acquired:				
Individually evaluated for impairment	—	1,487	1,867	3,354
Collectively evaluated for impairment	34,244	6,399	55,921	96,564
Acquired with deteriorated credit quality	96,082	4,807	39,250	140,139
Total acquired loans and leases	130,326	12,693	97,038	240,057
Total loans and leases	$ 3,075,777	$ 1,624,111	$ 1,030,791	$ 5,730,679

	At December 31, 2016			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Allowance for Loan and Lease Losses:				
Originated:				
Individually evaluated for impairment	$ 28	$ 97	$ —	$ 125
Collectively evaluated for impairment	26,830	20,682	4,776	52,288
Total originated loans and leases	26,858	20,779	4,776	52,413
Acquired:				
Individually evaluated for impairment	—	—	27	27
Collectively evaluated for impairment	221	13	34	268
Acquired with deteriorated credit quality	566	114	278	958
Total acquired loans and leases	787	127	339	1,253
Total allowance for loan and lease losses	$ 27,645	$ 20,906	$ 5,115	$ 53,666
Loans and Leases:				
Originated:				
Individually evaluated for impairment	$ 13,097	$ 37,637	$ 4,711	$ 55,445
Collectively evaluated for impairment	2,732,392	1,437,472	858,251	5,028,115
Total originated loans and leases	2,745,489	1,475,109	862,962	5,083,560
Acquired:				
Individually evaluated for impairment	690	3,047	2,028	5,765
Collectively evaluated for impairment	47,599	10,863	70,115	128,577
Acquired with deteriorated credit quality	124,789	6,389	49,784	180,962
Total acquired loans and leases	173,078	20,299	121,927	315,304
Total loans and leases	$ 2,918,567	$ 1,495,408	$ 984,889	$ 5,398,864

Troubled Debt Restructured Loans and Leases

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.

The following table sets forth information regarding troubled debt restructured loans and leases at the dates indicated:

	At December 31, 2017	At December 31, 2016
	(In Thousands)	
Troubled debt restructurings:		
On accrual	$ 16,241	$ 13,883
On nonaccrual	9,770	11,919
Total troubled debt restructurings	$ 26,011	$ 25,802

Total troubled debt restructuring loans and leases increased by $0.2 million to $26.0 million at December 31, 2017 from

$25.8 million at December 31, 2016 , primarily driven by the restructuring of certain taxi medallion loans pursuant to the definition of a troubled debt restructuring.

The recorded investment in troubled debt restructurings and the associated specific allowances for loan and lease losses, in the originated and acquired loan and lease portfolios, that were modified during the periods indicated, are as follows.

	At and for the Year Ended December 31, 2017						
		Recorded Investment				Defaulted [1]	
	Number of Loans/ Leases	At Modification	At End of Period	Specific Allowance for Loan and Lease Losses	Nonaccrual Loans and Leases	Number of Loans/ Leases	Recorded Investment
	(Dollars in Thousands)						
Originated:							
Commercial real estate	1	$ 189	$ 189	$ —	$ —	—	$ —
Commercial	10	7,861	3,911	191	2,189	2	1,361
Equipment financing	16	2,687	2,901	137	1,440	1	188
Total originated	27	10,737	7,001	328	3,629	3	1,549

(1) Includes loans and leases that have been modified within the past twelve months and subsequently had payment defaults during the period indicated.

There were no acquired loans and leases that met the definition of a troubled debt restructured during the twelve months ended December 31, 2017 .

	At and for the Year Ended December 31, 2016						
		Recorded Investment				Defaulted [1]	
	Number of Loans/ Leases	At Modification	At End of Period	Specific Allowance for Loan and Lease Losses	Nonaccrual Loans and Leases	Number of Loans/ Leases	Recorded Investment
	(Dollars in Thousands)						
Originated:							
Multi-family mortgage	2	$ 1,155	$ 1,114	$ —	$ 1,114	—	$ —
Commercial	22	9,701	6,015	—	6,015	2	364
Equipment financing	3	797	524	—	524	2	341
Total originated	27	11,653	7,653	—	7,653	4	705
Acquired:							
Home equity	5	374	368	20	145	—	—
Total acquired	5	374	368	20	145	—	—
Total loans and leases	32	$ 12,027	$ 8,021	$ 20	$ 7,798	4	$ 705

(1) Includes loans and leases that have been modified within the past twelve months and subsequently had payment defaults during the period indicated.

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	At and for the Year Ended December 31, 2015						
		Recorded Investment				Defaulted (1)	
	Number of Loans/ Leases	At Modification	At End of Period	Specific Allowance for Loan and Lease Losses	Nonaccrual Loans and Leases	Number of Loans/ Leases	Recorded Investment
	(Dollars in Thousands)						
Originated:							
Commercial real estate	—	$ —	$ —	$ —	$ —	—	$ —
Commercial	9	5,757	5,497	119	258	1	237
Equipment financing	1	112	100	—	—	—	—
Residential mortgage	1	100	150	—	151	—	—
Home equity	3	353	298	—	99	1	28
Total originated	14	6,322	6,045	119	508	2	265
Acquired:							
Commercial	4	642	632	—	—	1	11
Home equity	2	200	196	—	—	1	24
Total acquired	6	842	828	—	—	2	35
Total loans and leases	20	$ 7,164	$ 6,873	$ 119	$ 508	4	$ 300

(1) Includes loans and leases that have been modified within the past twelve months and subsequently had payment defaults during the period indicated.

The following table sets forth the Company's end-of-period balances for troubled debt restructurings that were modified during the periods indicated, by type of modification.

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Loans with one modification:			
Extended maturity	$ 2,810	$ 599	$ 2,215
Adjusted principal	19	249	—
Interest only	174	1,493	1,335
Combination maturity, principal, interest rate	1,914	5,455	692
Total loans modified once	$ 4,917	$ 7,796	$ 4,242
Loans with more than one modification:			
Extended maturity	$ 1,910	$ 225	$ 2,598
Combination maturity, principal, interest rate	174	—	33
Total loans modified more than once	$ 2,084	$ 225	$ 2,631

The troubled debt restructuring loans and leases that were modified for the years ending December 31, 2017 , 2016 , and 2015 were $7.0 million , $8.0 million , and $6.9 million , respectively. The decrease in troubled debt restructuring loans and leases that were modified for the year ending December 31, 2017 was primarily due to the partial charge-off of loans and leases secured by taxi medallions.

The net charge-offs of the performing and nonperforming troubled debt restructuring loans and leases for the years ending December 31, 2017 , 2016 , and 2015 were $4.8 million , $4.3 million , and $0.2 million , respectively. The increase in net charge-offs of the performing and nonperforming troubled debt restructuring loans and leases for the year ending December 31, 2017 was primarily due to the partial charge-offs of nonperforming taxi medallion loans during the year.

As of December 31, 2017 , there were no commitments to lend funds to debtors owing receivables whose terms had been modified in troubled debt restructurings.

(8) Premises and Equipment

Premises and equipment consist of the following:

	At December 31,		Estimated Useful Life
	2017	2016	
	(In Thousands)		(In Years)
Land	$ 11,057	$ 7,562	NA
Fine art	495	472	NA
Computer equipment	9,728	9,004	3
Vehicles	126	221	3 to 5
Core processing system and software	19,791	19,433	3 to 7.5
Furniture, fixtures and equipment	14,226	13,439	5 to 25
Office building and improvements	88,283	84,835	10 to 40
Total	143,706	134,966	
Accumulated depreciation and amortization	63,423	58,790	
Total premises and equipment	$ 80,283	$ 76,176	

Depreciation and amortization expense is calculated using the straight-line method and is included in occupancy and equipment and data processing expense in the Consolidated Statements of Income. For the years ended December 31, 2017 , 2016 and 2015 , depreciation and amortization expense related to premises and equipment totaled $7.4 million , $7.2 million , and $7.2 million , respectively.

The increase in land is primarily the result of the purchase of previously leased land at a Brookline Bank branch in Waltham, Massachusetts in 2017.

The increase in office buildings and improvements was primarily due to several branch renovations for Brookline Bank branches in Massachusetts and BankRI branches in Rhode Island and the addition of a new BankRI branch in Warwick, Rhode Island in 2017.

(9) Goodwill and Other Intangible Assets

The changes in the carrying value of goodwill for the periods indicated were as follows:

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Balance at beginning of year	$ 137,890	$ 137,890	$ 137,890
Additions	—	—	—
Adjustments to original goodwill	—	—	—
Balance at end of year	$ 137,890	$ 137,890	$ 137,890

The following is a summary of the Company's other intangible assets:

	At December 31, 2017			At December 31, 2016		
	Gross Amount	Accumulated Amortization	Carrying Amount	Gross Amount	Accumulated Amortization	Carrying Amount
	(In Thousands)					
Other intangible assets:						
Core deposits	$ 36,172	$ 31,217	$ 4,955	$ 36,172	$ 29,128	$ 7,044
Trade name	1,600	511	1,089	1,600	511	1,089
Trust relationship	1,568	1,568	—	1,568	1,568	—
Other intangible	442	442	—	442	442	—
Total other intangible assets	$ 39,782	$ 33,738	$ 6,044	$ 39,782	$ 31,649	$ 8,133

At December 31, 2013, the Company concluded that the BankRI name would continue to be utilized in its marketing strategies; therefore, the trade name with carrying value of $1.1 million , has an indefinite life and ceased to amortize.

The weighted-average amortization period for the core deposit intangible is 7.8 years. There were no impairment losses relating to other acquisition-related intangible assets recorded during the years ended December 31, 2017 , 2016 and 2015 .

The estimated aggregate future amortization expense for other intangible assets for each of the next five years and thereafter is as follows:

Year ended December 31:	Amount
	(In Thousands)
2018	$ 1,669
2019	1,295
2020	944
2021	601
2022	299
Thereafter	147
Total	$ 4,955

(10) Other Assets

BOLI

BOLI is recorded at the cash surrender value of the policies, less any applicable cash surrender charges, and is recorded in other assets. As of December 31, 2017 and 2016 , BankRI owned seven policies with a net cash surrender value of $38.9 million and $37.9 million , respectively. As of December 31, 2017 and 2016 , First Ipswich owned two policies with a net cash surrender value of $0.8 million and $0.8 million , respectively.

The Company recorded a total of $1.0 million , $1.1 million , and $1.0 million of tax exempt income from these nine policies in 2017 , 2016 , and 2015 , respectively. They are included in the Company’s other non-interest income in the consolidated statements of income.

Affordable Housing Investments

The Company began investing in affordable housing projects that benefit low- and moderate-income individuals in 2009. As of December 31, 2017 , the Company had investments in twelve of these projects. The project sponsor or general partner controls the project's management. In each case, the Company is a limited partner with less than 50% of the outstanding equity interest in any single project.

On January 1, 2015, the Company adopted ASU 2014-01, *Accounting for Investments in Qualified Affordable Housing Projects* , which required retrospective application and had an impact on net income for 2014 of $0.5 million and a cumulative effect on retained earnings of $1.1 million at January 1, 2015. Prior to the adoption of ASU 2014-01, the Company's investments in qualified affordable housing projects were accounted for using the equity method. Under the equity method, operating losses or gains from these investments were included as a component of non-interest income in the Company's consolidated statements of income. ASU 2014-01 calls for the use of the proportional amortization method calculation and the operating losses or gains for these investments are included as a component of the provision for income taxes in the Company's consolidated statements of income. Under the proportional amortization method, the initial costs of the investment in qualified affordable housing projects is amortized based on the tax credits and other benefits received.

Further information regarding the Company's investments in affordable housing projects follows:

	At December 31,	
	2017	2016
	(In Thousands)	
Investments in affordable housing projects included in other assets	$ 11,432	$ 11,565
Unfunded commitments related to affordable housing projects included in other liabilities	1,933	1,686
Investment in affordable housing tax credits	1,745	1,753
Investment in affordable housing tax benefits	653	598

	For the year ended December 31,		
	2017	2016	2015
	(In Thousands)		
Investment amortization included in provision for income taxes	$ 1,844	$ 1,726	$ 1,654
Amount recognized as income tax benefit	623	598	656

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

(11) Deposits

A summary of deposits follows:

	December 31, 2017		December 31, 2016	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)			
Demand checking accounts	$ 942,583	—%	$ 900,474	—%
NOW accounts	350,568	0.07%	323,160	0.07%
Savings accounts	646,359	0.25%	613,061	0.20%
Money market accounts	1,724,363	0.56%	1,733,359	0.47%
Total core deposit accounts	3,663,873	0.31%	3,570,054	0.27%
Certificate of deposit accounts maturing:				
Within six months	363,866	0.93%	345,339	0.77%
After six months but within 1 year	342,500	1.09%	233,470	0.83%
After 1 year but within 2 years	300,921	1.48%	264,993	1.08%
After 2 years but within 3 years	90,805	1.87%	84,673	1.56%
After 3 years but within 4 years	57,926	1.79%	52,522	1.88%
After 4 years but within 5 years	50,380	2.02%	59,910	1.78%
5+ Years	1,072	1.03%	115	1.66%
Total certificate of deposit accounts	1,207,470	1.27%	1,041,022	1.04%
Total deposits	$ 4,871,343	0.55%	$ 4,611,076	0.44%

Certificate of deposit accounts issued in amounts of $250,000 or more totaled $265.8 million and $196.7 million as of December 31, 2017 and 2016 , respectively.

Interest expense on deposit balances is summarized as follows:

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Interest-bearing deposits:			
NOW accounts	$ 225	$ 209	$ 179
Savings accounts	1,297	1,322	1,094
Money market accounts	8,863	7,549	6,935
Certificate of deposit accounts	12,903	10,990	9,272
Total interest-bearing deposits	$ 23,288	$ 20,070	$ 17,480

Related Party Deposits

Deposit accounts of directors, executive officers and their affiliates totaled $41.4 million and $39.5 million as of December 31, 2017 and 2016 , respectively.

Collateral Pledged to Deposits

As of December 31, 2017 and 2016 , $165.5 million and $160.9 million , respectively, of collateral was pledged for municipal deposits and TT&L.

(12) Borrowed Funds

Borrowed funds are comprised of the following:

	At December 31, 2017	At December 31, 2016
	(In Thousands)	
Advances from the FHLBB	$ 889,909	$ 910,774
Subordinated debentures and notes	83,271	83,105
Other borrowed funds	47,639	50,207
Total borrowed funds	$ 1,020,819	$ 1,044,086

Interest expense on borrowed funds for the periods indicated is as follows:

	Year Ended December 31, 2017	2016	2015
	(In Thousands)		
Advances from the FHLBB	$ 11,330	$ 10,760	$ 9,950
Subordinated debentures and notes	5,081	5,038	5,001
Other borrowed funds	170	116	114
Total interest expense on borrowed funds	$ 16,581	$ 15,914	$ 15,065

Collateral Pledged to Borrowed Funds

As of December 31, 2017 and 2016 , $1.9 billion and $1.8 billion , respectively, of investment securities and loans and leases, were pledged as collateral for repurchase agreements, swap agreements, FHLBB borrowings, and municipal deposits and TT&L (Treasury Tax and Loan Deposits). The Banks did not have any outstanding FRB borrowings as of December 31, 2017 and 2016 .

FHLBB Advances

FHLBB advances mature as follows:

	At December 31, 2017			2016		
	Amount	Callable Amount	Weighted Average Rate	Amount	Callable Amount	Weighted Average Rate
	(Dollars in Thousands)					
Within 1 year	$ 514,314	$ 55,000	1.43%	$ 651,489	$ 75,705	1.22%
Over 1 year to 2 years	279,928	115,000	1.70%	168,598	290,311	1.44%
Over 2 years to 3 years	16,026	—	0.47%	14,354	—	0.09%
Over 3 years to 4 years	30,849	—	0.41%	85	—	2.04%
Over 4 years to 5 years	33,217	—	0.30%	1,110	—	3.07%
Over 5 years	15,575	—	3.95%	75,138	—	1.08%
	$ 889,909	$ 170,000	1.47%	$ 910,774	$ 366,016	1.24%

Actual maturities of the advances may differ from those presented above since the FHLBB has the right to call certain advances prior to the scheduled maturity.

The FHLBB advances are secured by blanket pledge agreements which require the Banks to maintain certain qualifying assets as collateral. The Banks did not have any FRB borrowings as of December 31, 2017 . Total available borrowing capacity for advances from the FHLBB and FRB was $1.7 billion as of December 31, 2017 for the Banks. The total amount of qualifying collateral for FHLBB and FRB borrowings was $2.5 billion as of December 31, 2017 .

Other Borrowed Funds

Information concerning other borrowed funds is as follows for the periods indicated below:

	Year Ended December 31, 2017	Year Ended December 31, 2016
	(Dollars In Thousands)	
Outstanding at end of year	$ 47,639	$ 50,207
Average outstanding for the year	45,908	41,053
Maximum outstanding at any month-end	54,064	50,207
Weighted average rate at end of year	0.46%	0.14%
Weighted average rate paid for the year	0.37%	0.27%

In addition to advances from the FHLBB and subordinated debentures and notes, the Company utilizes other funding sources as part of the overall liquidity strategy. Those funding sources include repurchase agreements, committed and uncommitted lines of credit with several financial institutions.

The Company periodically enters into repurchase agreements with its larger deposit and commercial customers as part of its cash management services which are typically overnight borrowings. Repurchase agreements with customers decreased $12.6 million million to $37.6 million million as of December 31, 2017 from $50.2 million as of December 31, 2016 .

The Company has access to a $12.0 million committed line of credit as of December 31, 2017 . As of December 31, 2017 and December 31, 2016 , the Company did not have any borrowings on this committed line of credit outstanding.

The Banks also have access to funding through several uncommitted lines of credit of $203.0 million . As of December 31, 2017 , the Company had $10.0 million in borrowings on outstanding uncommitted lines of credit as compared to December 31, 2016 , when the Company did not have any borrowings on these uncommitted lines of credit.

Subordinated Debentures and Notes

On September 15, 2014, the Company issued $75.0 million of 6.0% fixed-to-floating subordinated notes due September 15, 2029. The Company is obligated to pay 6.0% interest semiannually between September 2014 and September 2024. Subsequently, the Company is obligated to pay 3-month LIBOR plus 3.315% quarterly until the notes mature in September 2029.

The following table summarizes the Company's subordinated debentures and notes at the dates indicated.

Issue Date	Rate	Maturity Date	Next Call Date	Carrying Amount December 31, 2017	Carrying Amount December 31, 2016
		(Dollars in Thousands)			
June 26, 2003	Variable; 3-month LIBOR + 3.10%	June 26, 2033	March 26, 2018	$ 4,778	$ 4,752
March 17, 2004	Variable; 3-month LIBOR + 2.79%	March 17, 2034	March 19, 2018	4,668	4,628
September 15, 2014	6.0% Fixed-to-Variable; 3-month LIBOR + 3.315%	September 15, 2029	September 15, 2024	73,825	73,725
			Total	$ 83,271	$ 83,105

The above carrying amounts of the acquired subordinated debentures included $0.6 million of accretion adjustments and $1.2 million of capitalized debt issuance costs as of December 31, 2017 . This compares to $0.6 million of accretion adjustments and $1.3 million of capitalized debt issuance costs as of December 31, 2016 .

(13) Commitments and Contingencies

Off-Balance Sheet Financial Instruments

The Company is party to off-balance sheet financial instruments in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include loan commitments, standby and commercial letters of credits, and loan level derivatives. According to GAAP, these financial instruments are not recorded in the financial statements until they are funded or related fees are incurred or received.

The contract amounts reflect the extent of the involvement the Company has in particular classes of these instruments. Such commitments involve, to varying degrees, elements of credit risk and interest-rate risk in excess of the amount recognized in the consolidated balance sheets. The Company's exposure to credit loss in the event of non-performance by the counterparty is represented by the fair value of the instruments. The Company uses the same policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Financial instruments with off-balance-sheet risk at the dates indicated follow:

	At December 31,	
	2017	2016
	(In Thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to originate loans and leases:		
Commercial real estate	$ 76,653	$ 27,750
Commercial	83,270	71,716
Residential mortgage	28,745	28,179
Unadvanced portion of loans and leases	571,668	580,416
Unused lines of credit:		
Home equity	407,552	340,682
Other consumer	34,191	13,157
Other commercial	323	208
Unused letters of credit:		
Financial standby letters of credit	12,422	11,720
Performance standby letters of credit	736	516
Commercial and similar letters of credit	184	785
Loan level derivatives:		
Receive fixed, pay variable	494,659	383,780
Pay fixed, receive variable	494,659	383,780
Risk participation-out agreements	36,627	16,961
Risk participation-in agreements	3,825	—
Foreign exchange contracts:		
Buys foreign currency, sells U.S. currency	1,495	195
Sells foreign currency, buys U.S. currency	1,502	195

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee by the customer. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the borrower.

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Standby and commercial letters of credits are conditional commitments issued by the Company to guarantee performance of a customer to a third party. These standby and commercial letters of credit are primarily issued to support the financing needs of the Company's commercial customers. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

The liability for unfunded credit commitments, which is included in other liabilities, was $1.7 million and $1.5 million as of December 31, 2017 and December 31, 2016 , respectively.

From time to time, the Company enters into loan level derivatives, risk participation agreements or foreign exchange contracts with commercial customers and third-party financial institutions. These derivatives allow the Company to offer long-term fixed-rate commercial loans while mitigating the interest-rate or foreign exchange risk of holding those loans. In a loan level derivative transaction, the Company lends to a commercial customer on a floating-rate basis and then enters into an loan level derivative with that customer. Concurrently, the Company enters into offsetting swaps with a third-party financial institution, effectively minimizing its net interest-rate risk exposure resulting from such transactions.

The fair value of derivative assets and liabilities was $9.0 million and $8.9 million , respectively, as of December 31, 2017 . The fair value of derivative assets and liabilities was $9.7 million and $9.7 million , respectively, as of December 31, 2016 .

Lease Commitments

The Company leases certain office space under various noncancellable operating leases. These leases have original terms ranging from 5 years to over 25 years. Certain leases contain renewal options and escalation clauses which can increase rental expenses based principally on the consumer price index and fair market rental value provisions.

A summary of future minimum rental payments under such leases at the dates indicated follows:

Year ended December 31,	Minimum Rental Payments
	(In Thousands)
2018	$ 4,921
2019	4,053
2020	3,497
2021	2,988
2022	2,743
Thereafter	10,138
Total	$ 28,340

Certain leases contain escalation clauses for real estate taxes and other expenditures, which are not included above. Total rental expense was $5.5 million in 2017 , this increase was due to the opening of a new branch in Danvers, Massachusetts for First Ipswich Bank, and the relocation of a branch in Brookline, Massachusetts for Brookline Bank. This compares to total rent expense of $5.3 million in 2016 . In 2015 , total rent expense was $5.5 million , which included $0.2 million in lease acceleration related to the sale of $255.2 million of the indirect automobile loan portfolio in March 2015.

A portion of the Company's headquarters was rented to third-party tenants which generated rental income of $0.4 million in 2017 , 2016 and 2015 respectively. Rental income was reported in non-interest income in the Company's consolidated statements of income.

Legal Proceedings

In the normal course of business, there are various outstanding legal proceedings. In the opinion of management, after consulting with legal counsel, the consolidated financial position and results of operations of the Company are not expected to be affected materially by the outcome of such proceedings.

(14) Earnings per Share ("EPS")

The following table is a reconciliation of basic EPS and diluted EPS:

	For the year ended December 31,					
	2017		2016		2015	
	Basic	Fully Diluted	Basic	Fully Diluted	Basic	Fully Diluted
	(Dollars in Thousands, Except Per Share Amounts)					
Numerator:						
Net income	$ 50,518	$ 50,518	$ 52,362	$ 52,362	$ 49,782	$ 49,782
Denominator:						
Weighted average shares outstanding	74,459,508	74,459,508	70,261,954	70,261,954	70,098,561	70,098,561
Effect of dilutive securities	—	351,900	—	182,129	—	137,307
Adjusted weighted average shares outstanding	74,459,508	74,811,408	70,261,954	70,444,083	70,098,561	70,235,868
EPS	$ 0.68	$ 0.68	$ 0.74	$ 0.74	$ 0.71	$ 0.71

(15) Comprehensive Income/(Loss)

Comprehensive income (loss) represents the sum of net income (loss) and other comprehensive income (loss). For the years ended December 31, 2017 , 2016 and 2015 , the Company's other comprehensive income (loss) include the following two components: (i) unrealized holding losses on investment securities available-for-sale; and (ii) adjustment of accumulated obligation for postretirement benefits.

Changes in accumulated other comprehensive loss by component, net of tax, were as follows for the periods indicated:

	Year Ended December 31, 2017		
	Investment Securities Available-for-Sale	Postretirement Benefits	Accumulated Other Comprehensive Loss
	(In Thousands)		
Balance at December 31, 2016	$ (4,213)	$ 395	$ (3,818)
Other comprehensive loss	(817)	(252)	(1,069)
Balance at December 31, 2017	$ (5,030)	$ 143	$ (4,887)

	Year Ended December 31, 2016		
	Investment Securities Available-for-Sale	Postretirement Benefits	Accumulated Other Comprehensive Loss
	(In Thousands)		
Balance at December 31, 2015	$ (2,827)	$ 351	$ (2,476)
Other comprehensive (loss) income	(1,386)	44	(1,342)
Balance at December 31, 2016	$ (4,213)	$ 395	$ (3,818)

	Year Ended December 31, 2015		
	Investment Securities Available-for-Sale	Postretirement Benefits	Accumulated Other Comprehensive Loss
	(In Thousands)		
Balance at December 31, 2014	$ (1,733)	$ 111	$ (1,622)
Other comprehensive (loss) income	(1,094)	240	(854)
Balance at December 31, 2015	$ (2,827)	$ 351	$ (2,476)

(16) Derivatives and Hedging Activities

The Company utilizes loan level derivatives which consist of interest-rate contracts (swaps, caps and floors), and risk participation agreements as part of the Company's interest-rate risk management strategy for certain assets and liabilities and not for speculative purposes. Based on the Company's intended use for the loan level derivatives at inception, the Company designates the derivative as either an economic hedge of an asset or liability, or a hedging instrument subject to the hedge accounting provisions of FASB ASC Topic 815, "Derivatives and Hedging".

Interest-rate swap, cap and floor agreements are entered into as hedges against future interest-rate fluctuations on specifically identified assets or liabilities. The Company did not have derivative fair value hedges or derivative cash flow hedges as of December 31, 2017 or 2016 .

Derivatives not designated as hedges are not speculative, but rather, result from a service the Company provides to certain customers for a fee. The Company executes loan level derivative products such as interest-rate swap agreements with commercial banking customers to aid them in managing their interest-rate risk. The interest-rate swap contracts allow the commercial banking customers to convert floating-rate loan payments to fixed-rate loan payments. The Company concurrently enters into offsetting swaps with a third party financial institution, effectively minimizing its net risk exposure resulting from such transactions. The third-party financial institution exchanges the customer's fixed-rate loan payments for floating-rate loan payments. As the interest-rate swap agreements associated with this program do not meet hedge accounting requirements, changes in the fair value are recognized directly in earnings.

The Company utilizes risk participation agreements with other banks participating in commercial loan arrangements. Participating banks guarantee the performance on borrower-related interest rate swap contracts. Risk participation agreements are derivative financial instruments and are recorded at fair value. These derivatives are not designated as hedges and therefore, changes in fair value are recorded directly through earnings at each reporting period.

Under a risk participation-out agreement, a derivative asset, the Company participates out a portion of the credit risk associated with the interest rate swap position executed with the commercial borrower, for a fee paid to the participating bank. Under a risk participation-in agreement, a derivative liability, the Company assumes, or participates in, a portion of the credit risk associated with the interest rate swap position with the commercial borrower, for a fee received from the other bank.

The Company offers foreign exchange contracts to commercial borrowers to accommodate their business needs. These foreign exchange contracts do not qualify as hedges for accounting purposes. To mitigate the market and liquidity risk associated with these foreign exchange contracts, the Company enters into similar offsetting positions.

Asset derivatives and liability derivatives are included in other assets and accrued expenses and other liabilities on the consolidated balance sheets.

The following tables presents the Company's customer related derivative positions for the periods indicated below for those derivatives not designated as hedging.

The following tables presents the Company's customer related derivative positions for the periods indicated below for those derivatives not designated as hedging.

	Number of Positions	Notional Amount Maturing: Less than 1 year	Less than 2 years	Less than 3 years	Less than 4 years	Thereafter	Total	Fair Value
	December 31, 2017 (Dollars In Thousands)							
Loan level derivatives								
Receive fixed, pay variable	66	$ 3,903	$ 2,036	$ 27,992	$ —	$ 460,728	$ 494,659	$ 8,865
Pay fixed, receive variable	66	3,903	2,036	27,992	—	460,728	494,659	8,865
Risk participation-out agreements	8	—	—	8,613	—	28,014	36,627	65
Risk participation-in agreements	1	—	—	—	—	3,825	3,825	10
Foreign exchange contracts								
Buys foreign currency, sells U.S. currency	22	$ 1,495	$ —	$ —	$ —	$ —	$ 1,495	$ 65
Sells foreign currency, buys U.S. currency	44	1,502	—	—	—	—	1,502	72

	Number of Positions	Notional Amount Maturing: Less than 1 year	Less than 2 years	Less than 3 years	Less than 4 years	Thereafter	Total	Fair Value
	December 31, 2016 (Dollars In Thousands)							
Loan level derivatives								
Receive fixed, pay variable	54	$ —	$ 4,025	$ 2,141	$ 29,501	$ 348,113	$ 383,780	$ 9,738
Pay fixed, receive variable	54	—	4,025	2,141	29,501	348,113	383,780	9,738
Risk participation-out agreements	5	—	—	—	9,078	7,883	16,961	20
Foreign exchange contracts								
Buys foreign currency, sells U.S. currency	3	$ 195	$ —	$ —	$ —	$ —	$ 195	$ —
Sells foreign currency, buys U.S. currency	3	195	—	—	—	—	195	—

As of December 31, 2016 , the Company held no risk participation-in agreements and the fair value of the foreign exchange contracts was nominal. Refer also to Note 21, "Fair Value of Financial Instruments."

Changes in the fair value are recognized directly in the Company's consolidated statements of income and are included in other non-interest income in the consolidated statements of income. The table below presents the gain (loss) recognized in income due to changes in the fair value for the year ended December 31, 2017 . There were no gains (losses) recognized in income due to changes in the fair value for the year ended December 31, 2016 .

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	Year Ended December 31, 2017
	(In Thousands)
Gain recognized in income on:	
Loan level derivatives	$ —
Risk participation-out agreements	55
Foreign exchange contracts	7
Total	$ 62

By using derivative financial instruments, the Company exposes itself to credit risk which is the risk of failure by the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative is negative, the Company owes the counterparty and, therefore, it does not possess credit risk. The credit risk in derivative instruments is mitigated by entering into transactions with highly-rated counterparties that management believes to be creditworthy and by limiting the amount of exposure to each counterparty by either cross collateralizing the underlying hedged loan or through bilateral posting of collateral to cover exposure. As the swaps are subject to master netting agreements, the Company had limited exposure relating to loan level derivatives with institutional counterparties as of December 31, 2017 and 2016 . The estimated net credit risk exposure for derivative financial instruments was zero as of December 31, 2017 , and 2016 .

Certain derivative agreements contain provisions that require the Company to post collateral if the derivative exposure exceeds a threshold amount. The Company posted collateral of $26.7 million and $34.5 million in the normal course of business as of December 31, 2017 and 2016 , respectively.

The tables below present the offsetting of derivatives and amounts subject to master netting agreements not offset in the consolidated balance sheet at the dates indicated.

	At December 31, 2017					
				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments Pledged	Cash Collateral Pledged	Net Amount
	(In Thousands)					
Asset derivatives						
Loan level derivatives	$ 8,865	$ —	$ 8,865	$ —	$ —	$ 8,865
Risk participation-out agreements	65	—	65	—	—	65
Foreign exchange contracts	72	—	72	—	—	72
Total	$ 9,002	$ —	$ 9,002	$ —	$ —	$ 9,002
Liability derivatives						
Loan level derivatives	$ 8,865	$ —	$ 8,865	$ 25,159	$ 1,510	$ —
Risk participation-in agreements	10	—	10	—	—	—
Foreign exchange contracts	65	—	65	—	—	—
Total	$ 8,940	$ —	$ 8,940	$ 25,159	$ 1,510	$ —

	At December 31, 2016					
				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments Pledged	Cash Collateral Pledged	Net Amount
	(In Thousands)					
Asset derivatives						
Loan level derivatives	$ 9,738	$ —	$ 9,738	$ —	$ —	$ 9,738
Risk participation-out agreements	20	—	20	—	—	20
Total	$ 9,758	$ —	$ 9,758	$ —	$ —	$ 9,758
Liability derivatives						
Loan level derivatives	$ 9,738	$ —	$ 9,738	$ 33,744	$ 720	$ —
Total	$ 9,738	$ —	$ 9,738	$ 33,744	$ 720	$ —

As of December 31, 2016 , the Company held no risk participation-in agreements and the fair value of the foreign exchange contracts was nominal.

The Company has agreements with certain of its derivative counterparties that contain credit-risk-related contingent provisions. These provisions provide the counterparty with the right to terminate its derivative positions and require the Company to settle its obligations under the agreements if the Company defaults on certain of its indebtedness or if the Company fails to maintain its status as a well-capitalized institution.

(17) Income Taxes

Income tax expense is comprised of the following amounts:

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Current provision:			
Federal	$ 27,825	$ 22,954	$ 23,340
State	5,013	5,116	4,774
Total current provision	32,838	28,070	28,114
Deferred provision:			
Federal	10,209	2,271	679
State	589	51	560
Total deferred provision	10,798	2,322	1,239
Total provision for income taxes	$ 43,636	$ 30,392	$ 29,353

Total provision for income taxes differed from the amounts computed by applying the statutory U.S. federal income tax rate 35.0% to income before tax expense as a result of the following:

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	Year Ended December 31,		
	2017	2016	2015
		(Dollars In Thousands)	
Expected income tax expense at statutory federal tax rate	$ 34,039	$ 29,965	$ 28,603
State taxes, net of federal income tax benefit	3,641	3,358	3,467
Bank-owned life insurance	(364)	(368)	(367)
Tax-exempt interest income	(873)	(826)	(622)
Income attributable to noncontrolling interest in subsidiary	(870)	(1,163)	(994)
Merger and acquisition expense	138	—	—
Tax Reform Act Adjustment	8,965	—	—
Investments in affordable housing projects	(653)	(640)	(526)
Other, net	(387)	66	(208)
Total provision for income taxes	$ 43,636	$ 30,392	$ 29,353
Effective income tax rate	44.9%	35.5%	35.9%

The Company's effective tax rate was 44.9% as of December 31, 2017 compared to 35.5% as of December 31, 2016 . The increase in the Company's effective tax rate from 2016 was primarily driven by $9.0 million related to the enactment of the Tax Reform Act and $138.0 thousand of nondeductible merger and acquisition expenses.

On December 22, 2017, the Tax Reform Act was enacted, which represents the most comprehensive reform to the U.S. tax code in over thirty years. The majority of the provisions of the Tax Reform Act takes effect on January 1, 2018. The Tax Reform Act lowers the Company’s federal tax rate from 35% to 21%. The Tax Reform Act also contains other provisions that may affect the Company currently or in future years. Among these are changes to the deductibility of meals and entertainment, the deductibility of executive compensation, accelerated expensing of depreciable property for assets placed in service after September 27, 2017 and before 2023, limits the deductibility of net interest expense, eliminated the corporate alternative minimum tax, limited net operating loss carryforwards to 80% of taxable income and other provisions.

As a result of the Tax Reform Act, management re-valued the carrying value of our net deferred tax asset and investments in low income housing tax credits. The impact of the Tax Reform Act resulted in a write down of the carrying balance of net deferred tax assets and investments in affordable housing projects of $8.6 million and $0.3 million , respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at the dates indicated are as follows:

	At December 31,	
	2017	2016
	(In Thousands)	
Deferred tax assets:		
Allowance for loan and lease losses	$ 15,618	$ 21,655
Deferred compensation	1,032	5,659
Supplemental Executive Retirement Plans	2,805	4,127
Unrealized loss on investment securities available-for-sale	1,728	2,355
Net operating loss carryforwards	415	999
Postretirement benefits	400	465
Nonaccrual interest	551	621
Accrued expense	563	828
Restricted stock and stock option plans	621	573
Employee stock ownership plan	124	147
Other	67	61
Total gross deferred tax assets	23,924	37,490
Deferred tax liabilities:		
Identified intangible assets and goodwill	2,778	4,660
Deferred loan origination costs, net	2,918	3,370
Depreciation	1,866	2,193
Prepaid expense	109	1,045
Acquisition fair value adjustments	1,192	975
Total gross deferred tax liabilities	8,863	12,243
Net deferred tax asset	$ 15,061	$ 25,247

As of December 31, 2017 , the Company had net operating loss carryforwards for federal income tax purposes of $0.4 million which are available to offset future federal taxable income, if any, through 2020. According to Section 382 of the Internal Revenue Code, the net operating loss carryforwards and credit are subject to an annual limitation of $0.9 million .

The Company has determined that a valuation allowance is not required for any of its deferred tax assets because it believes that it is more likely than not that these assets will reverse against future taxable income.

For federal income tax purposes, the Company has a $1.8 million reserve for credit losses which remains subject to recapture. If any portion of the reserve is used for purposes other than to absorb the losses for which it was established, approximately 150% of the amount actually used (limited to the amount of the reserve) would be subject to taxation in the year in which used. As the Company intends to use the reserve only to absorb credit losses, no provision has been made for the $0.5 million liability that would result if 100% of the reserve were recaptured.

The Company did not have any unrecognized tax benefits accrued as income tax receivables or as deferred tax items as of December 31, 2017 and 2016 . The Company files U.S. federal and state income tax returns. During the third quarter of 2017, the Company was notified by the Internal Revenue Service of its intent to examine the Company's 2015 consolidated federal income tax return. Management believes that this examination will conclude during the next 12 months. As of December 31, 2017 , the Company is subject to examination by the Massachusetts, Rhode Island and several other state tax authorities for tax years after December 31, 2013 .

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(18) Stockholders' Equity

Preferred Stock

The Company is authorized to issue 50,000,000 shares of serial preferred stock, par value $0.01 per share, from time to time in one or more series subject to limitations of law. The Board of Directors is authorized to fix the designations, powers, preferences, limitations and rights of the shares of each such series. As of December 31, 2017 , there were no shares of preferred stock issued.

Capital Distributions and Restrictions Thereon

The Company is a legal entity separate and distinct from each of the Banks and Brookline Securities Corp. The Company's primary source of revenue is dividends paid to it by the Banks and Brookline Securities Corp.

The FRB has authority to prohibit the Company from paying dividends to the Company's shareholders if such payment is deemed to be an unsafe or unsound practice. The FRB has indicated generally that it may be an unsafe or unsound practice for bank holding companies to pay dividends unless the bank holding company's net income over the preceding year is sufficient to fund the dividends and the expected rate of earnings retention is consistent with the organization's capital needs, asset quality and overall financial condition.

The FRB also has the authority to use its enforcement powers to prohibit the Banks from paying dividends to the Company if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Federal law also prohibits the payment of dividends by a bank that will result in the bank failing to meet its applicable capital requirements on a pro forma basis. In addition, a state bank that is a member of the Federal Reserve System may not declare or pay a dividend if the total of all dividends declared during the calendar year, including the proposed dividend, exceeds the sum of the bank's net income (as reportable in its Reports of Condition and Income) during the current calendar year and the retained net income of the prior two calendar years, unless the dividend has been approved by the FRB. Payment of dividends by a bank is also restricted pursuant to various state regulatory limitations, including the Massachusetts Division of Banks in the case of Brookline Bank and First Ipswich, and the Banking Division of the Rhode Island Department of Business Regulation in the case of BankRI.

Common Stock Repurchases

In 2017 , 2016 and 2015 , no shares of the Company's common stock were repurchased by the Company. On February 4, 2016, the Company's Board of Directors authorized a stock repurchase program to acquire up to $10.0 million of total outstanding shares of the Company's common stock over a period of twelve months ending on January 31, 2017. Repurchases may be made from time to time depending on market conditions and other factors, and will be conducted through open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with the Securities and Exchange Commission Rule 10b5-1. There is no guarantee as to the exact number of shares, if any, to be repurchased by the Company. As of December 31, 2017 , no shares of stock were repurchased under the stock repurchase program.

Common Stock Issuance

On, April 27, 2017, the Company entered into an underwriting agreement with Piper Jaffray & Co., as representative of the underwriters named therein (collectively, the "Underwriters"), to offer and sell 5,175,000 shares of the Company's common stock, $0.01 par value per share at a public offering price of $14.50 per share in an underwritten public offering (the "Offering"). In conjunction with the Offering, the Company granted the Underwriters a 30-day option to purchase up to an additional 776,250 shares of its common stock. On May 2, 2017, the Company and the Underwriters closed the Offering. The Underwriters exercised their option resulting in a new issuance in the aggregate of 5,951,250 shares of the Company's common stock at a price to the public of $14.50 per share. The Company received net proceeds of $82.0 million after deductions for underwriting discounts, commissions, and expenses.

Restricted Retained Earnings

As part of the stock offering in 2002 and as required by regulation, Brookline Bank established a liquidation account for the benefit of eligible account holders and supplemental eligible account holders who maintain their deposit accounts at Brookline Bank after the stock offering. In the unlikely event of a complete liquidation of Brookline Bank (and only in that event), eligible depositors who continue to maintain deposit accounts at Brookline Bank shall be entitled to receive a distribution from the liquidation account.

Accordingly, retained earnings of the Company are deemed to be restricted up to the balance of the liquidation account. The liquidation account balance is reduced annually to the extent that eligible depositors have reduced their qualifying deposits as of each anniversary date. Subsequent increases in deposit account balances do not restore an account holder's interest in the liquidation account

The liquidation account totaled $15.1 million (unaudited), $15.2 million (unaudited), and $16.6 million (unaudited) at December 31, 2017 , 2016 and 2015 , respectively.

(19) Regulatory Capital Requirements

The Company's primary source of cash is dividends from the Banks and Brookline Securities Corp. The Banks are subject to certain restrictions on the amount of dividends that they may declare without prior regulatory approval. In addition, the dividends declared cannot be in excess of the amount which would cause the Banks to fall below the minimum required for capital adequacy purposes.

The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "BHCA") and as such, must comply with the capital requirements of the Federal Reserve Bank (the "FRB") at the consolidated level. As member banks of the FRB, Brookline Bank, BankRI and First Ipswich are also required to comply with the regulatory capital requirement of the FRB.

The FRB has promulgated regulations imposing minimum capital requirements for bank holding companies and state member banks as well as prompt corrective action regulations for state member banks that implement the system of prompt corrective action established by Section 38 of the Federal Deposit Insurance Act, as amended (the "FDIA"). Under the prompt corrective action regulations in effect as of December 31, 2017 , a bank is "well-capitalized" if it has: (1) a total risk-based capital ratio of 10.0% or greater; (2) a Tier 1 risk-based capital ratio of 8.0% or greater; (3) a common equity Tier 1 capital ratio of 6.5% or greater; (4) a Tier 1 leverage ratio of 5.0% or greater; and (5) is not subject to any written agreement, order, capital directive or prompt corrective action directive to meet and maintain a specific capital level for any capital measure.

Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines, the Company and each of the Banks must meet specific capital guidelines that involve quantitative measures of the Company's and the Banks' assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. In addition, the prompt corrective action rules applicable to state member banks establish a framework of supervisory actions for state member banks that are not at least adequately capitalized. The Company's and the Banks' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies. Bank holding companies are not subject to prompt corrective action requirements. However, a bank holding company is considered "well capitalized" for purpose of the FRB's Regulation Y (which can affect eligibility for expedited application processes to make acquisitions and engage in new activities) if the bank holding company maintains on a consolidated basis a total risk-based capital ratio of 10.0% or greater and a Tier 1 risk-based capital ratio of 6.0% or greater and is not subject to any written agreement under capital directive or prompt correction action directive issued by the FRB to meet and maintain a specific capital level for any capital measure.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

As of December 31, 2017 , the Company and the Banks are each under the primary regulation of, and must comply with, the capital requirements of the FRB. As of December 31, 2017 , the Company and the Banks exceeded all regulatory capital requirements and were considered "well-capitalized" under prompt corrective action regulations, as amended to reflect the changes under Basel III Capital Rules. The following table presents actual and required capital ratios as of December 31, 2017 for the Company and the Banks under the Basel III Capital Rules based on the phase-in provision of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased in.

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required for Fully Phased in Capital Adequacy Purposes plus Capital Conservation Buffer		Minimum Required to be Considered "Well-Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)							
At December 31, 2017:								
Brookline Bancorp, Inc.								
Common equity Tier 1 capital ratio (1)	$ 669,238	12.02%	$ 250,547	4.50%	$ 389,739	7.00%	N/A	N/A
Tier 1 leverage capital ratio (2)	687,299	10.43%	263,585	4.00%	263,585	4.00%	N/A	N/A
Tier 1 risk-based capital ratio (3)	687,299	12.34%	334,181	6.00%	473,423	8.50%	N/A	N/A
Total risk-based capital ratio (4)	821,373	14.75%	445,490	8.00%	584,706	10.50%	N/A	N/A
Brookline Bank								
Common equity Tier 1 capital ratio (1)	$ 414,282	11.56%	$ 161,269	4.50%	$ 250,863	7.00%	$ 232,944	6.50%
Tier 1 leverage capital ratio (2)	423,035	10.35%	163,492	4.00%	163,492	4.00%	204,365	5.00%
Tier 1 risk-based capital ratio (3)	423,035	11.81%	214,920	6.00%	304,471	8.50%	286,561	8.00%
Total risk-based capital ratio (4)	463,986	12.95%	286,632	8.00%	376,205	10.50%	358,290	10.00%
BankRI								
Common equity Tier 1 capital ratio (1)	$ 193,849	11.38%	$ 76,654	4.50%	$ 119,239	7.00%	$ 110,722	6.50%
Tier 1 leverage capital ratio (2)	193,849	9.16%	84,650	4.00%	84,650	4.00%	105,813	5.00%
Tier 1 risk-based capital ratio (3)	193,849	11.38%	102,205	6.00%	144,791	8.50%	136,273	8.00%
Total risk-based capital ratio (4)	210,025	12.33%	136,269	8.00%	178,853	10.50%	170,337	10.00%
First Ipswich								
Common equity Tier 1 capital ratio (1)	$ 37,502	13.38%	$ 12,613	4.50%	$ 19,620	7.00%	$ 18,218	6.50%
Tier 1 leverage capital ratio (2)	37,502	9.44%	15,891	4.00%	15,891	4.00%	19,863	5.00%
Tier 1 risk-based capital ratio (3)	37,502	13.38%	16,817	6.00%	23,824	8.50%	22,423	8.00%
Total risk-based capital ratio (4)	40,625	14.50%	22,414	8.00%	29,418	10.50%	28,017	10.00%

(1) Common equity Tier 1 capital ratio is calculated by dividing common equity Tier 1 capital by risk-weighted assets. The ratio was established as part of the implementation of Basel III, effective January 1, 2015.

(2) Tier 1 leverage capital ratio is calculated by dividing Tier 1 capital by average assets.

(3) Tier 1 risk-based capital ratio is calculated by dividing Tier 1 capital by risk-weighted assets.

(4) Total risk-based capital ratio is calculated by dividing total capital by risk-weighted assets.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

The following table presents actual and required capital ratios as of December 31, 2016 for the Company and the Banks under the regulatory capital rules then in effect.

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required for Fully Phased in Capital Adequacy Purposes plus Capital Conservation Buffer		Minimum Required to be Considered "Well-Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)							
At December 31, 2016:								
Brookline Bancorp, Inc.								
Common equity Tier 1 capital ratio (1)	$ 559,644	10.48%	$ 240,305	4.50%	$ 373,808	7.00%	N/A	N/A
Tier 1 leverage capital ratio (2)	575,830	9.16%	251,454	4.00%	251,454	4.00%	N/A	N/A
Tier 1 risk-based capital ratio (3)	575,830	10.79%	320,202	6.00%	453,620	8.50%	N/A	N/A
Total risk-based capital ratio (4)	704,675	13.20%	427,076	8.00%	560,537	10.50%	N/A	N/A
Brookline Bank								
Common equity Tier 1 capital ratio (1)	$ 384,759	11.31%	$ 153,087	4.50%	$ 238,136	7.00%	$ 221,126	6.50%
Tier 1 leverage capital ratio (2)	391,964	10.07%	155,696	4.00%	155,696	4.00%	194,620	5.00%
Tier 1 risk-based capital ratio (3)	391,964	11.53%	203,971	6.00%	288,959	8.50%	271,961	8.00%
Total risk-based capital ratio (4)	428,966	12.61%	272,143	8.00%	357,188	10.50%	340,179	10.00%
BankRI								
Common equity Tier 1 capital ratio (1)	$ 182,202	10.94%	$ 74,946	4.50%	$ 116,583	7.00%	$ 108,255	6.50%
Tier 1 leverage capital ratio (2)	182,202	8.97%	81,249	4.00%	81,249	4.00%	101,562	5.00%
Tier 1 risk-based capital ratio (3)	182,202	10.94%	99,928	6.00%	141,565	8.50%	133,237	8.00%
Total risk-based capital ratio (4)	197,702	11.87%	133,245	8.00%	174,884	10.50%	166,556	10.00%
First Ipswich								
Common equity Tier 1 capital ratio (1)	$ 33,433	12.61%	$ 11,931	4.50%	$ 18,559	7.00%	$ 17,234	6.50%
Tier 1 leverage capital ratio (2)	33,433	9.23%	14,489	4.00%	14,489	4.00%	18,111	5.00%
Tier 1 risk-based capital ratio (3)	33,433	12.61%	15,908	6.00%	22,536	8.50%	21,210	8.00%
Total risk-based capital ratio (4)	36,053	13.60%	21,208	8.00%	27,835	10.50%	26,510	10.00%

(1) Common equity Tier 1 capital ratio is calculated by dividing common equity Tier 1 capital by risk-weighted assets. The ratio was established as part of the implementation of Basel III, effective January 1, 2015.

(2) Tier 1 leverage capital ratio is calculated by dividing Tier 1 capital by average assets.

(3) Tier 1 risk-based capital ratio is calculated by dividing Tier 1 capital by risk-weighted assets.

(4) Total risk-based capital ratio is calculated by dividing total capital by risk-weighted assets.

(20) Employee Benefit Plans

Postretirement Benefits

Postretirement benefits are provided for part of the annual expense of health insurance premiums for certain retired employees and their dependents. No contributions are made by the Company to invest in assets allocated for the purpose of funding this benefit obligation. The following table presents the change in plan assets and change in benefit obligation:

	Year Ended December 31,		
	2017	2016	2015
		(In Thousands)	
Change in plan assets:			
Fair value of plan assets at beginning of year	$ —	$ —	$ —
Employer contributions	19	21	25
Benefits paid	(19)	(21)	(25)
Fair value of plan assets at end of year	$ —	$ —	$ —
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 1,135	$ 1,188	$ 1,562
Service cost	49	48	55
Interest cost	43	45	49
Estimated benefits paid	(19)	(21)	(25)
Actuarial loss (gain)	326	(125)	(453)
Benefit obligation at end of year	$ 1,534	$ 1,135	$ 1,188

The liability for the postretirement benefits included in accrued expenses and other liabilities was $1.5 million , $1.1 million , and $1.2 million as of December 31, 2017 , 2016 and 2015 , respectively.

The following table presents the components of net periodic postretirement benefit cost and other amounts recognized in other comprehensive income:

	Year Ended December 31,		
	2017	2016	2015
		(In Thousands)	
Net periodic benefit expense:			
Service cost	$ 49	$ 48	$ 55
Interest cost	43	45	49
Prior service credit	(21)	(21)	(21)
Actuarial gain	(47)	(42)	(20)
Net periodic benefit expense	$ 24	$ 30	$ 63
Changes in postretirement benefit obligation recognized in other comprehensive income:			
Net actuarial (loss) gain	(401)	$ 90	$ 374
Prior service credit	(21)	(21)	(21)
Total pre-tax changes in postretirement benefit obligation recognized in other comprehensive income	$ (422)	$ 69	$ 353

The discount rate used to determine the actuarial present value of projected postretirement benefit obligations was 3.62% in 2017 , 4.15% in 2016 and 4.35% in 2015 . The estimated prior service credit that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2018 is $0.1 million .

The actual health care trend used to measure the accumulated postretirement benefit obligation in 2017 for plan participants below age 65 and for plan participants over age 65 was (14.7)% and 33.9% , respectively. In 2016 , the rate for plan participants below age 65 and for plan participants over age 65 was 7.5% and 8.3% , respectively. This decrease from 2016 is due to reductions in active and retiree head counts in 2017. The rates to be used in 2018 through 2022 are expected to be in the range of 6.5% to 5.5% and to decline gradually thereafter to 4.9% . Assumed health care trend rates may have a significant effect on the amounts reported for the postretirement benefit plan. A 1% change in assumed health care cost trend rates would have the following effects:

	Year Ended December 31, 2017	
	1% Increase	1% Decrease
	(In Thousands)	
Effect on total service and interest cost components of net periodic postretirement benefit costs	$ 23	$ (18)
Effect on the accumulated postretirement benefit obligation	356	(277)

401(k) Plan

The Company administers one 401(k) plan (the "Plan"), which is a qualified, tax-exempt profit-sharing plan with a salary deferral feature under Section 401(k) of the Internal Revenue Code. Each employee, excluding temporary employees, who has attained the age of 21 is eligible to participate in the plan by making voluntary contributions, subject to certain limits based on federal tax laws. In the Plan, the Company makes a matching contribution of the amount contributed by eligible employees, up to 5% of the employee's yearly compensation. Contributions to the Plan are subject to certain limits based on federal tax laws. Expenses associated with the plans were $2.6 million in 2017 , $2.8 million in 2016 , and $2.3 million in 2015 .

Nonqualified Deferred Compensation Plan

The Company also maintains a Nonqualified Deferred Compensation Plan (the "Nonqualified Plan") under which certain participants may contribute the amounts they are precluded from contributing to the Company's 401(k) plan because of the qualified plan limitations, and additional compensation deferrals that may be advantageous for personal income tax or other planning reasons. Expenses associated with the Nonqualified Plan were nominal in 2017 , 2016 and 2015 . Accrued liabilities associated with the Nonqualified Plan in 2017 , 2016 , and 2015 were $0.1 million , $0.2 million , and $0.2 million , respectively.

Supplemental Executive Retirement Agreements

The Company acquired two Supplemental Executive Retirement Plans (the "SERPs") as part of its acquisition of BankRI. The Company maintains the SERPs for certain senior executives under which participants are entitled to an annual retirement benefit. As of December 31, 2017 , there are 13 participants in the SERPs. The Company funded a Rabbi Trust to provide a partial funding source for the Company's liabilities under the SERPs. During 2016, a portion of the Company's BOLI assets were transferred into the Rabbi Trust as a replacement for the funds previously held in the Rabbi Trust. The Company records the liability for the SERPs based on an actuarial calculation in accordance with GAAP, and no actuarial gains and losses are recognized.

Total expenses for benefits payable under the SERPs for the years ended December 31, 2017 , and 2016 was $0.8 million . Aggregate benefits payable included in accrued expenses and other liabilities as of December 31, 2017 and 2016 were $12.0 million and $11.6 million , respectively.

The nominal discount rate used to determine the actuarial present value of projected benefits under the agreements was 4.00% in the year 2017 and 2016 .

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

Employee Stock Ownership Plan

Brookline Bank established an Employee Stock Ownership Plan ("ESOP") on November 1, 1997. The Company's ESOP loan to Brookline Bank to purchase 546,986 shares of Company common stock is payable in quarterly installments over 30 years, bears interest at 8.50% per annum, matures December 31, 2021, and can be prepaid without penalty. The loan is repaid to the Company in the form of cash contributions from Brookline Bank, subject to federal tax law limits. The outstanding balance of the loan as of December 31, 2017 and 2016 , was $1.3 million and $1.5 million , respectively, and is eliminated in consolidation.

Shares of common stock used as collateral to secure the loan are released and available for allocation to eligible employees as the principal and interest on the loan is paid. The ESOP was amended in 2015 to permit all eligible participants in the ESOP as of July 1, 2015 or any eligible participants after July 1, 2015 to be fully vested in the ESOP upon the date of eligibility.

Dividends on released shares are credited to the participants' ESOP accounts. Dividends on unallocated shares of common stock are generally applied towards payment of the loan. ESOP shares committed to be released are considered outstanding in determining earnings per share.

As of December 31, 2017 and 2016 , the ESOP held 142,332 and 176,688 unallocated shares, respectively at an aggregate cost of $0.7 million and $0.9 million , respectively. The market value of such shares as of December 31, 2017 and 2016 was $2.3 million and $2.9 million , respectively. Compensation and employee benefits expense related to the ESOP was $0.5 million in 2017 and $0.4 million in 2016 , and 2015 , respectively, based on the commitment to release to eligible employees 34,356 shares in 2017 , 36,372 shares in 2016 and 38,316 shares in 2015 .

Recognition and Retention Plans

As of December 31, 2017 , the Company had three active recognition and retention plans: the 2003 Recognition and Retention Plan (the "2003 RRP") with 1,250,000 authorized shares, the 2011 Restricted Stock Award Plan ("2011 RSA") with 500,000 authorized shares and the 2014 Equity Incentive Plan ("2014 Plan") with 1,750,000 authorized shares. The 2003 RRP, the 2011 RSA and the 2014 Plan are collectively referred to as the "Plans". The purpose of the Plans is to promote the long-term financial success of the Company and its subsidiaries by providing a means to attract, retain and reward individuals who contribute to such success and to further align their interests with those of the Company's stockholders.

Of the awarded shares, generally 50% vest ratably over three years with one-third of such shares vesting at each of the first, second and third anniversary dates of the awards. These are referred to as "time-based shares". The remaining 50% of each award has a cliff vesting schedule and will vest three years after the award date based on the level of the Company's achievement of identified performance targets in comparison to the level of achievement of such identified performance targets by a defined peer group comprised of 17 financial institutions. These are referred to as "performance-based shares". The specific performance measure targets relate to return on assets, return on tangible equity, asset quality and total stockholder return (share price appreciation from date of award plus dividends paid as a percent of the Company's common stock share price on the date of award). If a participant leaves the Company prior to the third anniversary date of an award, any unvested shares are forfeited. Dividends declared with respect to shares awarded will be held by the Company and paid to the participant only when the shares vest.

Under all the Plans, shares of the Company's common stock were reserved for issuance as restricted stock awards to officers, employees, consultants and non-employee directors of the Company. Shares issued upon vesting may be either authorized but unissued shares or reacquired shares held by the Company as treasury shares. Any shares not issued because vesting requirements are not met will be retired back to treasury and be made available again for issuance under the Plans.

Total expense for the Plans was $2.3 million in 2017 , $1.8 million in 2016 and $1.4 million in 2015 , respectively. Total income tax benefits on vested awards was $0.7 million in 2017 , $0.3 million in 2016 , and $0.3 million in 2015 . Dividends paid on unvested awards under the Plans, which are recognized as compensation expense, were $0.1 million in 2017 , $0.1 million in 2016 , and $0.1 million in 2015 .

Activity under the recognition and retention plans was as follows:

	Restricted Stock Awards Outstanding	Weighted Average Price per Share	
	(Dollars in Thousands, Except Per Share Amounts)		
Recognition and Retention Plans:			
Outstanding at December 31, 2016	476,854	$ 10.90	
Granted	186,782	14.65	
Vested	(193,267)	10.24	
Forfeited / Canceled	(15,086)	16.10	
Outstanding at December 31, 2017	455,283	$ 12.64	
Unrecognized compensation cost			$ 3,022
Weighted average remaining recognition period (months)			30

Stock Option Plans

The Company has an active equity incentive plan, the 2014 Plan. The prior plans, the "2003 Option Plan" and the "1999 Option Plan" were terminated on October 16, 2013 and April 19, 2009, respectively. The 2014 plan is an omnibus plan from which the Company may award up to 1,750,000 shares of restricted stock or stock options among other types of awards. Under all the stock option plans, shares of the Company's common stock were reserved for issuance to directors, employees, consultants and non-employee directors of the Company. Shares issued upon the exercise of a stock option may be either authorized but unissued shares or reacquired shares held by the Company as treasury shares. Any shares subject to an award which expire or are terminated unexercised will again be available for issuance under the plans.

The exercise price of options awarded is the fair market value of the common stock of the Company on the date the award is made. Certain of the options include a reload feature whereby an optionee exercising an option by delivery of shares of common stock would automatically be granted an additional option at the fair market value of stock when such additional option is granted equal to the number of shares so delivered. If an individual to whom a stock option was granted ceases to maintain continuous service by reason of normal retirement, death or disability, or following a change in control, all options and rights granted and not fully exercisable become exercisable in full upon the happening of such an event and shall remain exercisable for a period ranging from 3 months to 5 years.

No options were granted in 2017 , 2016 , or 2015 . There was no expense for the stock option plans in 2017 , 2016 , and 2015 . In accordance with the terms of the Plans, no dividend equivalent rights were paid to holders of unexercised vested options in 2017 , 2016 or 2015 .

Activity under the option plans was as follows:

	Options Outstanding	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value	Weighted Average Contractual Term (In Years)
	(Dollars in Thousands, Except Per Share Amounts)			
Employee Stock Options:				
Outstanding at December 31, 2016	197,345	$ 10.18		
Granted	—	—		
Exercised	(147,345)	10.53		
Forfeited / Canceled	—	—		
Outstanding at December 31, 2017	50,000	$ 10.80	$ 245	2.8
Exercisable at December 31, 2017	50,000	$ 10.80	$ 245	2.8

(21) Fair Value of Financial Instruments

A description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring and non-recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. There were no changes in the valuation techniques used during 2017 and 2016 .

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table set forth the carrying value of assets and liabilities measured at fair value on a recurring basis at December 31, 2017 and 2016 :

	Carrying Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Investment securities available-for-sale:				
GSE debentures	$ —	$ 149,924	$ —	$ 149,924
GSE CMOs	—	127,022	—	127,022
GSE MBSs	—	189,313	—	189,313
SBA commercial loan asset-backed securities	—	72	—	72
Corporate debt obligations	—	62,683	—	62,683
U.S. Treasury bonds	—	8,730	—	8,730
Trust preferred securities	—	1,398	—	1,398
Marketable equity securities	982	—	—	982
Total investment securities available-for-sale	$ 982	$ 539,142	$ —	$ 540,124
Loan level derivatives	$ —	$ 8,865	$ —	$ 8,865
Risk participation-out agreements	—	65	—	65
Foreign exchange contracts	—	72	—	72
Liabilities:				
Loan level derivatives	$ —	$ 8,865	$ —	$ 8,865
Risk participation-in agreements	—	10	—	10
Foreign exchange contracts	—	65	—	65

	Carrying Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Investment securities available-for-sale:				
GSE debentures	$ —	$ 97,020	$ —	$ 97,020
GSE CMOs	—	158,040	—	158,040
GSE MBSs	—	212,915	—	212,915
SBA commercial loan asset-backed securities	—	107	—	107
Corporate debt obligations	—	48,485	—	48,485
U.S. Treasury bonds	—	4,737	—	4,737
Trust preferred securities	—	1,358	—	1,358
Marketable equity securities	972	—	—	972
Total investment securities available-for-sale	$ 972	$ 522,662	$ —	$ 523,634
Loan level derivatives	$ —	$ 9,738	$ —	$ 9,738
Risk participation-out agreements	—	20	—	20
Liabilities:				
Loan level derivatives	$ —	$ 9,738	$ —	$ 9,738

As of December 31, 2016 , the Company held no risk participation-in agreements and the fair value of the foreign exchange contracts was nominal.

Investment Securities Available-for-Sale

The fair value of investment securities is based principally on market prices and dealer quotes received from third-party and nationally-recognized pricing services for identical investment securities such as U.S. Treasury and agency securities. The Company's marketable equity securities are priced this way and are included in Level 1. These prices are validated by comparing the primary pricing source with an alternative pricing source when available. When quoted market prices for identical securities are unavailable, the Company uses market prices provided by independent pricing services based on recent trading activity and other observable information, including but not limited to market interest-rate curves, referenced credit spreads and estimated prepayment speeds where applicable. These investments include GSE debentures, GSE mortgage-related securities, SBA commercial loan asset backed securities, corporate debt securities, and trust preferred securities, all of which are included in Level 2. As of December 31, 2017 and December 31, 2016 , no investment securities were valued using pricing models included in Level 3.

Additionally, management reviews changes in fair value from period to period and performs testing to ensure that prices received from the third parties are consistent with management's expectation of the market. Changes in the prices obtained from the pricing service are analyzed from month to month, taking into consideration changes in market conditions including changes in mortgage spreads, changes in U.S. Treasury security yields and changes in generic pricing of 15 -year and 30 -year securities. Additional analysis may include a review of prices provided by other independent parties, a yield analysis, a review of average life changes using Bloomberg analytics and a review of historical pricing for a particular security.

Loan Level Derivatives

The fair values for the interest-rate swap assets and liabilities represent a Level 2 valuation and are based on settlement values adjusted for credit risks associated with the counterparties and the Company and observable market interest rate curves. Credit risk adjustments consider factors such as the likelihood of default by the Company and its counterparties, its net exposures and remaining contractual life. To date, the Company has not realized any losses due to a counterparty's inability to pay any net uncollateralized position. Refer also to Note 16, "Derivatives and Hedging Activities."

There are no assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2017 and December 31, 2016 .

There were no transfers between levels for assets and liabilities recorded at fair value on a recurring basis during 2017 or 2016 .

Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis as of December 31, 2017 and 2016 are summarized below:

	Carrying Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets measured at fair value on a non-recurring basis:				
Collateral-dependent impaired loans and leases	$ —	$ —	$ 21,195	$ 21,195
OREO	—	—	3,235	3,235
Repossessed assets	—	1,184	—	1,184
Total assets measured at fair value on a non-recurring basis	$ —	$ 1,184	$ 24,430	$ 25,614

	Carrying Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets measured at fair value on a non-recurring basis:				
Collateral-dependent impaired loans and leases	$ —	$ —	$ 27,282	$ 27,282
OREO	—	—	618	618
Repossessed assets	—	781	—	781
Total assets measured at fair value on a non-recurring basis	$ —	$ 781	$ 27,900	$ 28,681

Collateral-Dependent Impaired Loans and Leases

For nonperforming loans and leases where the credit quality of the borrower has deteriorated significantly, fair values of the underlying collateral were estimated using purchase and sales agreements (Level 2), or comparable sales or recent appraisals (Level 3), adjusted for selling costs and other expenses.

Other Real Estate Owned

The Company records OREO at the lower of cost or fair value. In estimating fair value, the Company utilizes purchase and sales agreements (Level 2) or comparable sales, recent appraisals or cash flows discounted at an interest rate commensurate with the risk associated with these cash flows (Level 3), adjusted for selling costs and other expenses.

Repossessed Assets

Repossessed assets are carried at estimated fair value less costs to sell based on auction pricing (Level 2).

The table below presents quantitative information about significant unobservable inputs (Level 3) for assets measured at fair value on a recurring basis at the dates indicated.

	Fair Value		Valuation Technique
	At December 31, 2017	At December 31, 2016	
	(Dollars in Thousands)		
Collateral-dependent impaired loans and leases	$ 21,195	$ 27,282	Appraisal of collateral [1]
Other real estate owned	3,235	618	Appraisal of collateral [1]

[1] Fair value is generally determined through independent appraisals of the underlying collateral. The Company may also use another available source of collateral assessment to determine a reasonable estimate of the fair value of the collateral. Appraisals may be adjusted by management for qualitative factors

such as economic factors and estimated liquidation expenses. The range of the unobservable inputs used may vary but is generally 0% - 10% on the discount for costs to sell and 0% - 15% on appraisal adjustments.

Summary of Estimated Fair Values of Financial Instruments

The following table presents the carrying amount, estimated fair value, and placement in the fair value hierarchy of the Company's financial instruments at the dates indicated. This table excludes financial instruments for which the carrying amount approximates fair value. Financial assets for which the fair value approximates carrying value include cash and cash equivalents, restricted equity securities, and accrued interest receivable. Financial liabilities for which the fair value approximates carrying value include non-maturity deposits, short-term borrowings, and accrued interest payable. There were no transfers between levels during 2017 .

			Fair Value Measurements		
	Carrying Value	Estimated Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
			(In Thousands)		
At December 31, 2017					
Financial assets:					
Investment securities held-to-maturity:					
GSE debentures	$ 41,612	$ 40,801	$ —	$ 40,801	$ —
GSE MBSs	13,923	13,705	—	13,705	—
Municipal obligations	53,695	53,517	—	53,517	—
Foreign government obligations	500	500	—		500
Loans held-for-sale	2,628	2,628	—	2,628	—
Loans and leases, net	5,672,087	5,594,543	—	—	5,594,543
Restricted equity securities	59,369	59,369	—	—	59,369
Financial liabilities:					
Certificates of deposit	1,207,470	1,198,201	—	1,198,201	—
Borrowed funds	1,020,819	995,335	—	995,335	—
At December 31, 2016					
Financial assets:					
Investment securities held-to-maturity:					
GSE debentures	$ 14,735	$ 14,101	$ —	$ 14,101	$ —
GSE MBSs	17,666	17,479	—	17,479	—
Municipal obligations	54,219	53,204	—	53,204	—
Foreign government obligations	500	487	—	—	487
Loans held-for-sale	13,078	13,078	—	13,078	—
Loans and leases, net	5,345,198	5,195,312	—	—	5,195,312
Restricted equity securities	64,511	75,589	—	—	75,589
Financial liabilities:					
Certificates of deposit	1,041,022	1,042,653	—	1,042,653	—
Borrowed funds	1,044,086	1,030,753	—	1,030,753	—

Investment Securities Held-to-Maturity

The fair values of certain investment securities held-to-maturity are estimated using market prices provided by independent pricing services based on recent trading activity and other observable information, including but not limited to market interest-rate curves, referenced credit spreads and estimated prepayment speeds where applicable. These investments include GSE debentures, GSE MBSs, and municipal obligations, all of which are included in Level 2. Additionally, fair values of foreign government obligations are based on comparisons to market prices of similar securities and are considered to be Level 3.

Loans Held-for-Sale

Fair value is measured using quoted market prices when available. These assets are typically categorized as Level 1. If quoted market prices are not available, comparable market values may be utilized. These assets are typically categorized as Level 2.

Loans and Leases

The fair values of performing loans and leases was estimated by segregating the portfolio into its primary loan and lease categories—commercial real estate mortgage, multi-family mortgage, construction, commercial, equipment financing, condominium association, residential mortgage, home equity and other consumer. These categories were further disaggregated based upon significant financial characteristics such as type of interest rate (fixed / variable) and payment status (current / past-due). The Company discounts the contractual cash flows for each loan category using interest rates currently being offered for loans with similar terms to borrowers of similar quality and incorporates estimates of future loan prepayments. This method of estimating fair value does not incorporate the exit price concept of fair value.

Restricted Equity Securities

The fair values of certain restricted equity securities are estimated using observable inputs adjusted for other unobservable information, including but not limited to probability assumptions and similar discounts where applicable. These restricted equity securities are considered to be Level 3.

Deposits

The fair values of deposit liabilities with no stated maturity (demand, NOW, savings and money market savings accounts) are equal to the carrying amounts payable on demand. The fair value of certificates of deposit represents contractual cash flows discounted using interest rates currently offered on deposits with similar characteristics and remaining maturities. The fair value estimates for deposits do not include the benefit that results from the low-cost funding provided by the Company's core deposit relationships (deposit-based intangibles).

Borrowed Funds

The fair value of federal funds purchased is equal to the amount borrowed. The fair value of FHLBB advances and repurchase agreements represents contractual repayments discounted using interest rates currently available for borrowings with similar characteristics and remaining maturities. The fair values reported for retail repurchase agreements are based on the discounted value of contractual cash flows. The discount rates used are representative of approximate rates currently offered on borrowings with similar characteristics and maturities. The fair values reported for subordinated deferrable interest debentures are based on the discounted value of contractual cash flows. The discount rates used are representative of approximate rates currently offered on instruments with similar terms and maturities.

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(22) Condensed Parent Company Financial Statements

Condensed Parent Company Balance Sheets as of December 31, 2017 and 2016 and Statements of Income for the years ended December 31, 2017 , 2016 and 2015 are as follows. The Statement of Stockholders' Equity is not presented below as the parent company's stockholders' equity is that of the consolidated company.

Balance Sheets

	At December 31,	
	2017	2016
	(In Thousands)	
ASSETS		
Cash and due from banks	$ 5,511	$ 32,220
Short-term investments	32	32
Total cash and cash equivalents	5,543	32,252
ESOP loan to Brookline Bank	1,252	1,502
Intercompany loan to Brookline Bank	80,000	—
Restricted equity securities	100	100
Premises and equipment, net	6,032	6,946
Investment in subsidiaries, at equity	753,056	701,943
Goodwill	35,267	35,267
Other assets	6,627	8,259
Total assets	$ 887,877	$ 786,269
LIABILITIES AND STOCKHOLDERS' EQUITY		
Borrowed funds	$ 83,271	$ 83,105
Deferred tax liability	608	243
Accrued expenses and other liabilities	168	7,377
Total liabilities	84,047	90,725
Stockholders' equity:		
Common stock, $0.01 par value; 200,000,000 shares authorized; 81,695,695 shares issued and 75,744,445 shares issued, respectively	817	757
Additional paid-in capital	699,976	616,734
Retained earnings, partially restricted	161,217	136,671
Accumulated other comprehensive loss	(5,950)	(3,818)
Treasury stock, at cost; 4,440,665 shares and 4,707,096 shares, respectively	(51,454)	(53,837)
Unallocated common stock held by ESOP; 142,332 shares and 176,688 shares, respectively	(776)	(963)
Total stockholders' equity	803,830	695,544
Total liabilities and stockholders' equity	$ 887,877	$ 786,269

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

Statements of Income

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Interest and dividend income:			
Dividend income from subsidiaries	$ 7,317	$ 109	$ —
Marketable and restricted equity securities	—	—	97
ESOP loan to Brookline Bank	120	141	162
Intercompany loan to Brookline Bank	532	—	—
Total interest and dividend income	7,969	250	259
Interest expense:			
Borrowed funds	5,123	5,080	5,063
Net interest income	2,846	(4,830)	(4,804)
Non-interest income:			
Other	—	15	5
Total non-interest income	—	15	5
Non-interest expense:			
Compensation and employee benefits	391	82	205
Occupancy	1,584	1,582	22
Equipment and data processing (1)	(1,011)	(1,190)	687
Directors' fees	453	700	688
Franchise taxes	180	180	113
Insurance	528	490	490
Professional services	470	245	185
Advertising and marketing	4	—	—
Merger and acquisition expense	411	—	—
Other (2)	(1,224)	(1,300)	(1,289)
Total non-interest expense	1,786	789	1,101
Loss before income taxes	1,060	(5,604)	(5,900)
Credit for income taxes	(1,944)	(1,779)	(1,854)
Loss before equity in undistributed income of subsidiaries	3,004	(3,825)	(4,046)
Equity in undistributed income of subsidiaries	47,514	56,187	53,828
Net income	$ 50,518	$ 52,362	$ 49,782

(1) The Parent Company received a net benefit in 2017 and 2016 from the intercompany allocation of expense that is eliminated in consolidation.

(2) The Parent Company received a net benefit in 2017, 2016 and 2015 from the intercompany allocation of expense that is eliminated in consolidation.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

Statements of Cash Flows

	Year Ended December 31,		
	2017	2016	2015
	(In Thousands)		
Cash flows from operating activities:			
Net income attributable to parent company	$ 50,518	$ 52,362	$ 49,782
Adjustments to reconcile net income to net cash provided from operating activities:			
Equity in undistributed income of subsidiaries	(47,514)	(56,187)	(53,828)
Depreciation of premises and equipment	2,856	2,735	2,728
Amortization of debt issuance costs	100	101	100
Other operating activities, net	(5,885)	30,895	2,479
Net cash provided from operating activities	75	29,906	1,261
Cash flows from investing activities:			
Repayment of ESOP loan by Brookline Bank	250	250	250
Issuance of intercompany loan to Brookline Bank	(80,000)	—	—
Purchase of premises and equipment	(1,942)	(641)	(742)
Net cash used for investing activities	(81,692)	(391)	(492)
Cash flows from financing activities:			
Proceeds from issuance of common stock	81,943	—	—
Payment of dividends on common stock	(27,035)	(25,366)	(24,967)
Net cash provided from (used for) financing activities	54,908	(25,366)	(24,967)
Net (decrease) increase in cash and cash equivalents	(26,709)	4,149	(24,198)
Cash and cash equivalents at beginning of year	32,252	28,103	52,301
Cash and cash equivalents at end of year	$ 5,543	$ 32,252	$ 28,103

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

(23) Quarterly Results of Operations (Unaudited)

	2017 Quarters			
	Fourth	Third	Second	First
	(Dollars in Thousands Except Per Share Data)			
Interest and dividend income	$ 68,337	$ 67,176	$ 65,186	$ 62,351
Interest expense	10,680	10,333	9,603	9,253
Net interest income	57,657	56,843	55,583	53,098
Provision for credit losses	1,802	2,911	873	13,402
Net interest income after provision for credit losses	55,855	53,932	54,710	39,696
Loan level derivative income, net	755	844	186	402
Gain on sales of investment securities, net	—	—	—	11,393
Gain on sales of loans and leases held-for-sale	935	1,049	307	353
Other non-interest income	4,125	4,080	3,984	3,760
Amortization of identified intangible assets	(519)	(519)	(519)	(532)
Other non-interest expense	(34,633)	(34,889)	(34,276)	(33,224)
Income before provision for income taxes	26,518	24,497	24,392	21,848
Provision for income taxes	18,712	8,330	8,759	7,835
Net income before noncontrolling interest in subsidiary	7,806	16,167	15,633	14,013
Less net income attributable to noncontrolling interest in subsidiary	979	801	753	568
Net income attributable to Brookline Bancorp, Inc.	$ 6,827	$ 15,366	$ 14,880	$ 13,445
Earnings per share:				
Basic	$ 0.09	$ 0.20	$ 0.20	$ 0.19
Diluted	0.09	0.20	0.20	0.19
Average common shares outstanding:				
Basic	76,583,712	76,452,539	74,325,013	70,386,766
Diluted	76,868,307	76,961,948	74,810,088	70,844,096
Common stock price:				
High	$ 16.35	$ 15.50	$ 15.95	$ 16.75
Low	14.50	13.75	13.75	14.50
Dividends per share	$ 0.09	$ 0.09	$ 0.09	$ 0.09

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

	2016 Quarters			
	Fourth	Third	Second	First
	(Dollars in Thousands Except Per Share Data)			
Interest and dividend income	$ 60,983	$ 61,531	$ 59,236	$ 57,898
Interest expense	9,129	9,181	8,979	8,695
Net interest income	51,854	52,350	50,257	49,203
Provision for credit losses	3,215	2,215	2,545	2,378
Net interest income after provision for credit losses	48,639	50,135	47,712	46,825
Loan level derivative income, net	265	858	1,210	1,629
Gain on sales of loans and leases held-for-sale	1,270	588	345	905
Other non-interest income	3,895	3,883	3,820	3,935
Amortization of identified intangible assets	(621)	(623)	(621)	(635)
Other non-interest expense	(31,986)	(32,765)	(31,629)	(31,418)
Income before provision for income taxes	21,462	22,076	20,837	21,241
Provision for income taxes	7,524	7,804	7,465	7,599
Net income before noncontrolling interest in subsidiary	13,938	14,272	13,372	13,642
Less net income attributable to noncontrolling interest in subsidiary	659	655	718	830
Net income attributable to Brookline Bancorp, Inc.	$ 13,279	$ 13,617	$ 12,654	$ 12,812
Earnings per share:				
Basic	$ 0.19	$ 0.19	$ 0.18	$ 0.18
Diluted	0.19	0.19	0.18	0.18
Average common shares outstanding:				
Basic	70,362,702	70,299,722	70,196,950	70,186,921
Diluted	70,592,204	70,450,760	70,388,438	70,343,408
Common stock price:				
High	$ 16.60	$ 12.19	$ 11.69	$ 11.21
Low	12.05	10.71	10.44	10.23
Dividends per share	$ 0.09	$ 0.09	$ 0.09	$ 0.09

(24) Subsequent Events

First Commons Bank Acquisition

On January 17, 2018, the holders of approximately 89% of the outstanding shares of First Commons Bank voted in favor to approve the Merger Agreement among the Company, Brookline Bank, and First Commons Bank. The holders of the remaining 11% of the outstanding shares of First Commons Bank did not vote. In February of 2018, the Company received approval of the Merger Agreement from the Board of Governors of the Federal Reserve System and the Massachusetts Division of Banks.

Refer to Note 2, "Acquisitions" to the consolidated financial statements for information regarding the Company's acquisition of First Commons Bank as of December 31, 2017 .

The Company has evaluated subsequent events other than the matters described above and through the date of issuance.

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Brookline Bancorp, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-221249) on Form S-4/A of Brookline Bancorp, Inc. of our reports dated February 28, 2018 , with respect to the consolidated balance sheets of Brookline Bancorp, Inc. and subsidiaries as of December 31, 2017 and 2016 , and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017 , and the related notes (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2017 , which reports appear in the December 31, 2017 annual report on Form 10-K of Brookline Bancorp, Inc.

/s/ KPMG LLP

Boston, Massachusetts
February 28, 2018

Exhibit 31.1

Certification of Chief Executive Officer

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul A. Perrault, President and Chief Executive Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brookline Bancorp, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 28, 2018

/s/ PAUL A. PERRAULT

Paul A. Perrault

President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Carl M. Carlson, Chief Financial Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brookline Bancorp, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 28, 2018

/s/ CARL M. CARLSON

Carl M. Carlson

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

The undersigned, Paul A. Perrault, is the President and Chief Executive Officer of Brookline Bancorp, Inc. (the "Company").

This statement is being furnished in connection with the filing by the Company of the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the "Report").

By execution of this statement, I certify that:

A) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by the Report.

This statement is authorized to be attached as an exhibit to the Report so that this statement will accompany the Report at such time as the Report is filed with the Securities and Exchange Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934, as amended.

Date: February 28, 2018

/s/ PAUL A. PERRAULT

Paul A. Perrault

President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 32.2

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

The undersigned, Carl M. Carlson, is the Chief Financial Officer of Brookline Bancorp, Inc. (the "Company").

This statement is being furnished in connection with the filing by the Company of the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the "Report").

By execution of this statement, I certify that:

A) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by the Report.

This statement is authorized to be attached as an exhibit to the Report so that this statement will accompany the Report at such time as the Report is filed with the Securities and Exchange Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934, as amended.

Date: February 28, 2018

/s/ CARL M. CARLSON

Carl M. Carlson

Chief Financial Officer

(Principal Financial Officer)