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, 2019,
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 or organization)	(I.R.S. Employer Identification No.)

131 Clarendon Street	**Boston**	**MA**	**02116**
(Address of principal executive offices)			(Zip Code)

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

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value of $0.01 per share	BRKL	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 whether the registrant (1) has submitted electronically every Interactive Data File required to be submitted 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 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	☐	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 28, 2019, 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 $1.2 billion.

As of February 28, 2020, there were 85,177,172 and 79,767,595 shares of the registrant's common stock, par value $0.01 per share, issued and outstanding, respectively.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
2019 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; decreases in deposit levels that necessitate increases in borrowing to fund loans and investments; operational risks including, but not limited to, cybersecurity breaches, fraud, natural disaster and pandemics; 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 and Bank Rhode Island ("BankRI") and its subsidiaries, and Brookline Securities Corp.

On February 15, 2020, Brookline Bank completed the merger of First Ipswich Bank ("First Ipswich") with and into Brookline Bank. First Ipswich was a wholly-owned subsidiary of the Company. The Company's financial statements are consolidated, therefore information related to First Ipswich's financial performance during 2019 is incorporated and reported into this document.

Brookline Bank, which includes its wholly-owned subsidiaries, BBS Investment Corp., Longwood Securities Corp., First Ipswich Insurance Agency, First Ipswich Securities II Corp., and its wholly-owned subsidiary, Eastern Funding LLC ("Eastern Funding"), operates 31 full-service banking offices in the greater Boston metropolitan area with two additional lending offices. 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.

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 and BankRI (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 in the New York and New Jersey metropolitan area, with services offered throughout the United States.

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, BankRI in January 2012 and Brookline Bank's acquisition of First Commons Bank in 2018.

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 $434.3 million, or 6.9%, to $6.7 billion as of December 31, 2019 from $6.3 billion as of December 31, 2018. 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 $5.5 billion, or 81.7% of total loans and leases, as of December 31, 2019, increased $387.3 million, or 7.6%, from $5.1 billion, or 81.2% of total loans and leases, as of December 31, 2018.

Total deposits increased $376.0 million, or 6.9%, to $5.8 billion as of December 31, 2019 from $5.5 billion as of December 31, 2018. Core deposits, which include demand checking, NOW, money market and savings accounts, increased 3.9% to $3.8 billion as of December 31, 2019 from $3.6 billion at December 31, 2018. The Company's core deposits were 65.3% of total deposits as of December 31, 2019, a decrease from 67.2% as of December 31, 2018.

Throughout 2019, the Company added $9.6 million to its allowance for loan and lease losses and experienced net charge-offs of $7.2 million to bring the balance to $61.1 million as of December 31, 2019. The ratio of the allowance for loan and lease losses to total loans and leases was 0.91% as of December 31, 2019 compared to 0.93% as of December 31, 2018. Excluding the loans acquired from BankRI, First Ipswich and First Commons Bank, the ratio of the allowance for loan and lease losses related to originated loans and leases was 0.91% as of December 31, 2019 and 0.96% as of December 31, 2018 respectively. Nonperforming assets as of December 31, 2019 were $22.1 million, down from $28.1 million at the end of 2018. Nonperforming assets were 0.28% and 0.38% of total assets as of December 31, 2019 and December 31, 2018, respectively. The Company's credit quality compares favorably to its peers, and remains a top priority within the Company.

Net interest income increased $5.6 million, or 2.3%, to $253.3 million in 2019 compared to $247.7 million in 2018. The net interest margin decreased 10 basis points to 3.51% in 2019 from 3.61% in 2018. Net income for 2019 increased $4.7 million, or 5.6%, to $87.7 million from $83.1 million for 2018. Basic and fully diluted earnings per common share ("EPS") increased to $1.10 for 2019 from $1.04 for 2018.

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, 2019, 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, 2019, 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, 2019 Federal Deposit Insurance Corporation ("FDIC") statistics, the five largest banks in Massachusetts have an aggregate market share of approximately 65%, and the three largest banks in Rhode Island have an aggregate deposit market share of approximately 68%. 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 with conservative debt service coverage and LTV ratios at origination; lending to seasoned real estate owners/managers; frequently with personal guarantees of repayment; using reasonable appraisal practices; cross-collateralizing loans to one borrower when deemed prudent; and limiting the amount and types of construction lending. As of December 31, 2019, the largest commercial real estate relationship in the Company’s portfolio was $50.4 million.

Commercial loans and equipment leasing. Brookline Bank originates 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, 2019, the largest commercial relationship in the Company’s portfolio was $30.8 million.

Consumer loans. Retail customers of Brookline Bank 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, 2019, the largest consumer relationship in the Company’s portfolio was $21.2 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 conditions in the geographic areas that the Company operates its businesses continued to demonstrate moderate improvement throughout 2019. Factors that the Company evaluates when determining economic improvements include employment levels, job growth, economic activity, and other factors. According to the Department of Labor, the national unemployment rate peaked at 10.0% in October 2009. In December 2019, the unemployment rate was 3.5% nationally, down from 3.9% at the end of 2018.

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 Massachusetts are, in order: education and health services; business and professional services; and trade, transportation and utilities, a sector that includes wholesale and retail trade. According to the Bureau of Labor Statistics, the largest employment sectors in Rhode Island are, in order: education and health services; trade, transportation and utilities, and business and professional services. The unemployment rate in Massachusetts decreased to 2.8% in December 2019 from 3.3% in December 2018, slightly lower than the national average. The unemployment rate in Rhode Island decreased to 3.5% in December 2019 from 3.9% in December 2018, equal to 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, 2019, the Company had 763 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 and BankRI can be found at www.brooklinebank.com, and www.bankri.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℠ 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 Commissioner of Banks (the "Commissioner") under Massachusetts General Laws Chapter 167A. The FRB is also the primary federal regulator of the Banks. In addition, Brookline Bank is subject to regulation, supervision and examination by the Massachusetts Division of Banks ("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 Commissioner.

The BHCA also generally 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, among other permitted activities, 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, subject to certain notification requirements.

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 of control established by the FRB, the acquisition of control of more than 5% of a class of voting securities of a bank holding company, together with other factors enumerated by the FRB, could 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 is 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.

In 2016, as mandated by the Federal Deposit Insurance Act (the “FDIA”), the FDIC’s Board of Directors approved a final rule to increase the DIF's reserve ratio to the statutorily required minimum ratio of 1.35% of estimated insured deposits. On September 30, 2018, the DIF reserve ratio reached 1.36%. Small banks, which are generally banks with less than $10 billion in assets, were awarded assessment credits for the portion of their assessments that contributed to the growth in the reserve ratio from 1.15 percent to 1.35 percent.

Deposit premiums are based on assets. In 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. Under this method, each of seven financial ratios and a weighted average of CAMELS composite ratings are multiplied by a corresponding pricing multiplier. The sum of these products is 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. For 2019, the Banks’ FDIC insurance assessments costs were $1.4 million.

The FDIC has the authority to adjust deposit insurance assessment rates at any time. In addition, under the FDIA, the FDIC may terminate deposit insurance, among other circumstances, 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.

Until July 31, 2019, Brookline Bank was a member bank of the Depositors Insurance Fund (the “DIF”), a private, industry-sponsored insurance fund that insures all deposits above FDIC limits for Massachusetts-chartered savings banks. Brookline Bank converted its charter from a Massachusetts-chartered savings bank to a Massachusetts-chartered trust company and ended its membership in the DIF on July 31, 2019. Excess deposits that are insured by the DIF on July 31, 2019 will continue to be insured by the DIF until July 31, 2020. Term deposits in excess of the FDIC insurance coverage will continue to be insured by the DIF until they reach maturity.

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 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

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

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, 2019, none of the Banks had brokered deposits in excess of 10% of total assets.

Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Economic Growth Act"), which was enacted in 2018, amends the FDIA to exempt a capped amount of reciprocal deposits from treatment as brokered deposits for certain insured depository institutions.

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 directors and executive officers of the bank or its affiliates and persons or companies that own, control or have power to vote more than 10% of any class of securities of a bank or an affiliate of a bank, 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.

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 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, 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 of more than 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.

Section 201 of the Economic Growth Act directs the federal bank regulatory agencies to establish a community bank leverage ratio of tangible capital to average total consolidated assets of not less than 8% or more than 10%. In November 2019, the federal banking agencies published in the Federal Register a final rule to implement Section 201 of the Economic Growth Act. Under the final rule, depository institutions and depository institution holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio (equal to tier 1 capital divided by average total consolidated assets) of greater than 9%, will be eligible to opt into the community bank leverage ratio framework. A community banking organization that qualifies for and elects to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the banking agencies’ generally applicable capital rules and, if applicable, will be considered to have met the well-capitalized ratio requirements for purposes of Section 38 of the Federal Deposit Insurance Act. The final rule includes a two-quarter grace period during which a qualifying banking organization that temporarily fails to meet any of the qualifying criteria, including the greater than 9% leverage ratio requirement, generally would still be deemed well-capitalized so long as the banking organization maintains a leverage ratio greater than 8%. At the end of the grace period, the banking organization must meet all qualifying criteria to remain in the community bank leverage ratio framework or otherwise must comply with and report under the generally applicable rule. The final rule became effective on January 1, 2020.

Safety and Soundness Standards

Guidelines adopted by the federal bank regulatory agencies pursuant to the FDIA 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 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, under the Federal Reserve's capital rules, 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 member bank may not declare or pay a dividend (i) if the total of all dividends declared during the calendar year, including the proposed dividend, exceeds the sum of the bank's net income during the current calendar year and the retained net income of the prior two calendar years or (ii) that would exceed its undivided profits, in each case 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. 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 conducted under terms and conditions, including credit standards, that are at least as favorable to the bank as prevailing market terms. If a banking organization elects to use the community bank leverage ratio framework described in “Capital Adequacy and Safety and Soundness - Regulatory Capital Requirements” above, the banking organization would be required to measure the amount of covered transactions as a percentage of Tier 1 capital, subject to certain adjustments. 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 the furnishing of any service. As of and for the year ending December 31, 2019, 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 ("TILA"), 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 Consumer Financial Protection Bureau ("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 enforces 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 TILA 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, and in each billing statement, and for negative amortization loans and hybrid adjustable rate mortgages. Additionally, the CFPB’s qualified mortgage 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. The Economic Growth Act included provisions that ease certain requirements related to mortgage transactions for certain institutions with less than $10 billion in total consolidated assets.

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 to acquire a bank or 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

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, 2019, the Company did not have any transactions with sanctioned countries, nationals, and others.

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.

Our business may be adversely affected by changes in economic and market conditions.

A worsening of economic and market conditions, downside shocks, or a return to recessionary economic conditions could adversely affect us and others in the financial services industry. 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 local and regional economic conditions. Recessionary economic conditions, increased unemployment, inflation, a decline in real estate values or other factors beyond our control may adversely affect the ability of our borrowers to repay their loans, and could result in higher loan and lease losses and lower net income for us.

In addition, 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 face significant and increasing competition in the financial services industry.

We operate in a highly competitive environment that includes financial and non-financial services firms, including traditional banks, online banks, financial technology companies and others. These companies compete on the basis of, among other factors, size, quality and type of products and services offered, price, technology and reputation. Emerging technologies have the potential to intensify competition and accelerate disruption in the financial services industry. In recent years, non-financial services firms, such as financial technology companies, have begun to offer services traditionally provided by financial institutions. These firms attempt to use technology and mobile platforms to enhance the ability of companies and individuals to borrow money, save and invest. Our ability to compete successfully depends on a number of factors, including our ability to develop and execute strategic plans and initiatives; to develop competitive products and technologies; and to attract, retain and develop a highly skilled employee workforce. If we are not able to compete successfully, we could be placed at a competitive disadvantage, which could result in the loss of customers and market share, and our business, results of operations and financial condition could suffer.

Our business may be adversely affected if we fail to adapt our products and services to evolving industry standards and consumer preferences.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology driven products and services. The widespread adoption of new technologies, including internet services, cryptocurrencies and payment systems, could require substantial expenditures to modify or adapt our existing products and services as we grow and develop our internet banking and mobile banking channel strategies in addition to remote connectivity solutions. We might not be successful in developing or introducing new products and services, integrating new products or services into our existing offerings, responding or adapting to changes in consumer behavior, preferences, spending, investing and/or saving habits, achieving market acceptance of our products and services, reducing costs in response to pressures to deliver products and services at lower prices or sufficiently developing and maintaining loyal customers.

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 extensive state and federal regulation and supervision. 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.

The laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change. Such changes could, among other things, subject us to additional costs, including costs of compliance; limit the types of financial services and products we may offer; and/or increase the ability of non-banks to offer competing financial services and products. Failure to comply with laws, regulations, policies, or supervisory guidance could result 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 are now are fully phased-in, require 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.

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 may become subject to enforcements actions even though noncompliance was inadvertent or unintentional.

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.

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.

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

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 trends in loan risk ratings, payment performance, 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. 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. 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 81.7% 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.

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.

Uncertainty about the future of LIBOR may adversely affect our business.

LIBOR is used extensively in the United States as a benchmark for various commercial and financial contracts, including funding sources, adjustable rate mortgages, corporate debt, interest rate swaps and other derivatives. LIBOR is set based on interest rate information reported by certain banks, which will stop reporting such information after 2021. It is uncertain at this time whether LIBOR will change or cease to exist or the extent to which those entering into financial contracts will transition to any other particular benchmark. Other benchmarks may perform differently than LIBOR or may have other consequences that cannot currently be anticipated. It is also uncertain what will happen with instruments that rely on LIBOR for future interest rate adjustments and which of those instruments may remain outstanding or be renegotiated if LIBOR ceases to exist. The uncertainty regarding the future of LIBOR as well as the transition from LIBOR to another benchmark rate or rates could have adverse impacts on our funding costs or net interest margins, as well as any floating-rate obligations, loans, deposits, derivatives, and other financial instruments that currently use LIBOR as a benchmark rate and, ultimately, adversely affect our financial condition and results of operations.

We are subject to liquidity risk, which could negatively affect our funding levels.

Market conditions or other events could negatively affect our access to or the cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, or fund asset growth and new business initiatives at a reasonable cost, in a timely manner and without adverse consequences.

Although we maintain a liquid asset portfolio and have implemented strategies to maintain sufficient and diverse sources of funding to accommodate planned, as well as unanticipated, changes in assets, liabilities, and off-balance sheet commitments under various economic conditions, a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a material adverse effect on us. If the cost effectiveness or the availability of supply in these credit markets is reduced for a prolonged period of time, our funding needs may require us to access funding and manage liquidity by other means. These alternatives may include generating client deposits, securitizing or selling loans, extending the maturity of wholesale borrowings, borrowing under certain secured borrowing arrangements, using relationships developed with a variety of fixed income investors, and further managing loan growth and investment opportunities. These alternative means of funding may result in an increase to the overall cost of funds and may not be available under stressed conditions, which would cause us to liquidate a portion of our liquid asset portfolio to meet any funding needs.

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.

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.

Potential deterioration in the performance or financial position of the FHLBB might restrict our funding needs and may adversely impact our financial condition and results of operations.

Significant components of our liquidity needs are met through our access to funding pursuant to our membership in the FHLBB. The FHLBB is a cooperative that provides services to its member banking institutions. The primary reason for joining the FHLBB is to obtain funding. The purchase of stock in the FHLBB is a requirement for a member to gain access to funding. Any deterioration in the FHLBB’s performance or financial condition may affect our ability to access funding and/or require the Company to deem the required investment in FHLBB stock to be impaired. If we are not able to access funding through the FHLBB, we may not be able to meet our liquidity needs, which could have an adverse effect on our results of operations or financial condition. Similarly, if we deem all or part of our investment in FHLBB stock impaired, such action could have an adverse effect on our financial condition or results of operations.

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.

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. In addition, our businesses are dependent on the integrity of our employees. If an employee were to misappropriate any client funds or client information, our reputation could be negatively affected, which may result in the loss of accounts and have an adverse effect on our results of operations and financial condition.

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. Frequently, we compete in the market for talent with entities that are not subject to comprehensive regulation, including with respect to the structure of incentive compensation. Our inability to attract new employees and retain and motivate our existing employees could adversely impact our business.

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.

We may incur significant losses as a result of ineffective risk management processes and strategies.

We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance, and legal reporting systems; internal controls; management review processes; and other mechanisms. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application may not be effective and may not anticipate every economic and financial outcome in all market environments or the specifics and timing of such outcomes.

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.

Natural disasters, acts of terrorism, pandemics 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 or pandemics 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, or "FASB", 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.

FASB has issued Accounting Standards Update 2016-13 Measurement of Credit Losses on Financial Instruments, 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. The standard removed the existing “probable” threshold in GAAP for recognizing credit losses and instead requires companies to reflect their estimate of credit losses over the life of the financial assets. Companies must consider all relevant information when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts. It is possible that this standard could have a negative impact on our allowance for loan and lease losses and our reported earnings in 2020.

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. 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. Our articles of organization authorize our board of directors to issue preferred stock without stockholder approval and such preferred stock could be issued as a defensive measure in response to a takeover proposal. These and other provisions could make it more difficult for a third party to acquire us.

If we acquire or seek to aquire 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:

- We may incur substantial expenses in pursuing potential acquisitions;
- Management may divert its attention from other aspects of our business;
- We may assume potential and unknown liabilities of the acquired company as a result of an acquisition;
- The acquired business will not perform in accordance with management's expectations, including because we may lose key clients or employees of the acquired business as a result of the change in ownership;
- Difficulties may arise in connection with the integration of the operations of the acquired business with the operations of our businesses; and
- We may lose key employees of the combined business.

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

When we acquire a business, 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, 2019, goodwill and other identifiable intangible assets were $164.9 million. 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, 2019. 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 31 banking offices, 6 of which are owned, 24 of which are leased, and 1 of which is subleased. Brookline Bank's main banking office is leased and located in Brookline, Massachusetts. Brookline Bank also has 2 additional lending offices and 2 remote ATM locations, all 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.

Refer to Note 13, "Commitments and Contingencies," to the consolidated financial statements for information regarding the Company's lease commitments as of December 31, 2019.

Item 3. Legal Proceedings

During the fiscal year ended December 31, 2019, 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

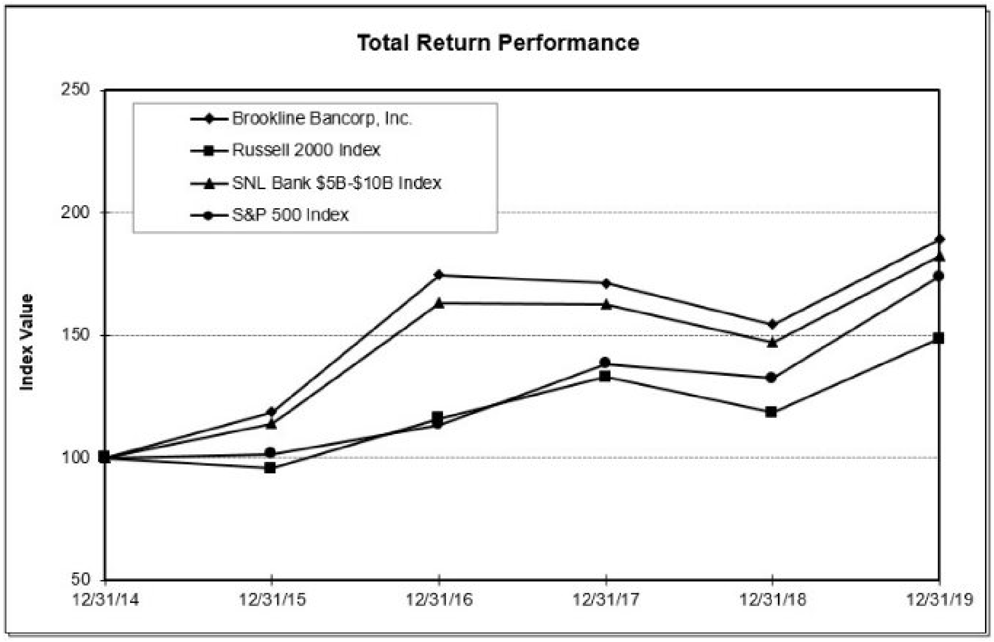
(a) The common stock of the Company is traded on NASDAQ under the symbol BRKL. The approximate number of registered holders of common stock as of February 28, 2020 was 1,747. The Company currently pays quarterly cash dividends in the amount of $0.115 per share. The Company expects comparable cash dividends will be paid in the future.

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	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Brookline Bancorp, Inc.	100.00	118.51	174.48	171.14	154.27	189.11
Russell 2000 Index	100.00	95.59	115.95	132.94	118.30	148.49
SNL Bank $5B-$10B Index	100.00	113.92	163.20	162.59	147.15	182.34
S&P 500 Index	100.00	101.38	113.51	138.29	132.23	173.86

The graph assumes $100 invested on December 31, 2014 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.

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,				
	2019	2018	2017	2016	2015
	(Dollars in Thousands, Except Per Share Data)				
FINANCIAL CONDITION DATA					
Total assets	$ 7,856,853	$ 7,392,805	$ 6,780,249	$ 6,438,129	$ 6,042,338
Total loans and leases	6,737,816	6,303,516	5,730,679	5,398,864	4,995,540
Allowance for loan and lease losses	61,082	58,692	58,592	53,666	56,739
Investment securities held-to-maturity	86,780	114,776	109,730	87,120	93,757
Investment securities available-for-sale	498,995	502,793	540,124	523,634	513,201
Investment securities trading	3,581	4,207	—	—	—
Goodwill and identified intangible assets	164,850	166,513	143,934	146,023	148,523
Total deposits	5,830,072	5,454,044	4,871,343	4,611,076	4,306,018
Core deposits [(1)]	3,808,430	3,664,879	3,663,873	3,570,054	3,218,146
Certificates of deposit	2,021,642	1,789,165	1,207,470	1,041,022	1,087,872
Total borrowed funds	902,749	920,542	1,020,819	1,044,086	983,029
Stockholders' equity	945,606	900,140	803,830	695,544	667,485
Tangible stockholders' equity (*)	780,756	733,627	659,896	549,521	518,962
Nonperforming loans and leases [(2)]	19,461	24,097	27,272	40,077	19,333
Nonperforming assets [(3)]	22,092	28,116	31,691	41,476	20,676
EARNINGS DATA					
Interest and dividend income	$ 347,626	$ 313,893	$ 263,050	$ 239,648	$ 226,910
Interest expense	94,326	66,194	39,869	35,984	32,545
Net interest income	253,300	247,699	223,181	203,664	194,365
Provision for credit losses	9,583	4,951	18,988	10,353	7,451
Non-interest income	29,793	25,224	32,173	22,667	20,184
Non-interest expense	157,481	155,232	139,111	130,362	125,377
Provision for income taxes	28,269	26,189	43,636	30,392	29,353
Net income	87,717	83,062	50,518	52,362	49,782
Operating earnings (*)	88,184	85,796	52,444	52,362	49,782
PER COMMON SHARE DATA					
Earnings per share - Basic	$ 1.10	$ 1.04	$ 0.68	$ 0.74	$ 0.71
Earnings per share - Diluted	1.10	1.04	0.68	0.74	0.71
Operating earnings per share (*)	1.10	1.07	0.70	0.74	0.71
Dividends paid per common share	0.440	0.395	0.360	0.360	0.355
Book value per share (end of period)	11.87	11.30	10.49	9.88	9.51
Tangible book value per share (*)	9.80	9.21	8.61	7.81	7.39
Stock price (end of period)	16.46	13.82	15.70	16.40	11.50
PERFORMANCE RATIOS					
Net interest margin	3.51%	3.61%	3.57%	3.44%	3.54%
Return on average assets	1.15%	1.15%	0.76%	0.83%	0.85%
Operating return on average assets (*)	1.15%	1.19%	0.79%	0.83%	0.85%
Return on average tangible assets (*)	1.17%	1.18%	0.78%	0.85%	0.87%
Operating return on average tangible assets (*)	1.17%	1.22%	0.81%	0.85%	0.87%

	At or for the year ended December 31,				
	2019	2018	2017	2016	2015
	(Dollars in Thousands, Except Per Share Data)				
Return on average stockholders' equity	9.56%	9.51%	6.53%	7.59%	7.57%
Operating return on average stockholders' equity (*)	9.61%	9.82%	6.78%	7.59%	7.57%
Return on average tangible stockholders' equity (*)	11.67%	11.70%	8.04%	9.66%	9.80%
Operating return on average tangible stockholders' equity (*)	11.73%	12.09%	8.35%	9.66%	9.80%
Dividend payout ratio (*)	40.03%	37.85%	53.52%	48.44%	50.15%
Efficiency ratio (4)	55.63%	56.88%	54.48%	57.60%	58.44%
GROWTH RATIOS					
Total loan and lease growth (5)	6.89%	10.00%	6.15%	8.07%	3.59%
Total deposit growth (5)	6.89%	11.96%	5.64%	7.08%	8.79%
ASSET QUALITY RATIOS					
Net loan and lease charge-offs as a percentage of average loans and leases	0.10%	0.08%	0.25%	0.25%	0.09%
Nonaccrual loans and leases as a percentage of total loans and leases	0.29%	0.38%	0.48%	0.74%	0.39%
Nonperforming assets as a percentage of total assets	0.28%	0.38%	0.47%	0.64%	0.34%
Total allowance for loan and lease losses as a percentage of total loans and leases	0.91%	0.93%	1.02%	0.99%	1.14%
Allowance for loan and lease losses related to originated loans and leases as a percentage of originated loans and leases (*)	0.91%	0.96%	1.05%	1.03%	1.20%
CAPITAL RATIOS					
Stockholders' equity to total assets	12.04%	12.18%	11.86%	10.80%	11.05%
Tangible equity ratio (*)	10.15%	10.15%	9.94%	8.73%	8.81%
Tier 1 leverage capital ratio	10.28%	10.58%	10.43%	9.16%	9.37%
Common equity Tier 1 capital ratio (**)	11.44%	11.94%	12.02%	10.48%	10.62%
Tier 1 risk-based capital ratio	11.58%	12.26%	12.34%	10.79%	10.91%
Total risk-based capital ratio	13.59%	14.42%	14.75%	13.20%	13.54%

(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.

(*) 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; 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, foreign exchange services, on-line and mobile banking services, consumer and residential loans and investment advisory 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, comprise 28.1% 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 their efforts on developing and deepening long-term banking relationships with qualified customers 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. These credit decisions, at the local level, are executed through corporate policies overseen by the Company's credit department.

The competition for loans and leases and deposits remains intense. While the economy improved in 2019, the Company expects the operating environment in 2020 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 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 or increase the current net interest margin, while minimizing exposure to credit risk, along with increasing sources of non-interest income, while controlling the growth of non-interest expenses.

The Company and the Banks are supervised, examined and regulated by the FRB. As a Massachusetts-chartered trust company, Brookline Bank is 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. Until July 31, 2019, Brookline Bank was a member bank of the Depositors Insurance Fund (the “DIF”), a private, industry-sponsored insurance fund that insures all deposits above FDIC limits for Massachusetts-chartered savings banks. Brookline Bank converted its charter from a Massachusetts-chartered savings bank to a Massachusetts-chartered trust company and ended its membership in the DIF on July 31, 2019. Excess deposits that were insured by the DIF on July 31, 2019 will continue to be insured by the DIF until July 31, 2020. Term deposits in excess of the FDIC insurance coverage will continue to be insured by the DIF until they reach maturity.

The Company’s common stock is traded on the Nasdaq Global Select Market℠ under the symbol “BRKL.”

Executive Overview

Growth

Total assets of $7.9 billion as of December 31, 2019 increased $464.0 million, or 6.3%, from December 31, 2018. The increase was primarily driven by increases in loans and leases, partly offset by decreases in investment securities.

Total loans and leases of $6.7 billion as of December 31, 2019 increased $434.3 million, or 6.9%, from December 31, 2018. The Company's commercial loan portfolios, which are comprised of commercial real estate loans and commercial loans and leases, totaled $5.5 billion, or 81.7% of total loans and leases as of December 31, 2019, an increase of $387.3 million, or 7.6%, from $5.1 billion, or 81.2% of total loans and leases, as of December 31, 2018.

Total deposits of $5.8 billion as of December 31, 2019 increased $376.0 million, or 6.9%, from $5.5 billion as of December 31, 2018. Core deposits, which include demand checking, NOW, money market and savings accounts, totaled $3.8 billion, or 65.3% of total deposits as of December 31, 2019, an increase of $143.6 million, from $3.7 billion, or 67.2% of total deposits as of December 31, 2018. Certificate of deposit balances totaled $2.0 billion, or 34.7% of total deposits as of December 31, 2019, an increase of $232.5 million, or 12.99% on an annualized basis from $1.8 billion, or 32.8% of total deposits, as of December 31, 2018.

Asset Quality

Nonperforming assets as of December 31, 2019 totaled $22.1 million, or 0.28% of total assets, compared to $28.1 million, or 0.38% of total assets, as of December 31, 2018. Net charge-offs for the year ended December 31, 2019 were $7.2 million, or 0.10% of average loans and leases, compared to $4.7 million, or 0.08% of average loans and leases, for the year ended December 31, 2018.The decrease in nonperforming loans and leases and nonperforming assets was primarily driven by the 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 0.91% as of December 31, 2019, compared to 0.93% as of December 31, 2018. Excluding the loans acquired from BankRI, First Ipswich and First Commons Bank, 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 0.91% as of December 31, 2019, compared to 0.96% as of December 31, 2018. The Company continued to employ its historical underwriting methodology throughout the twelve month period ended December 31, 2019.

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 11.44% as of December 31, 2019, compared to 11.94% as of December 31, 2018. The Company's Tier 1 Leverage Ratio was 10.28% as of December 31, 2019, compared to 10.58% as of December 31, 2018. As of December 31, 2019, the Company's Tier 1 Risk-Based Ratio was 11.58%, compared to 12.26% as of December 31, 2018. The Company's Total Risk-Based Ratio was 13.59% as of December 31, 2019, compared to 14.42% as of December 31, 2018.

The Company's ratio of stockholders' equity to total assets was 12.04% and 12.18% as of December 31, 2019 and December 31, 2018, respectively. The Company's tangible equity ratio was 10.15% and 10.15% as of December 31, 2019 and December 31, 2018, respectively.

Net Income

For the year ended December 31, 2019, the Company reported net income of $87.7 million, or $1.10 per basic and diluted share, an increase of $4.7 million, or 5.6%, from $83.1 million, or $1.04 per basic and diluted share for the year ended December 31, 2018. The increase in net income is primarily the result of an increase in net interest income of $5.6 million, partially offset by an increase in non-interest expense of $2.2 million and an increase in non-interest income of $4.6 million.

The return on average assets was 1.15% for the year ended December 31, 2019, compared to 1.15% for the year ended December 31, 2018. The return on average stockholders' equity was 9.56% for the year ended December 31, 2019, compared to 9.51% for the year ended December 31, 2018.

The net interest margin was 3.51% for the year ended December 31, 2019 down from 3.61% for the year ended December 31, 2018. The decrease in the net interest margin is a result of an increase of 37 basis points in the Company's overall cost of funds to 1.43% in 2019 from 1.06% in 2018, partially offset by an increase in the yield on interest-earning assets by 23 basis points to 4.81% in 2019 from 4.58% in 2018.

Results for 2019 included a $9.6 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 $4.6 million to $29.8 million for the year ended December 31, 2019 from $25.2 million for the year ended December 31, 2018. Several factors contributed to the year over year increase, including an increase of $0.3 million in gain on sales of securities, an increase of $2.8 million in loan level derivative income, an increase in loan fees of $0.7 million and an increase of 0.7 million in other non-interest income.

Non-interest expense increased $2.2 million to $157.5 million for the year ended December 31, 2019 from $155.2 million for the year ended December 31, 2018. The increase was largely attributable to an increase of $5.0 million in compensation and employee benefits, partially offset by a decrease of $2.7 million in merger and acquisition 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.

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 one-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, 2019. 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.

Recent Accounting Developments

In April 2019, FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments" to improve the Codifications or correct any unintended application. Codification improvements to Update 2016-13 (Topic 326) will be effective on the same date as requirements in ASU 2016-13. Codification improvements to Update 2017-12 (Topic 815) will be effective as of the beginning of the first annual period beginning after the issuance date and Update 2016-01 (Topic 825) will be effective for fiscal years beginning after December 15, 2019. Management believes that this ASU does apply and has determined the impact to be immaterial as of December 31, 2019.

In October 2018, FASB issued ASU 2018-16, "Derivatives and Hedging (Topic 815)" which provided further updates to ASU 2017-12, to permit the OIS rate based on SOFR as a U.S. benchmark interest rate. Including the OIS rate based on SOFR as an eligible benchmark interest rate during the early stages of the marketplace transition will facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period upon issuance of this update if an entity already has adopted ASU 2017-12. Management has evaluated this ASU and as of December 31, 2019, the Company has adopted the ASU and determined the impact to be immaterial.

In August 2018, FASB issued ASU 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40)", to add additional guidance to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement by providing guidance for determining when the arrangement includes a software license. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption of the amendments in this update is permitted, including adoption in any interim period. Management has evaluated this ASU and as of December 31, 2019, the Company has adopted the ASU and determined the impact to be immaterial.

In August 2018, FASB issued ASU 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20)", to modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This ASU is effective for fiscal years beginning after December 15, 2020, for public business entities and for fiscal years beginning after December 15, 2021, for all other entities. Early adoption is permitted. Management believes that this ASU does apply and has not determined the impact, if any, as of December 31, 2019.

In August 2018, FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820)", to modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Management believes that this ASU does apply and has not determined the impact, if any, as of December 31, 2019.

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

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 replaced the previous GAAP method of calculating credit losses. Previously, GAAP required the use of the incurred loss methodology, which used a higher threshold at which probable losses were calculated and recorded. ASU 2016-13 requires the use of an expected loss methodology, referred to as the current expected credit loss (“CECL”) methodology, which requires institutions to account for probable losses that previously would not have been part of the calculation. The CECL methodology incorporates future forecasting in addition to historical and current measures. For public entities that file with the SEC, ASU 2016-13 becomes effective for the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

ASU 2016-13 must be applied to held to maturity ("HTM") debt securities, and HTM loans and available for sale (“AFS”) debt securities. A modified-retrospective approach will be applied cumulatively to retained earnings. Early adoption was permitted as of the fiscal years beginning after December 15, 2018. In November 2018, FASB issued ASU 2018-19 to clarify that operating lease receivables are not in scope of the credit losses standard.

The Company will adopt ASU 2016-13 on January 1, 2020. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables, and HTM debt securities.

It also applies to off-balance sheet credit exposure not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees and other similar investment) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASU 2016-13 made changes to the accounting for AFS debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on AFS debt securities that management does not intend to sell or believes that is more likely than not they will be required to sell.

The Company adopted ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost and off balance sheet credit exposures. Results for reporting periods beginning after January 1, 2020 will be presented under ASU 2016-13 while prior period amounts are reported in accordance with previously applicable GAAP methodology. At January 1, 2020, the total increase for credit losses under the CECL methodology was approximately $10 to 20 million higher than recorded at December 31, 2019 under the previous GAAP methodology. Of the total allowance, the allowance for loan losses represented approximately 85% while the reserve for unfunded credits represented approximately 15%.

Management formed a steering committee to oversee the adoption of ASU 2016-13. The steering committee, along with a project team led by the credit division, developed an approach for implementation and selected a third party software service provider. The third party provides various loss models as well as economic scenarios which are being used for both the loan and securities portfolios. The models includes many assumptions used to calculate credit losses over the estimated life of the financial assets using forecasted economic conditions for a reasonable and supportable period before reversion to historical data. Management has used loan level data and certain assumptions as inputs to the models as well as qualitative factors to adjust model outputs. The Company is finalizing documentation and is currently having the model validated by a third party which is expected to be completed prior to filing the first quarter 2020 Quarterly Report on Form 10-Q.

See Note 1, “Basis of Presentation” in the notes to the consolidated financial statements for additional 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 average tangible assets, return on average tangible equity, the tangible equity ratio, 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 information useful to investors in understanding the Company’s underlying operating performance and trends, and facilitates comparisons with the performance assessment of 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 the after-tax impact of securities gains and merger and acquisition expense as well as the impact of the Tax Cuts and Jobs Act (the "Tax Act"). 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,				
	2019	2018	2017	2016	2015
	(Dollars in Thousands, Except Per Share Data)				
Net income, as reported	$ 87,717	$ 83,062	$ 50,518	$ 52,362	$ 49,782
Less:					
Security gains (after-tax)	384	174	7,303	—	—
Add:					
Merger and acquisition expense (after-tax) (1)	851	2,908	264	—	—
Impact of Tax Act	—	—	8,965	—	—
Operating earnings	$ 88,184	$ 85,796	$ 52,444	$ 52,362	$ 49,782
Earnings per share, as reported	$ 1.10	$ 1.04	$ 0.68	$ 0.74	$ 0.71
Less:					
Security gains (after-tax)	—	—	0.10	—	—
Add:					
Merger and acquisition expense (after-tax) (1)	—	0.03	—	—	—
Impact of Tax Act	—	—	0.12	—	—
Operating earnings per share	$ 1.10	$ 1.07	$ 0.70	$ 0.74	$ 0.71

(1) Merger and acquisition expense related to the acquisition of First Commons Bank in the first quarter of 2018 and the purchase of the remaining minority interest of Eastern Funding in the first quarter of 2019.

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,				
	2019	2018	2017	2016	2015
	(Dollars in Thousands)				
Operating earnings	$ 88,184	$ 85,796	$ 52,444	$ 52,362	$ 49,782
Average total assets	$ 7,654,634	$ 7,223,081	$ 6,607,234	$ 6,279,722	$ 5,840,749
Less: Average goodwill and average identified intangible assets, net	165,697	163,712	145,000	147,308	150,020
Average tangible assets	$ 7,488,937	$ 7,059,369	$ 6,462,234	$ 6,132,414	$ 5,690,729
Return on average assets	1.15%	1.15%	0.76%	0.83%	0.85%
Less:					
Security gains (after-tax)	0.01%	—%	0.11%	—%	—%
Add:					
Merger and acquisition expense (after-tax)	0.01%	0.04%	—%	—%	—%
Impact of Tax Act	—%	—%	0.14%	—%	—%
Operating return on average assets	1.15%	1.19%	0.79%	0.83%	0.85%
Return on average tangible assets	1.17%	1.18%	0.78%	0.85%	0.87%
Less:					
Security gains (after-tax)	0.01%	—%	0.11%	—%	—%
Add:					
Merger and acquisition expense (after-tax)	0.01%	0.04%	—%	—%	—%
Impact of Tax Act	—%	—%	0.14%	—%	—%
Operating return on average tangible assets	1.17%	1.22%	0.81%	0.85%	0.87%
Average total stockholders' equity	$ 917,286	$ 873,388	$ 773,244	$ 689,556	$ 657,841
Less: Average goodwill and average identified intangible assets, net	165,697	163,712	145,000	147,308	150,020
Average tangible stockholders' equity	$ 751,589	$ 709,676	$ 628,244	$ 542,248	$ 507,821
Return on average stockholders' equity	9.56%	9.51%	6.53%	7.59%	7.57%
Less:					
Security gains (after-tax)	0.04%	0.02%	0.94%	—%	—%
Add:					
Merger and acquisition expense (after-tax)	0.09%	0.33%	0.03%	—%	—%
Impact of Tax Act	—%	—%	1.17%	—%	—%
Operating return on average stockholders' equity	9.61%	9.82%	6.79%	7.59%	7.57%

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollars in Thousands)				
Return on average tangible stockholders' equity	11.67%	11.70%	8.04%	9.66%	9.80%
Less:					
Security gains (after-tax)	0.05%	0.02%	1.16%	—%	—%
Add:					
Merger and acquisition expense (after-tax)	0.11%	0.41%	0.04%	—%	—%
Impact of Tax Act	—%	—%	1.43%	—%	—%
Operating return on average tangible stockholders' equity	11.73%	12.09%	8.35%	9.66%	9.80%

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,				
	2019	2018	2017	2016	2015
	(Dollars in Thousands)				
Net income, as reported	$ 87,717	$ 83,062	$ 50,518	$ 52,362	$ 49,782
Average total assets	$ 7,654,634	$ 7,223,081	$ 6,607,234	$ 6,279,722	$ 5,840,749
Less: Average goodwill and average identified intangible assets, net	165,697	163,712	145,000	147,308	150,020
Average tangible assets	$ 7,488,937	$ 7,059,369	$ 6,462,234	$ 6,132,414	$ 5,690,729
Return on average tangible assets	1.17%	1.18%	0.78%	0.85%	0.87%
Average total stockholders' equity	$ 917,286	$ 873,388	$ 773,244	$ 689,556	$ 657,841
Less: Average goodwill and average identified intangible assets,net	165,697	163,712	145,000	147,308	150,020
Average tangible stockholders' equity	$ 751,589	$ 709,676	$ 628,244	$ 542,248	$ 507,821
Return on average tangible stockholders' equity	11.67%	11.70%	8.04%	9.66%	9.80%

The following table summarizes the Company's tangible equity ratio for the periods indicated:

	At December 31,				
	2019	2018	2017	2016	2015
	(Dollars in Thousands)				
Total stockholders' equity	$ 945,606	$ 900,140	$ 803,830	$ 695,544	$ 667,485
Less: Goodwill and identified intangible assets, net	164,850	166,513	143,934	146,023	148,523
Tangible stockholders' equity	$ 780,756	$ 733,627	$ 659,896	$ 549,521	$ 518,962
Total assets	$ 7,856,853	$ 7,392,805	$ 6,780,249	$ 6,438,129	$ 6,042,338
Less: Goodwill and identified intangible assets, net	164,850	166,513	143,934	146,023	148,523
Tangible assets	$ 7,692,003	$ 7,226,292	$ 6,636,315	$ 6,292,106	$ 5,893,815
Tangible equity ratio	10.15%	10.15%	9.94%	8.73%	8.81%

The following table summarizes the Company's tangible book value per share for the periods indicated:

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollars in Thousands)				
Tangible stockholders' equity	$ 780,756	$ 733,627	$ 659,896	$ 549,521	$ 518,962
Common shares issued	85,177,172	85,177,172	81,695,695	75,744,445	75,744,445
Less:					
Treasury shares	5,003,127	5,020,025	4,440,665	4,707,096	4,861,554
Unallocated ESOP	79,548	109,950	142,332	176,688	213,066
Unvested restricted stock	406,450	390,636	455,283	476,854	486,035
Common shares outstanding	79,688,047	79,656,561	76,657,415	70,383,807	70,183,790
Tangible book value per share	$ 9.80	$ 9.21	$ 8.61	$ 7.81	$ 7.39

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

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollars in Thousands)				
Dividends paid	$ 35,110	$ 31,441	$ 27,035	$ 25,366	$ 24,967
Net income, as reported	$ 87,717	$ 83,062	$ 50,518	$ 52,362	$ 49,782
Dividend payout ratio	40.03%	37.85%	53.52%	48.44%	50.15%

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,				
	2019	2018	2017	2016	2015
Allowance for loan and lease losses	$ 61,082	$ 58,692	$ 58,592	$ 53,666	$ 56,739
Less: Allowance for acquired loan and lease losses	2,215	1,814	1,040	1,253	1,752
Allowance for originated loan and lease losses	$ 58,867	$ 56,878	$ 57,552	$ 52,413	$ 54,987
Total loans and leases	$ 6,737,816	$ 6,303,516	$ 5,730,679	$ 5,398,864	$ 4,995,540
Less: Total acquired loans and leases	288,129	394,407	240,057	315,304	422,652
Total originated loan and leases	$ 6,449,687	$ 5,909,109	$ 5,490,622	$ 5,083,560	$ 4,572,888
Allowance for loan and lease losses related to originated loans and leases as a percentage of originated loan and leases	0.91%	0.96%	1.05%	1.03%	1.20%

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,									
	2019		2018		2017		2016		2015	
	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	$ 2,491,011	37.0%	$ 2,330,725	37.0%	$ 2,174,969	38.0%	$ 2,050,382	38.1%	$ 1,875,592	37.5%
Multi-family mortgage	932,163	13.8%	847,711	13.4%	760,670	13.3%	731,186	13.5%	658,480	13.2%
Construction	246,048	3.7%	173,300	2.7%	140,138	2.4%	136,999	2.5%	130,322	2.6%
Total commercial real estate loans	3,669,222	54.5%	3,351,736	53.1%	3,075,777	53.7%	2,918,567	54.1%	2,664,394	53.3%
Commercial loans and leases:										
Commercial	729,502	10.8%	736,418	11.7%	705,004	12.3%	635,426	11.8%	592,531	11.9%
Equipment financing	1,052,408	15.6%	982,089	15.6%	866,488	15.1%	799,860	14.8%	721,890	14.5%
Condominium association	56,838	0.8%	50,451	0.8%	52,619	0.9%	60,122	1.1%	59,875	1.2%
Total commercial loans and leases	1,838,748	27.2%	1,768,958	28.1%	1,624,111	28.3%	1,495,408	27.7%	1,374,296	27.6%
Consumer loans:										
Residential mortgage	814,245	12.1%	782,968	12.4%	660,065	11.5%	624,349	11.6%	616,449	12.3%
Home equity	376,819	5.6%	376,484	6.0%	355,954	6.2%	342,241	6.3%	314,553	6.3%
Other consumer	38,782	0.6%	23,370	0.4%	14,772	0.3%	18,299	0.3%	25,848	0.5%
Total consumer loans	1,229,846	18.3%	1,182,822	18.8%	1,030,791	18.0%	984,889	18.2%	956,850	19.1%
Total loans and leases	6,737,816	100.0%	6,303,516	100.0%	5,730,679	100.0%	5,398,864	100.0%	4,995,540	100.0%
Allowance for loan and lease losses	(61,082)		(58,692)		(58,592)		(53,666)		(56,739)	
Net loans and leases	$ 6,676,734		$ 6,244,824		$ 5,672,087		$ 5,345,198		$ 4,938,801	

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 $50.0 million unless approved by the Board Credit Committee, a committee of the Company's Board of Directors.

As of December 31, 2019, there were three borrowers with commitments over $50.0 million. The total of those commitments was $194.3 million or 2.4% of total commitments as of December 31, 2019.

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 54.5% of total loans and leases outstanding as of December 31, 2019.

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 needs.

The Company's urban and suburban market area is characterized by a large number of apartment buildings, office buildings, and 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 commercial real estate portfolio was composed primarily of loans secured by apartment buildings ($869.9 million), office buildings ($721.4 million), retail stores ($601.5 million), industrial properties ($440.3 million), mixed-use properties ($325.4 million), lodging services ($141.9 million) and to food services ($62.2 million) as of December 31, 2019. At that date, 97.0% 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 is 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 27.2% of total loans outstanding as of December 31, 2019.

The commercial loan and lease portfolio is composed primarily of loans to small businesses ($657.0 million), transportation services ($385.2 million), food services ($156.0 million), recreation services ($141.0 million), rental and leasing services ($97.2 million), manufacturing ($91.9 million), and retail ($74.3 million) as of December 31, 2019.

The Company provides commercial banking services to companies in its market area. Approximately 45.6% of the commercial loans outstanding as of December 31, 2019 were made to borrowers located in New England. The remaining 54.4% 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 16.4% 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 18.3% of total loans outstanding as of December 31, 2019. 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 fixed-rate fully amortizing mortgage loans in its portfolio.

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, 2019, other consumer loans equaled $38.8 million, or 0.6% 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, 2019. The table does not include projected prepayments or scheduled principal amortization.

	Amount due at December 31, 2019						
	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	$ 1,138,687	$ 558,827	$ 573,867	$ 210,688	$ 8,942	$ 1,352,324	$ 2,491,011
Multi-family mortgage	417,176	163,367	248,018	101,931	1,671	514,987	932,163
Construction	165,432	17,907	21,408	41,301	—	80,616	246,048
Commercial	315,918	127,210	133,460	73,289	79,625	413,584	729,502
Equipment financing	82,223	307,838	524,098	138,249	—	970,185	1,052,408
Condominium association	7,999	9,584	11,261	27,994	—	48,839	56,838
Residential mortgage	167,887	180,378	222,634	125,156	118,190	646,358	814,245
Home equity	151,814	7,207	5,181	41,859	170,758	225,005	376,819
Other consumer	34,307	304	152	—	4,019	4,475	38,782
Total	$ 2,481,443	$ 1,372,622	$ 1,740,079	$ 760,467	$ 383,205	$ 4,256,373	$ 6,737,816

The following table sets forth as of December 31, 2019 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	$ 505,644	$ 785,096	$ 1,290,740
Multi-family mortgage	240,172	245,641	485,813
Construction	14,387	66,166	80,553
Commercial	186,808	211,832	398,640
Equipment financing	695,695	272,166	967,861
Condominium association	37,751	11,088	48,839
Residential mortgage	144,443	426,482	570,925
Home equity	26,125	171,144	197,269
Other consumer	465	4,010	4,475
Total originated	1,851,490	2,193,625	4,045,115
Acquired:			
Commercial real estate	12,569	49,015	61,584
Multi-family mortgage	7,978	21,197	29,175
Construction	—	63	63
Commercial	881	14,063	14,944
Equipment financing	2,325	—	2,325
Residential mortgage	40,462	34,971	75,433
Home equity	14,777	12,959	27,736
Total acquired	78,992	132,268	211,260
Total loans	$ 1,930,482	$ 2,325,893	$ 4,256,375

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, 2019, the Company had $67.2 million of total assets, including acquired assets, that were designated as criticized. This compares to $58.6 million of assets designated as criticized as of December 31, 2018. The increase in criticized assets was primarily due to one commercial relationship downgraded to criticized asset in 2019.

Nonperforming Assets

"Nonperforming assets" consist of nonaccrual 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.

The Company evaluates the underlying collateral of each nonaccrual 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. In addition, loans categorized as ASC 310-30 accrue regardless of past due status. 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.

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

	At December 31,				
	2019	2018	2017	2016	2015
	(Dollars in Thousands)				
Nonperforming loans and leases:					
Nonaccrual loans and leases:					
Commercial real estate	$ 2,845	$ 3,928	$ 3,313	$ 5,340	$ 5,482
Multi-family mortgage	84	330	608	1,404	291
Construction	—	396	860	—	—
Total commercial real estate loans	2,929	4,654	4,781	6,744	5,773
Commercial	4,909	6,621	11,619	22,974	6,264
Equipment financing	9,822	9,500	8,106	6,758	2,610
Condominium association	151	265	—	—	—
Total commercial loans and leases	14,882	16,386	19,725	29,732	8,874
Residential mortgage	753	2,132	1,979	2,501	2,225
Home equity	896	908	744	951	1,757
Other consumer	1	17	43	149	704
Total consumer loans	1,650	3,057	2,766	3,601	4,686
Total nonaccrual loans and leases	19,461	24,097	27,272	40,077	19,333
Other real estate owned	—	3,054	3,235	618	729
Other repossessed assets	2,631	965	1,184	781	614
Total nonperforming assets	$ 22,092	$ 28,116	$ 31,691	$ 41,476	$ 20,676
Loans and leases past due greater than 90 days and accruing	$ 10,109	$ 13,482	$ 3,020	$ 7,077	$ 8,690
Total delinquent loans and leases 61-90 days past due	4,978	3,308	7,376	7,350	3,294
Restructured loans and leases not included in nonperforming assets	17,076	12,257	16,241	13,883	17,953
Total nonaccrual loans and leases as a percentage of total loans and leases	0.29%	0.38%	0.48%	0.74%	0.39%
Total nonperforming assets as a percentage of total assets	0.28%	0.38%	0.47%	0.64%	0.34%
Total delinquent loans and leases 61-90 days past due as a percentage of total loans and leases	0.07%	0.05%	0.13%	0.14%	0.07%

Troubled Debt Restructured Loans and Leases

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, 2019		At December 31, 2018	
	(Dollars in Thousands)			
Troubled debt restructurings:				
Commercial real estate loans:				
Commercial real estate mortgage	$	1,674	$	2,034
Multi-family mortgage		85		330
Construction		2,942		—
Commercial loans and leases:				
Commercial		8,995		9,394
Equipment financing		5,555		5,901
Consumer loans:				
Residential mortgage		2,067		1,626
Home equity		1,862		1,656
Total troubled debt restructurings	$	23,180	$	20,941

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

	At December 31, 2019		At December 31, 2018	
	(Dollars in Thousands)			
Troubled debt restructurings:				
On accrual	$	17,076	$	12,257
On nonaccrual		6,104		8,684
Total troubled debt restructurings	$	23,180	$	20,941

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

	Year ended December 31,			
	2019		2018	
	(Dollars in Thousands)			
Balance at beginning of period	$	20,941	$	26,011
Additions		16,484		5,843
Net charge-offs		(1,964)		(1,174)
Repayments[1]		(12,281)		(9,739)
Balance at end of period	$	23,180	$	20,941

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

Allowances for Credit Losses

Allowance for Loan and Lease Losses

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, 2019, the Company had a portfolio of approximately $10.3 million in loans secured by taxi medallions issued by the cities of Boston and Cambridge. As of December 31, 2018, this portfolio was approximately $13.7 million. Application-based mobile ride services, such as Uber and Lyft, have generated increased competition in the transportation sector, resulting in a reduction in taxi utilization and, as a result, a reduction in the collateral value and credit quality of taxi medallion loans. This has increased the likelihood that loans secured by taxi medallions may default, or that the borrowers may be unable to repay these loans 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 commercial loans and leases to reflect the increased risk in the Company's taxi medallion 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, 2019, 2018, 2017, 2016, and 2015, respectively.

	Year Ended December 31, 2019			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at December 31, 2018	$ 28,187	$ 25,283	$ 5,222	$ 58,692
Charge-offs	—	(8,911)	(127)	(9,038)
Recoveries	—	1,688	179	1,867
Provision for loan and lease losses	2,098	6,766	697	9,561
Balance at December 31, 2019	$ 30,285	$ 24,826	$ 5,971	$ 61,082
Total loans and leases	$ 3,669,222	$ 1,838,748	$ 1,229,846	$ 6,737,816
Total allowance for loan and lease losses as a percentage of total loans and leases	0.83%	1.35%	0.49%	0.91%

	Year Ended December 31, 2018			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at December 31, 2017	$ 27,112	$ 26,333	$ 5,147	$ 58,592
Charge-offs	(103)	(6,585)	(540)	(7,228)
Recoveries	—	2,287	290	2,577
Provision for loan and lease losses	1,178	3,248	325	4,751
Balance at December 31, 2018	$ 28,187	$ 25,283	$ 5,222	$ 58,692
Total loans and leases	$ 3,351,736	$ 1,768,958	$ 1,182,822	$ 6,303,516
Total allowance for loan and lease losses as a percentage of total loans and leases	0.84%	1.43%	0.44%	0.93%

	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
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	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	$ 5,398,864
Allowance for loan and lease losses as a percentage of total loans and leases	0.95%	1.40%	0.52%	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%

The allowance for loan and lease losses was $61.1 million as of December 31, 2019, or 0.91% of total loans and leases outstanding. This compared to an allowance for loan and lease losses of $58.7 million, or 0.93% of total loans and leases outstanding, as of December 31, 2018. The increase in the allowance for loan and lease losses from December 31, 2018 to December 31, 2019 was primarily due to originated loan growth of $540.6 million, partially offset by the decrease in reserve due to changes in historical loss factors applied to the loan portfolios and the decrease in specific reserve.

Management believes that the allowance for loan and lease losses as of December 31, 2019 is appropriate based on the facts and circumstances discussed further below.

Commercial Real Estate Loans

The allowance for commercial real estate loan losses was $30.3 million, or 0.83% of total commercial real estate loans outstanding, as of December 31, 2019. This compared to an allowance for commercial real estate loan losses of $28.2 million, or 0.84% of total commercial real estate loans outstanding, as of December 31, 2018. Specific reserves on commercial real estate loans were $7.0 thousand as of December 31, 2019, compared to $5.0 thousand at December 31, 2018. The $2.1 million increase in the allowance for commercial real estate loan losses during 2019 was primarily driven by originated loan growth of $375.7 million, or 11.9% from December 31, 2018, partially offset by the decrease in reserve due to changes in historical loss factors applied to the loan portfolios.

The ratio of total criticized and classified commercial real estate loans to total commercial real estate loans increased to 0.81% as of December 31, 2019 from 0.64% as of December 31, 2018. The ratio of originated commercial real estate loans on nonaccrual to total originated commercial real estate loans decreased to 0.08% as of December 31, 2019 from 0.14% as of December 31, 2018.

There were no charge-offs or recoveries on commercial real estate loans for the year ended December 31, 2019, as compared to the net charge-offs of $103.0 thousand, or 0.003% of average commercial real estate loans, for the year ended December 31, 2018. The net charge-offs in 2018 were for an acquired commercial real estate relationship. 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 $24.8 million, or 1.35% of total commercial loans and leases outstanding, as of December 31, 2019, compared to $25.3 million, or 1.43% of total commercial loans and leases outstanding, as of December 31, 2018. Specific reserves on commercial loans and leases decreased from $3.0 million as of December 31, 2018 to $1.7 million as of December 31, 2019. The $0.5 million decrease in the allowance for commercial loans and lease losses during 2019 was primarily driven by the decrease in specific reserves to commercial loans and leases, partially offset by the reserve for originated loan growth of $78.8 million, or 4.5% from December 31, 2018.

The ratio of total criticized and classified commercial loans and leases to total commercial loans and leases decreased to 2.03% as of December 31, 2019, from 2.10% as of December 31, 2018. The ratio of originated commercial loans and leases on nonaccrual to total originated commercial loans and leases portfolios decreased to 0.81% as of December 31, 2019 from 0.93% as of December 31, 2018.

Net charge-offs increased $2.9 million to $7.2 million, or 0.39% of average commercial loans and leases, for the year ended December 31, 2019, compared with net charge-offs of $4.3 million, or 0.25% of average commercial loans and leases, for the year ended December 31, 2018. The increase in net charge-offs was primarily due to an increase in the charge-offs of the equipment financing loans in the current 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 $6.0 million, or 0.49% of total consumer loans outstanding, as of December 31, 2019, compared to $5.2 million, or 0.44% of consumer loans outstanding, as of December 31, 2018. Specific reserves on consumer loans were $110.0 thousand and $115.0 thousand as of December 31, 2019 and December 31, 2018, respectively. The $0.8 million increase in the allowance for consumer loans and leases during 2019 was primarily due to the originated loan growth of $86.1 million, or 8.5%, from December 31, 2018.

The ratio of originated consumer loans on nonaccrual to total originated consumer loans decreased to 0.09% as of December 31, 2019 from 0.20% as of December 31, 2018. 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, 2019. 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 recoveries in the consumer loan portfolio totaled $0.1 million, or 0.01% of average consumer loans, for the year ended December 31, 2019, compared with net charge-offs of $0.3 million, or 0.03% of average consumer loans, for the year ended December 31, 2018. 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,								
	2019			2018			2017		
	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	$ 21,519	35.3%	37.0%	$ 20,779	35.4%	37.0%	$ 20,089	34.3%	38.0%
Multi-family mortgage	6,436	10.5%	13.8%	5,915	10.1%	13.4%	5,667	9.7%	13.3%
Construction	2,330	3.8%	3.7%	1,494	2.5%	2.7%	1,356	2.3%	2.4%
Total commercial real estate loans	30,285	49.6%	54.5%	28,188	48.0%	53.1%	27,112	46.3%	53.7%
Commercial	12,849	21.0%	10.8%	14,047	23.9%	11.7%	15,366	26.2%	12.3%
Equipment financing	11,595	19.0%	15.6%	10,888	18.6%	15.6%	10,586	18.1%	15.1%
Condominium association	382	0.6%	0.8%	347	0.6%	0.8%	381	0.7%	0.9%
Total commercial loans and leases	24,826	40.6%	27.2%	25,282	43.1%	28.1%	26,333	45.0%	28.3%
Residential mortgage	3,717	6.1%	12.1%	3,076	5.2%	12.4%	2,743	4.7%	11.5%
Home equity	2,132	3.5%	5.6%	2,047	3.5%	6.0%	2,219	3.8%	6.2%
Other consumer	122	0.2%	0.6%	99	0.2%	0.4%	185	0.2%	0.3%
Total consumer loans	5,971	9.8%	18.3%	5,222	8.9%	18.8%	5,147	8.7%	18.0%
Total	$ 61,082	100.0%	100.0%	$ 58,692	100.0%	100.0%	$ 58,592	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,					
	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
	(Dollars in Thousands)					
Commercial real estate	$ 19,354	36.1%	38.1%	$ 21,100	37.3%	37.5%
Multi-family mortgage	5,528	10.3%	13.5%	6,376	11.2%	13.2%
Construction	2,763	5.1%	2.5%	2,675	4.7%	2.6%
Total commercial real estate loans	27,645	51.5%	54.1%	30,151	53.2%	53.3%
Commercial	10,096	18.8%	11.8%	12,745	22.5%	11.9%
Equipment financing	10,345	19.3%	14.8%	8,809	15.5%	14.5%
Condominium association	465	0.9%	1.1%	464	0.8%	1.2%
Total commercial loans and leases	20,906	39.0%	27.7%	22,018	38.8%	27.6%
Residential mortgage	2,587	4.8%	11.6%	2,069	3.6%	12.3%
Home equity	2,356	4.4%	6.3%	2,149	3.8%	6.3%
Other consumer	172	0.3%	0.3%	352	0.6%	0.5%
Total consumer loans	5,115	9.5%	18.2%	4,570	8.0%	19.1%
Unallocated	—	—%	—%	—	—%	—%
Total	$ 53,666	100.0%	100.0%	$ 56,739	100.0%	100.0%

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 decreased $44.2 million, or 6.2%, to $667.1 million as of December 31, 2019 from $711.4 million as of December 31, 2018. The decrease was primarily driven by growth in loans and leases, partially offset by a decrease in the investment portfolio and an increase in deposit balances. Cash, cash equivalents, and investment securities were 8.49% of total assets as of December 31, 2019, compared to 9.62% of total assets at December 31, 2018.

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,					
	2019		2018		2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)					
Investment securities available-for-sale:						
GSE debentures	$ 182,922	$ 185,803	$ 184,072	$ 181,079	$ 151,483	$ 149,924
GSE CMOs	87,001	85,932	107,363	103,130	131,082	127,022
GSE MBSs	153,049	153,343	169,334	165,089	191,281	189,313
SBA commercial loan asset- backed securities	34	34	51	51	73	72
Corporate debt obligations	28,484	28,986	40,618	39,708	62,811	62,683
U.S. Treasury bonds	44,675	44,897	13,812	13,736	8,785	8,730
Trust preferred securities	—	—	—	—	1,471	1,398
Marketable equity securities	—	—	—	—	978	982
Total investment securities available-for-sale	$ 496,165	$ 498,995	$ 515,250	$ 502,793	$ 547,964	$ 540,124
Investment securities held-to-maturity:						
GSE debentures	$ 31,228	$ 31,290	$ 50,546	$ 49,601	$ 41,612	$ 40,801
GSE MBSs	9,360	9,279	11,426	11,131	13,923	13,705
Municipal obligations	45,692	46,514	52,304	51,598	53,695	53,517
Foreign government obligations	500	478	500	500	500	500
Total investment securities held-to-maturity	$ 86,780	$ 87,561	$ 114,776	$ 112,830	$ 109,730	$ 108,523
Equity securities held-for-trading		$ 3,581		$ 4,207	$ —	$ —
Restricted equity securities:						
FHLBB stock	$ 35,482		$ 43,655		$ 42,427	
FRB stock	18,084		17,995		16,842	
Other	252		101		100	
Total restricted equity securities	$ 53,818		$ 61,751		$ 59,369	

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 decreased $39.7 million, or 4.2% since December 31, 2018. As of December 31, 2019, total securities portfolio was 8.14% of total assets, compared to 9.19% of total assets as of December 31, 2018.

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 equity securities held-for-trading 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, trust preferred securities, and equity securities held-for-trading, all of which are included in Level 1 and 2.

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.

As of December 31, 2019, the fair value of all investment securities available-for-sale was $499.0 million and carried a total of $2.8 million of net unrealized gains, compared to a fair value of $502.8 million and net unrealized losses of $12.5 million as of December 31, 2018. As of December 31, 2019, $205.6 million, or 41.2%, of the portfolio, had gross unrealized losses of $1.8 million. This compares to $466.7 million, or 92.8%, of the portfolio with gross unrealized losses of $12.8 million as of December 31, 2018. The Company's unrealized loss position decreased in 2019 driven by 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, 2019. 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, 2019, 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 $17.4 million were backed explicitly by the full faith and credit of the U.S. Government, compared to $20.6 million as of December 31, 2018.

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, 2019, the Company owned 60 GSE debentures with a total fair value of $185.8 million, and a net unrealized gain of $2.9 million. As of December 31, 2018, the Company held 60 GSE debentures with a total fair value of $181.1 million, and a net unrealized loss of $3.0 million. As of December 31, 2019, 5 of the 60 securities in this portfolio were in an unrealized loss position. As of December 31, 2018, 51 of the 60 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 year ended December 31, 2019, the Company did not purchase any GSE debentures, compared to the year ended December 31, 2018, when the Company purchased a total of $33.9 million of GSE debentures.

As of December 31, 2019, the Company owned 61 GSE CMOs with a total fair value of $85.9 million and a net unrealized loss of $1.1 million. As of December 31, 2018, the Company held 61 GSE CMOs with a total fair value of $103.1 million with a net unrealized loss of $4.2 million. As of December 31, 2019, 45 of the 61 securities in this portfolio were in an unrealized loss position. As of December 31, 2018, 46 of the 61 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, 2019 and 2018, the Company did not purchase any GSE CMOs.

As of December 31, 2019, the Company owned 150 GSE MBSs with a total fair value of $153.3 million and a net unrealized gain of $0.3 million. As of December 31, 2018, the Company held 162 GSE MBSs with a total fair value of $165.1 million with a net unrealized loss of $4.2 million. As of December 31, 2019, 48 of the 150 securities in this portfolio were in an unrealized loss position. As of December 31, 2018, 93 of the 162 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, 2019 and 2018, the Company purchased a total of $19.6 million and $15.2 million, respectively, of GSE MBSs.

SBA Commercial Loan Asset-Backed Securities

As of December 31, 2019, the Company owned four SBA securities with a total fair value of $34.0 thousand, which approximated amortized cost. As of December 31, 2018, the Company owned four SBA securities with a total fair value of $0.1 million which approximated amortized cost. As of December 31, 2019, 3 of the 4 securities in this portfolio were in an unrealized loss position. As of December 31, 2018, all four of the 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. For the years ended December 31, 2019 and 2018, the Company did not purchase any SBA securities.

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. As of December 31, 2019, the Company owned 8 corporate obligation securities with a total fair value of $29.0 million and a net unrealized gain of $0.5 million. This compares to 11 corporate obligation securities with a total fair value of $39.7 million and a net unrealized loss of $0.9 million as of December 31, 2018. As of December 31, 2019, none of the securities in this portfolio were in an unrealized loss position. As of December 31, 2018, all 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, 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. For the years ended December 31, 2019 and December 31, 2018, the Company did not purchase any corporate obligations.

U.S. Treasury Bonds

The Company invests in securities issued by the U.S. government. As of December 31, 2019, the Company owned 9 U.S. Treasury bonds with a total fair value of $44.9 million and a net unrealized gain of $0.2 million. As of December 31, 2018, the Company owned 7 U.S. Treasury bonds with a total fair value of $13.7 million and a net unrealized loss of $0.1 million. As of December 31, 2019, 5 of the 9 securities were in an unrealized loss position. As of December 31, 2018, 2 of the 7 securities in this portfolio were in unrealized loss positions. For the years ended December 31, 2019 and 2018, the Company purchased $30.8 million and $24.7 million in U.S. Treasury bonds, respectively.

Equity Securities Held-for-Trading

From time to time, the Company will invest in equity securities held-for-trading. As of December 31, 2019 and 2018, the Company owned equity securities held-for-trading with a fair value of $3.6 million and $4.2 million, respectively.

Investment Securities Held-to-Maturity

U.S. Government-Sponsored Enterprises

As of December 31, 2019, the Company owned 10 GSE debentures with a total fair value of $31.3 million and a net unrealized gain of $0.1 million. As of December 31, 2018, the Company owned 17 GSE debentures with a total fair value of $49.6 million and a net unrealized loss of $0.9 million. As of December 31, 2019, 4 of the 10 securities in this portfolio were in an unrealized loss position. At December 31, 2018, 14 of the 17 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, 2019, the Company did not purchase any GSE debentures, compared to the year ended December 31, 2018, when the Company purchased a total of $8.9 million in GSE debentures.

As of December 31, 2019, the Company owned 8 GSE MBSs with a total fair value of $9.3 million and a net unrealized loss of $0.1 million. As of December 31, 2018, the Company owned 8 GSE MBSs with a total fair value of $11.1 million and an unrealized loss of $0.3 million. As of December 31, 2019 and 2018, 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, 2019 and 2018, the Company did not purchase any GSE MBSs.

Municipal Obligations

As of December 31, 2019, the Company owned 93 municipal obligation securities with a total fair value and total amortized cost of $46.5 million and $45.7 million, respectively. As of December 31, 2018, the Company owned 98 municipal obligation securities with a total fair value and total amortized cost of $51.6 million and $52.3 million, respectively. As of December 31, 2019, 6 of the 93 securities in this portfolio were in an unrealized loss position as compared to December 31, 2018, when 94 of the 98 securities were in an unrealized loss position. During the years ended December 31, 2019 and 2018, the Company did not purchase any municipal obligations.

Foreign Government Obligations

As of December 31, 2019 and 2018, the Company owned one foreign government obligation security with a fair value and amortized cost of $0.5 million. During the year ended December 31, 2019, the Company repurchased the foreign government obligation security that matured during the first quarter of 2019. As of December 31, 2019 and 2018, the security was in an unrealized loss position. During the year ended December 31, 2019 and 2018, the Company did not purchase any foreign government obligation securities.

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. As of December 31, 2019, the excess balance of capital stock is $0.7 million, as compared to $5.0 million at December 31, 2018.

As of December 31, 2019, the Company owned stock in the FHLBB with a carrying value of $35.5 million, a decrease of $8.2 million from $43.7 million as of December 31, 2018. As of December 31, 2019, the FHLBB had total assets of $55.7 billion and total capital of $3.1 billion, of which $1.5 billion was retained earnings. The FHLBB stated that it remained in compliance with all regulatory capital ratios as of December 31, 2019 and was classified as "adequately capitalized" by its regulator, based on the FHLBB's financial information as of September 30, 2019. 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 2019, 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.

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, 2019									
	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	$ 9,793	1.66%	$ 157,452	2.15%	$ 18,558	2.63%	$ —	—%	$ 185,803	2.17%
GSE CMOs	—	—%	5	6.63%	8,530	1.62%	77,397	1.86%	85,932	1.84%
GSE MBSs	3	4.80%	18,155	1.98%	41,361	2.02%	93,824	2.34%	153,343	2.21%
SBA commercial loan asset- backed securities	—	—%	25	2.20%	9	2.31%	—	—%	34	2.23%
Corporate debt obligations	3,008	2.08%	25,978	2.58%	—	—%	—	—%	28,986	2.53%
U.S. Treasury bonds	—	—%	19,142	2.20%	25,755	1.79%	—	—%	44,897	1.96%
Equity securities held-for-trading (2)	—	—%	—	—%	—	—%	3,581	3.57%	3,581	3.57%
Total investment securities available-for-sale	$ 12,804	1.76%	$ 220,757	2.19%	$ 94,213	2.04%	$ 174,802	2.15%	$ 502,576	2.14%
Investment securities held-to-maturity:										
GSE debentures	$ —	—%	$ 31,228	2.00%	$ —	—%	$ —	—%	$ 31,228	2.00%
GSE MBSs	—	—%	$ 20	—%	—	—%	9,340	1.90%	9,360	1.89%
Municipal obligations	6,366	1.33%	32,149	1.61%	7,177	1.79%	—	—%	45,692	1.60%
Foreign government obligations	—	—%	500	3.25%	—	—%	—	—%	500	3.25%
Total investment securities held-to-maturity	$ 6,366	1.33%	$ 63,897	1.81%	$ 7,177	1.79%	$ 9,340	1.90%	$ 86,780	1.78%
Restricted equity securities (2):										
FHLBB stock	$ —	—%	$ —	—%	$ —	—%	$ 35,482	6.04%	$ 35,482	6.04%
FRB stock	—	—%	—	—%	—	—%	18,084	5.97%	18,084	5.97%
Other stock	—	—%	—	—%	—	—%	252	—%	252	—%
Total restricted equity securities	$ —	—%	$ —	—%	$ —	—%	$ 53,818	5.99%	$ 53,818	5.99%

(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,								
	2019			2018			2017		
	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	$ 1,141,578	19.6%	—%	$ 1,033,551	19.0%	—%	$ 942,583	19.3%	—%
Interest-bearing deposits:									
NOW accounts	371,380	6.4%	0.11%	336,317	6.2%	0.10%	350,568	7.2%	0.07%
Savings accounts	613,467	10.5%	0.46%	619,961	11.4%	0.32%	646,359	13.3%	0.25%
Money market accounts	1,682,005	28.9%	1.15%	1,675,050	30.7%	1.18%	1,724,363	35.4%	0.56%
Certificate of deposit accounts	2,021,642	34.7%	2.26%	1,789,165	32.7%	1.58%	1,207,470	24.8%	1.27%
Total interest-bearing deposits	4,688,494	80.4%	1.46%	4,420,493	81.0%	1.14%	3,928,760	80.7%	0.68%
Total deposits	$ 5,830,072	100.0%	1.17%	$ 5,454,044	100.0%	0.92%	$ 4,871,343	100.0%	0.55%

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 was 115.6% as of December 31, 2019 and 2018.

Total deposits increased $376.0 million, or 6.9%, to $5.8 billion as of December 31, 2019, compared to $5.5 billion as of December 31, 2018. Deposits as a percentage of total assets increased from 73.8% as of December 31, 2018 to 74.2% as of December 31, 2019. The increase in deposits as a percentage of total assets is primarily due to the growth in the demand checking and certificate of deposit balance.

As of December 31, 2019, the Company had $349.9 million of brokered deposits compared to $350.7 million as of December 31, 2018. 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, which are included in the certificate of deposit balance, increased $232.5 million, or 13.0%, during 2019. Certificates of deposit have also increased as a percentage of total deposits to 34.7% as of December 31, 2019 from 32.8% as of December 31, 2018.

In 2019, core deposits increased $143.6 million. The ratio of core deposits to total deposits decreased from 67.2% as of December 31, 2018 to 65.3% as of December 31, 2019, primarily due to the shift in deposit mix and increase in certificate of deposits.

The Company's growth in deposits and the shift in the mix of deposits in 2019 and 2018 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,								
	2019			2018			2017		
	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	$ 1,070,859	18.9%	—%	$ 997,179	19.3%	—%	$ 912,743	19.3%	—%
NOW accounts	339,275	6.0%	0.13%	340,194	6.6%	0.08%	322,681	6.8%	0.07%
Savings accounts	608,022	10.7%	0.48%	618,674	12.0%	0.29%	620,757	13.1%	0.21%
Money market accounts	1,682,676	29.7%	1.26%	1,715,057	33.1%	0.90%	1,761,112	37.2%	0.50%
Total core deposits	3,700,832	65.4%	0.66%	3,671,104	71.0%	0.48%	3,617,293	76.4%	0.29%
Certificate of deposit accounts	1,956,350	34.6%	2.30%	1,497,473	29.0%	1.64%	1,116,909	23.6%	1.16%
Total deposits	$ 5,657,182	100.0%	1.23%	$ 5,168,577	100.0%	0.81%	$ 4,734,202	100.0%	0.49%

As of December 31, 2019 and 2018, the Company had outstanding certificate of deposit of $100,000 or more, maturing as follows:

	At December 31,			
	2019		2018	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)			
Maturity period:				
Six months or less	$ 410,973	2.25%	$ 261,170	1.63%
Over six months through 12 months	338,578	2.36%	270,897	1.97%
Over 12 months	373,632	2.48%	418,167	2.38%
Total certificate of deposit of $100,000 or more	$ 1,123,183	2.36%	$ 950,234	2.06%

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,		
	2019	2018	2017
	(Dollars in Thousands)		
Borrowed funds:			
Average balance outstanding	$ 920,385	$ 1,075,446	$ 1,013,360
Maximum amount outstanding at any month end during the year	987,835	1,208,920	1,093,693
Balance outstanding at end of year	902,749	920,542	1,020,819
Weighted average interest rate for the period	2.65%	2.22%	1.61%
Weighted average interest rate at end of period	2.53%	2.55%	1.82%

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 $25.9 million to $758.5 million as of December 31, 2019 from the December 31, 2018 balance of $784.4 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 $10.0 million to $42.7 million as of December 31, 2019 from $52.7 million as of December 31, 2018.

The Company has access to a $12.0 million committed line of credit as of December 31, 2019. As of December 31, 2019 and December 31, 2018, 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 $475.0 million. As of December 31, 2019 the Company had $18 million in borrowings on outstanding uncommitted lines as compared to December 31, 2018, when the Company had no borrowings on outstanding uncommitted lines.

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.

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, 2019, the Company had capitalized costs of $1.0 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, 2019**	**December 31, 2018**
			(Dollars in Thousands)		
June 26, 2003	Variable; 3-month LIBOR + 3.10%	June 26, 2033	March 25, 2020	$ 4,826	$ 4,803
March 17, 2004	Variable; 3-month LIBOR + 2.79%	March 17, 2034	March 16, 2020	4,739	4,704
September 15, 2014	6.0% Fixed-to-Variable; 3-month LIBOR + 3.315%	September 15, 2029	September 15, 2024	74,026	73,926
			Total	$ 83,591	$ 83,433

Derivative Financial Instruments

The Company has entered into loan level derivatives, risk participation agreements, and foreign exchange contracts with certain 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, 2019 or 2018.

The following table summarizes certain information concerning the Company's loan level derivatives, risk participation agreements, and foreign exchange contracts at December 31, 2019 and 2018:

	At December 31, 2019	At December 31, 2018
	(Dollars in Thousands)	
Loan level derivatives (Notional Amount):		
Receive fixed, pay variable	$ 1,101,193	$ 719,625
Pay fixed, receive variable	1,101,193	719,625
Risk participation-out agreements	235,693	100,531
Risk participation-in agreements	55,281	35,838
Foreign exchange contracts (Notional Amount)		
Buys foreign currency, sells U.S. currency	$ 1,125	$ 6,573
Sells foreign currency, buys U.S. currency	1,230	6,582
Fixed weighted average interest rate from the Company to counterparty	3.54%	4.25%
Floating weighted average interest rate from counterparty to the Company	2.88%	4.00%
Weighted average remaining term to maturity (in months)	91	90
Fair value:		
Recognized as an asset:		
Loan level derivatives	$ 59,365	$ 22,013
Risk participation-out agreements	1,229	344
Foreign exchange contracts	54	131
Recognized as a liability:		
Loan level derivatives	$ 59,365	$ 22,013
Risk participation-in agreements	283	84
Foreign exchange contracts	53	123

Stockholders' Equity and Dividends

The Company's total stockholders' equity was $945.6 million as of December 31, 2019, representing a $45.5 million increase compared to $900.1 million at December 31, 2018. The increase is due to net income of $87.7 million for the year ended December 31, 2019, and other comprehensive income of $11.7 million, which was partially offset by dividends paid by the Company of $35.1 million and redemption of noncontrolling interest in subsidiary of $18.5 million in 2019.

For the year ended December 31, 2019, the dividend payout ratio was 40.0%, compared to 37.9% for the year ended December 31, 2018. The dividends paid in the fourth quarter of 2019 represented the Company's 83rd consecutive quarter of dividend payments. The Company's quarterly dividend distribution was $0.110 per share for the first and second quarter of 2019, which then increased to $0.115 per share for the third and fourth quarter of 2019.

On December 4, 2019, the Board of Directors (the "Board") of the Company approved a stock repurchase program authorizing management to repurchase up to $10.0 million of the Company's common stock over a period of twelve months commencing on January 1, 2020 and ending on December 31, 2020. As of December 31, 2019, 103,758 shares of the Company's common stock were repurchased. In 2018, the Company had repurchased 725,583 shares at a weighted average price of $13.78. In 2017, no shares of the Company's common stock were repurchased by the Company.

Stockholders' equity represented 12.04% of total assets as of December 31, 2019 and 12.18% of total assets as of December 31, 2018. Tangible stockholders' equity (total stockholders' equity less goodwill and identified intangible assets, net) represented 10.15% of tangible assets (total assets less goodwill and identified intangible assets, net) as of December 31, 2019 and December 31, 2018.

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.

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, 2019, 2018 and 2017. 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,								
	2019			2018			2017		
	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	$ 585,360	$ 12,483	2.13%	$ 653,652	$ 14,174	2.17%	$ 634,930	$ 12,964	2.04%
Marketable and restricted equity securities	59,751	3,516	5.88%	67,640	3,973	5.88%	65,992	3,065	4.64%
Short-term investments	71,090	1,523	2.14%	38,437	700	1.82%	40,847	442	1.08%
Total investments	716,201	17,522	2.45%	759,729	18,847	2.48%	741,769	16,471	2.22%
Commercial real estate loans (2)	3,492,848	164,082	4.63%	3,235,101	146,147	4.46%	2,968,673	123,000	4.09%
Commercial loans (2)	817,347	39,839	4.81%	813,815	37,616	4.56%	739,369	30,904	4.13%
Equipment financing (2)	1,012,698	74,066	7.31%	919,047	63,968	6.96%	830,755	55,164	6.64%
Residential mortgage loans (2)	783,556	32,926	4.20%	746,372	29,773	3.99%	645,925	23,593	3.65%
Other consumer loans (2)	414,730	19,835	4.78%	401,425	18,216	4.53%	366,713	15,328	4.18%
Total loans and leases	6,521,179	330,748	5.07%	6,115,760	295,720	4.84%	5,551,435	247,989	4.47%
Total interest-earning assets	7,237,380	348,270	4.81%	6,875,489	314,567	4.58%	6,293,204	264,460	4.20%
Allowance for loan and lease losses	(58,871)			(59,154)			(62,972)		
Non-interest-earning assets	476,125			406,746			377,002		
Total assets	$ 7,654,634			$ 7,223,081			$ 6,607,234		
Liabilities and Stockholders' Equity:									
Interest-bearing liabilities:									
Interest-bearing deposits:									
NOW accounts	$ 339,275	436	0.13%	$ 340,194	283	0.08%	$ 322,681	225	0.07%
Savings accounts	608,022	2,900	0.48%	618,674	1,804	0.29%	620,757	1,297	0.21%
Money market accounts	1,682,676	21,206	1.26%	1,715,057	15,369	0.90%	1,761,112	8,863	0.50%
Certificate of deposit	1,956,350	45,073	2.30%	1,497,473	24,522	1.64%	1,116,909	12,903	1.16%
Total interest-bearing deposits (3)	4,586,323	69,615	1.52%	4,171,398	41,978	1.01%	3,821,459	23,288	0.61%
Advances from the FHLBB	757,598	18,701	2.43%	946,017	18,650	1.94%	884,266	11,330	1.26%
Subordinated debentures and notes	83,511	5,206	6.23%	83,350	5,181	6.22%	83,186	5,081	6.11%
Other borrowed funds	79,276	804	1.01%	46,079	385	0.83%	45,908	170	0.37%
Total borrowed funds	920,385	24,711	2.65%	1,075,446	24,216	2.22%	1,013,360	16,581	1.61%
Total interest-bearing liabilities	5,506,708	94,326	1.71%	5,246,844	66,194	1.26%	4,834,819	39,869	0.82%
Non-interest-bearing liabilities:									
Non-interest-bearing demand checking accounts (3)	1,070,859			997,179			912,743		
Other non-interest-bearing liabilities	159,690			96,560			78,965		
Total liabilities	6,737,257			6,340,583			5,826,527		
Brookline Bancorp, Inc. stockholders' equity	917,286			873,388			773,244		
Noncontrolling interest in subsidiary	91			9,110			7,463		
Total liabilities and equity	$ 7,654,634			$ 7,223,081			$ 6,607,234		
Net interest income (tax-equivalent basis) / Interest-rate spread (4)		253,944	3.10%		248,373	3.32%		224,591	3.38%
Less adjustment of tax-exempt income		644			674			1,410	
Net interest income		$ 253,300			$ 247,699			$ 223,181	
Net interest margin (5)			3.51%			3.61%			3.57%

(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 1.23%, 0.81% and 0.49% in the years ended December 31, 2019, 2018 and 2017, 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, 2019 and December 31, 2018"* and *"Comparison of Years Ended December 31, 2018 and December 31, 2017"* 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, 2019 Compared to Year Ended December 31, 2018			Year Ended December 31, 2018 Compared to Year Ended December 31, 2017		
	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	$ (1,437)	$ (254)	$ (1,691)	$ 383	$ 827	$ 1,210
Marketable and restricted equity securities	(457)	—	(457)	78	830	908
Short-term investments	682	141	823	(27)	285	258
Total investments	(1,212)	(113)	(1,325)	434	1,942	2,376
Loans and leases:						
Commercial real estate loans	12,131	5,804	17,935	11,527	11,620	23,147
Commercial loans and leases	163	2,060	2,223	3,300	3,412	6,712
Equipment financing	6,761	3,337	10,098	6,057	2,747	8,804
Residential mortgage loans	1,533	1,620	3,153	3,865	2,315	6,180
Other consumer loans	607	1,012	1,619	1,532	1,356	2,888
Total loans	21,195	13,833	35,028	26,281	21,450	47,731
Total change in interest and dividend income	19,983	13,720	33,703	26,715	23,392	50,107
Interest expense:						
Deposits:						
NOW accounts	(1)	154	153	16	42	58
Savings accounts	(32)	1,128	1,096	(4)	511	507
Money market accounts	(293)	6,130	5,837	(240)	6,746	6,506
Certificate of deposit	8,884	11,667	20,551	5,247	6,372	11,619
Total deposits	8,558	19,079	27,637	5,019	13,671	18,690
Borrowed funds:						
Advances from the FHLBB	(4,065)	4,116	51	839	6,481	7,320
Subordinated debentures and notes	14	11	25	10	90	100
Other borrowed funds	322	97	419	1	214	215
Total borrowed funds	(3,729)	4,224	495	850	6,785	7,635
Total change in interest expense	4,829	23,303	28,132	5,869	20,456	26,325
Change in tax-exempt income	(30)	—	(30)	(736)	—	(736)
Change in net interest income	$ 15,184	$ (9,583)	$ 5,601	$ 21,582	$ 2,936	$ 24,518

See *"Comparison of Years Ended December 31, 2019 and December 31, 2018"* and *"Comparison of Years Ended December 31, 2018 and December 31, 2017"* 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, 2019 and December 31, 2018

Net Interest Income

Net interest income increased $5.6 million to $253.3 million for the year ended December 31, 2019 from $247.7 million for the year ended December 31, 2018. The increase year over year reflects a $35.1 million increase in interest income on loans and leases, partially offset by a $1.7 million decrease in interest income on debt securities and a $28.1 million increase in interest expense on deposit and borrowings, which is reflective of the various portfolios repricing and replacing balances into the current interest rate environment.

Net interest margin decreased by 10 basis points to 3.51% in 2019 from 3.61% in 2018. The Company's weighted average interest rate on loans (prior to purchase accounting adjustments) increased to 5.07% for the year ended December 31, 2019 from 4.84% for the year ended December 31, 2018. Interest amortization and accretion on acquired loans totaled $0.6 million and contributed 1 basis point to 2019 loan yields, compared to $0.7 million and 1 basis point in 2018. The decrease in net interest margin over the period is a result of most asset categories being fully repriced into the current rate environment, while deposit costs continue to rise due to market competition and shifting demand for non maturity versus time deposits.

The yield on interest-earning assets increased to 4.81% for the year ended December 31, 2019 from 4.58% for the year ended December 31, 2018. This increase is the result of higher yields on loans and leases. During the year ended December 31, 2019, the Company recorded $5.0 million in prepayment penalties and late charges, which contributed 7 basis points to yields on interest-earning assets in the year ended December 31, 2019 compared to $3.5 million, or 5 basis points, for the year ended December 31, 2018.

The overall cost of funds (including non-interest-bearing demand checking accounts) increased 45 basis points to 1.71% for the year ended December 31, 2019 from 1.26% for the year ended December 31, 2018. 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. In general, the Company's balance sheet position should respond positively in a rising interest rate environment and when the rate curves are steepening which should result 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,			
	2019	2018	Dollar Change	Percent Change
	(Dollars in Thousands)			
Interest income—loans and leases:				
Commercial real estate loans	$ 164,082	$ 146,146	$ 17,936	12.3%
Commercial loans	39,436	37,166	2,270	6.1%
Equipment financing	74,066	63,968	10,098	15.8%
Residential mortgage loans	32,926	29,773	3,153	10.6%
Other consumer loans	19,835	18,216	1,619	8.9%
Total interest income—loans and leases	$ 330,345	$ 295,269	$ 35,076	11.9%

Interest income from loans and leases was $330.3 million for 2019, and represented a yield on total loans of 5.07%. This compares to $295.3 million of interest on loans and a yield of 4.84% for 2018. This $35.1 million increase in interest income from loans and leases was attributable to an increase in the origination volume of $21.2 million and an increase of $13.8 million due to the changes in interest rates.

Accretion on acquired loans and leases of $0.6 million contributed 1 basis point to the Company's net interest margin for the year ended December 31, 2019, compared to $0.7 million and 1 basis point for the year ended December 31, 2018. 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, 2019	Year Ended December 31, 2018	Dollar Change	Percent Change
	(Dollars in Thousands)			
Interest income—investments:				
Debt securities	$ 12,281	$ 13,960	$ (1,679)	(12.0)%
Held-for-trading and restricted equity securities	3,477	3,964	(487)	(12.3)%
Short-term investments	1,523	700	823	117.6 %
Total interest income—investments	$ 17,281	$ 18,624	$ (1,343)	(7.2)%

Total investment income was $17.3 million for the year ended December 31, 2019 compared to $18.6 million for the year ended December 31, 2018. As of December 31, 2019, the yield on total investments was 2.45% as compared to 2.48% as of December 31, 2018. This year over year decrease in total investment income of $1.3 million, or 7.2%, was driven by a $0.1 million decrease due to rates and a $1.2 million decrease due to volume.

Interest Expense—Deposits and Borrowed Funds

	Year Ended December 31, 2019	Year Ended December 31, 2018	Dollar Change	Percent Change
	(Dollars in Thousands)			
Interest expense:				
Deposits:				
NOW accounts	$ 436	$ 283	$ 153	54.1%
Savings accounts	2,900	1,804	1,096	60.8%
Money market accounts	21,206	15,369	5,837	38.0%
Certificate of deposit	45,073	24,522	20,551	83.8%
Total interest expense—deposits	69,615	41,978	27,637	65.8%
Borrowed funds:				
Advances from the FHLBB	18,701	18,650	51	0.3%
Subordinated debentures and notes	5,206	5,181	25	0.5%
Other borrowed funds	804	385	419	108.8%
Total interest expense—borrowed funds	24,711	24,216	495	2.0%
Total interest expense	$ 94,326	$ 66,194	$ 28,132	42.5%

Deposits

In 2019, interest paid on deposits increased $27.6 million, or 65.8%, as compared to 2018. Interest expense increased $19.1 million due to an increase in interest rates and $8.6 million due to the growth in deposits. Purchase accounting amortization on acquired deposits for the year ended December 31, 2019 was $0.4 million, compared to $0.8 million for the year ended December 31, 2018. Purchase accounting amortization impacted the Company's net interest margin by 1 basis point in 2019, compared to 1 basis point in 2018.

Borrowed Funds

As of December 31, 2019 the Company's borrowed funds include: $758.5 million in FHLBB advances, $83.6 million in subordinated debentures and notes, and $60.7 million in other borrowed funds. In 2019, the average balance of FHLBB advances decreased $188.4 million, or 19.9%, while the average balance of subordinated debentures and notes increased $0.2 million, or 0.2%. Other borrowed funds, which include repurchase agreements, increased $33.2 million, or 72.0%, for the year ended December 31, 2019.

During the year ended December 31, 2019, interest paid on borrowed funds increased $0.5 million, or 2.0% year over year, primarily driven by an increase in other borrowed funds. The cost of borrowed funds was 2.65% for the year ended December 31, 2019 as compared to 2.22% for the year ended December 31, 2018. This change was driven by an increase of $4.2 million due to borrowing rates, partially offset by a decrease of $3.7 million in interest expense due to volume. For the years ended December 31, 2019 and December 31, 2018, the purchase accounting accretion on acquired borrowed funds was $0.1 million which did not contribute any 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,	
	2019	2018	2019	2018	2019	2018
	(In Thousands)					
Provision (credit) for loan and lease losses:						
Commercial real estate	$ 1,798	$ 254	$ 300	$ 924	$ 2,098	$ 1,178
Commercial	6,539	3,699	227	(451)	6,766	3,248
Consumer	713	556	(16)	(231)	697	325
Total provision (credit) for loan and lease losses	9,050	4,509	511	242	9,561	4,751
Unfunded credit commitments	22	200	—	—	22	200
Total provision (credit) for credit losses	$ 9,072	$ 4,709	$ 511	$ 242	$ 9,583	$ 4,951

For the year ended December 31, 2019, the provision for credit losses increased $4.6 million, or 93.6%, to $9.6 million from $5.0 million for the year ended December 31, 2018. The increase in the provision for credit losses for the year ended December 31, 2019 was primarily driven by an increase in the net charge-offs in equipment financing loans and the increases in reserves for loan growth and acquired loans, partially offset by decreased reserves required due to changes in historical loss factors and the decrease in specific reserves. 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 $1.9 million as of December 31, 2019 and December 31, 2018. No credit commitments were charged off against the Company's liability account for the years ended December 31, 2019 and 2018.

Non-Interest Income

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

	Year Ended December 31,		Dollar Change	Percent Change
	2019	2018		
	(Dollars in Thousands)			
Deposit fees	$ 10,623	$ 10,400	$ 223	2.1 %
Loan fees	2,097	1,427	670	47.0 %
Loan level derivative income, net	8,262	5,440	2,822	51.9 %
Gain on sales of investment securities, net	508	227	281	123.8 %
Gain on sales of loans and leases held-for-sale	1,709	1,883	(174)	(9.2)%
Other	6,594	5,847	747	12.8 %
Total non-interest income	$ 29,793	$ 25,224	$ 4,569	18.1 %

For the year ended December 31, 2019, non-interest income increased $4.6 million, or 18.1%, to $29.8 million as compared to $25.2 million the same period in 2018. This increase is primarily due to a $2.8 million increase in loan level derivative income, a $0.7 million increase in other income, and a $0.7 million increase in loan fees.

Other income increased $0.7 million, or 12.8%, to $6.6 million for the year ended December 31, 2019 from $5.8 million for the same period of 2018, primarily driven by higher derivative activity.

Loan fees increased $0.7 million, or 47.0%, to $2.1 million for the year ended December 31, 2019 from $1.4 million for the same period of 2018, primarily driven by miscellaneous fees.

Non-Interest Expense

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

	Year Ended December 31, 2019	Year Ended December 31, 2018	Dollar Change	Percent Change
	(Dollars in Thousands)			
Compensation and employee benefits	$ 96,554	$ 91,535	$ 5,019	5.5 %
Occupancy	15,696	14,991	705	4.7 %
Equipment and data processing	18,652	18,213	439	2.4 %
Professional services	4,366	4,404	(38)	(0.9)%
FDIC insurance	1,445	2,722	(1,277)	(46.9)%
Advertising and marketing	4,044	4,016	28	0.7 %
Amortization of identified intangible assets	1,663	2,080	(417)	(20.0)%
Merger and acquisition expense	1,125	3,787	(2,662)	(70.3)%
Other	13,936	13,484	452	3.4 %
Total non-interest expense	$ 157,481	$ 155,232	$ 2,249	1.4 %

For the year ended December 31, 2019, non-interest expense increased $2.2 million, or 1.4%, to $157.5 million as compared to $155.2 million for the same period in 2018. This increase is primarily due to a $5.0 million increase in compensation and employee benefits expense, partially offset by a decrease of $2.7 million in merger and acquisition expense, and a $1.3 million decrease in FDIC insurance expense.

The efficiency ratio decreased to 55.63% for the year ended December 31, 2019 from 56.88% for the same period in 2018. The decrease year over year was primarily driven by higher net interest income and non-interest income in 2019.

Compensation and employee benefits expense increased $5.0 million, or 5.5%, to $96.6 million for the year ended December 31, 2019 from $91.5 million for the same period in 2018. The increase was primarily driven by an increase in employee headcount and annual salary increases.

Merger and acquisition expense decreased $2.7 million, or 70.3%, to $1.1 million for the year ended December 31, 2019 from $3.8 million for the same period in 2018, due to the closing of the First Commons Bank acquisition in 2018.

FDIC insurance expense decreased $1.3 million, or 46.9%, to $1.4 million for the year ended December 31, 2019 from $2.7 million for the same period in 2018. The decrease was primarily driven by bank assessment credits from the FDIC.

Provision for Income Taxes

	Year Ended December 31, 2019	Year Ended December 31, 2018	Dollar Change	Percent Change
	(Dollars in Thousands)			
Income before provision for income taxes	$ 116,029	$ 112,740	$ 3,289	2.9%
Provision for income taxes	28,269	26,189	2,080	7.9%
Net income, before non-controlling interest in subsidiary	$ 87,760	$ 86,551	$ 1,209	1.4%
Effective tax rate	24.4%	23.2%	N/A	5.2%

The Company recorded income tax expense of $28.3 million for 2019, compared to $26.2 million for 2018. This represents an effective tax rate of 24.4% and 23.2% for 2019 and 2018, respectively. The increase in the Company's effective tax rate from 2018 was primarily driven by a $0.7 million adjustment as a result of the Tax Act. Due to the Tax Act, the Company took a one-time adjustment in 2018 that lowered the effective tax rate, which was not repeated in 2019. In addition, Brookline Bank completed the purchase of the remaining interest in Eastern Funding in 2019. Tax savings of approximately $0.9 million were recognized for this portion of Eastern Funding in 2018, but not in 2019.

The Tax Act represents the most comprehensive reform to the U.S. tax code in over thirty years. The majority of the provisions of the Tax Act took effect on January 1, 2018. The Tax Act lowered the Company's federal tax rate from 35% in 2017 to 21% in 2018 and 2019. The Tax Act also contained 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, limited the deductibility of net interest expense, eliminated the corporate alternative minimum tax, limited net operating loss carryforwards to 80% of taxable income and a parking disallowance related to employee parking.

Comparison of Years Ended December 31, 2018 and December 31, 2017

Net Interest Income

Net interest income increased $24.5 million to $247.7 million for the year ended December 31, 2018 from $223.2 million for the year ended December 31, 2017. The increase year over year reflects a $48.2 million increase in interest income on loans and leases, and a $1.4 million increase in interest income on debt securities, partially offset by a $26.3 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 4 basis points to 3.61% in 2018 from 3.57% in 2017. The Company's weighted average interest rate on loans (prior to purchase accounting adjustments) increased to 4.84% for the year ended December 31, 2018 from 4.47% for the year ended December 31, 2017. Interest amortization and accretion on acquired loans totaled $0.7 million and contributed 1 basis point to 2018 loan yields, compared to $0.8 million and 1 basis point in 2017. 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 4.58% for the year ended December 31, 2018 from 4.20% for the year ended December 31, 2017. This increase is the result of higher yields on loans and leases. During the year ended December 31, 2018, the Company recorded $3.5 million in prepayment penalties and late charges, which contributed 5 basis points to yields on interest-earning assets in the year ended December 31, 2018 compared to $3.7 million, or 6 basis points, for the year ended December 31, 2017.

The overall cost of funds (including non-interest-bearing demand checking accounts) increased 44 basis points to 1.26% for the year ended December 31, 2018 from 0.82% for the year ended December 31, 2017. 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 which should result 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, 2018	Year Ended December 31, 2017	Dollar Change	Percent Change
	(Dollars in Thousands)			
Interest income—loans and leases:				
Commercial real estate loans	$ 146,146	$ 123,000	$ 23,146	18.8%
Commercial loans	37,166	29,936	7,230	24.2%
Equipment financing	63,968	55,164	8,804	16.0%
Residential mortgage loans	29,773	23,593	6,180	26.2%
Other consumer loans	18,216	15,329	2,887	18.8%
Total interest income—loans and leases	$ 295,269	$ 247,022	$ 48,247	19.5%

Interest income from loans and leases was $295.3 million for 2018, and represented a yield on total loans of 4.84%. This compares to $247.0 million of interest on loans and a yield of 4.47% for 2017. This $48.2 million increase in interest income from loans and leases was attributable to $26.3 million of increased origination volume and an increase of $21.5 million due to the changes in interest rates.

Accretion on acquired loans and leases of $0.7 million contributed 1 basis point to the Company's net interest margin for the year ended December 31, 2018, compared to $0.8 million and 1 basis point for the year ended December 31, 2017. 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, 2018	Year Ended December 31, 2017	Dollar Change	Percent Change
	(Dollars in Thousands)			
Interest income—investments:				
Debt securities	$ 13,960	$ 12,524	$ 1,436	11.5%
Held-for-trading and restricted equity securities	3,964	3,062	902	29.5%
Short-term investments	700	442	258	58.4%
Total interest income—investments	$ 18,624	$ 16,028	$ 2,596	16.2%

Total investment income was $18.6 million for the year ended December 31, 2018 compared to $16.0 million for the year ended December 31, 2017. As of December 31, 2018, the yield on total investments was 2.48% as compared to 2.22% as of December 31, 2017. This year over year increase in total investment income of $2.6 million, or 16.2%, was driven by a $1.9 million increase due to rates and a $0.4 million increase due to volume.

Interest Expense—Deposits and Borrowed Funds

	Year Ended December 31, 2018	2017	Dollar Change	Percent Change
	(Dollars in Thousands)			
Interest expense:				
Deposits:				
NOW accounts	$ 283	$ 225	$ 58	25.8%
Savings accounts	1,804	1,297	507	39.1%
Money market accounts	15,369	8,863	6,506	73.4%
Certificate of deposit	24,522	12,903	11,619	90.0%
Total interest expense—deposits	41,978	23,288	18,690	80.3%
Borrowed funds:				
Advances from the FHLBB	18,650	11,330	7,320	64.6%
Subordinated debentures and notes	5,181	5,081	100	2.0%
Other borrowed funds	385	170	215	126.5%
Total interest expense—borrowed funds	24,216	16,581	7,635	46.0%
Total interest expense	$ 66,194	$ 39,869	$ 26,325	66.0%

Deposits

Ongoing increases in the interest rates paid on deposits contributed to increases in the Company’s overall cost of deposits.

In 2018, interest paid on deposits increased $18.7 million, or 80.3%, as compared to 2017. Interest expense increased $13.7 million due to an increase in interest rates and $5.0 million due to the growth in deposits. Purchase accounting amortization on acquired deposits for the year ended December 31, 2018 was $0.8 million, compared to no amortization for the year ended December 31, 2017. Purchase accounting amortization impacted the Company's net interest margin by one basis point in 2018, compared to no impact in 2017.

Borrowed Funds

As of December 31, 2018 the Company's borrowed funds include: $784.4 million in FHLBB advances, $83.4 million in subordinated debentures and notes, and $52.7 million in other borrowed funds. In 2018, the average balance of FHLBB advances increased $61.8 million, or 7.0%, while the average balance of subordinated debentures and notes increased $0.2 million, or 0.2%. Other borrowed funds, which include repurchase agreements, increased $0.2 million, or 0.4%, for the year ended December 31, 2018.

During the year ended December 31, 2018, interest paid on borrowed funds increased $7.6 million, or 46.0% year over year, primarily driven by an increase in FHLBB borrowings. The cost of borrowed funds was 2.22% for the year ended December 31, 2018 as compared to 1.61% for the year ended December 31, 2017. This change was driven by an increase of $6.8 million due to borrowing rates and by an increase of $0.9 million in interest expense due to volume. For the year ended December 31, 2018, the purchase accounting accretion on acquired borrowed funds was $0.1 million which did not contribute any basis points to the Company's net interest margin. For the year ended December 31, 2017, the purchase accounting accretion on acquired borrowed funds was $1.0 million which contributed two 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,	
	2018	2017	2018	2017	2018	2017
	(In Thousands)					
Provision (credit) for loan and lease losses:						
Commercial real estate	$ 254	$ (343)	$ 924	$ (172)	$ 1,178	$ (515)
Commercial	3,699	18,899	(451)	284	3,248	19,183
Consumer	556	273	(231)	(157)	325	116
Total provision (credit) for loan and lease losses	4,509	18,829	242	(45)	4,751	18,784
Unfunded credit commitments	200	204	—	—	200	204
Total provision (credit) for credit losses	$ 4,709	$ 19,033	$ 242	$ (45)	$ 4,951	$ 18,988

For the year ended December 31, 2018, the provision for credit losses decreased $14.0 million, or 73.9%, to $5.0 million from $19.0 million for the year ended December 31, 2017. The decrease in the provision for credit losses for the year ended December 31, 2018 was primarily driven by a decrease to net charge-offs as a result of taxi charge-offs of $3.7 million in 2018 compared to $8.5 million in 2017, and decreased reserves required due to changes in historical loss factors, partially offset by the increases in reserves for loan growth and purchased loans. 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 $1.9 million and $1.7 million as of December 31, 2018 and December 31, 2017, respectively. For the year ended December 31, 2018, 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, 2018 and 2017.

Non-Interest Income

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

	Year Ended December 31,		Dollar Change	Percent Change
	2018	2017		
	(Dollars in Thousands)			
Deposit fees	$ 10,400	$ 10,050	$ 350	3.5 %
Loan fees	1,427	1,110	317	28.6 %
Loan level derivative income, net	5,440	2,187	3,253	148.7 %
Gain on sales of investment securities, net	227	11,393	(11,166)	(98.0)%
Gain on sales of loans and leases held-for-sale	1,883	2,644	(761)	(28.8)%
Other	5,847	4,789	1,058	22.1 %
Total non-interest income	$ 25,224	$ 32,173	$ (6,949)	(21.6)%

For the year ended December 31, 2018, non-interest income decreased $7.0 million, or 21.6%, to $25.2 million as compared to $32.2 million the same period in 2017. This decrease is primarily due to an $11.2 million decrease in the gain on sales of investment securities, partly offset by a $3.3 million increase in loan level derivative income due to higher volume, and a $1.1 million increase in other income.

Loan level derivative income increased $3.3 million, or 148.7%, to $5.4 million for the year ended December 31, 2018 from $2.2 million for the same period of 2017, primarily driven by an increase in loan level derivatives completed in 2018.

Gain on sales of investment securities decreased $11.2 million, or 98.0%, to $0.2 million for the year ended December 31, 2018 from $11.4 million for the same period of 2017, primarily driven by the gain on sale of NRS stock in the first quarter of 2017.

Other income increased $1.0 million, or 22.1%, to $5.8 million for the year ended December 31, 2018 from $4.8 million for the same period of 2017, primarily driven by an increase in gain on sale of fixed assets, other income, and foreign exchange outgoing wire income.

Non-Interest Expense

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

	Year Ended December 31, 2018	Year Ended December 31, 2017	Dollar Change	Percent Change
	(Dollars in Thousands)			
Compensation and employee benefits	$ 91,535	$ 82,413	$ 9,122	11.1 %
Occupancy	14,991	14,546	445	3.1 %
Equipment and data processing	18,213	16,854	1,359	8.1 %
Professional services	4,404	4,315	89	2.1 %
FDIC insurance	2,722	3,326	(604)	(18.2)%
Advertising and marketing	4,016	3,369	647	19.2 %
Amortization of identified intangible assets	2,080	2,089	(9)	(0.4)%
Merger and acquisition expense	3,787	411	3,376	821.4 %
Other	13,484	11,788	1,696	14.4 %
Total non-interest expense	$ 155,232	$ 139,111	$ 16,121	11.6 %

For the year ended December 31, 2018, non-interest expense increased $16.1 million, or 11.6%, to $155.2 million as compared to $139.1 million for the same period in 2017. This increase is primarily due to a $9.1 million increase in compensation and employee benefits expense, a $3.4 million increase in merger and acquisition expense, and a $1.7 million increase in other expense.

The efficiency ratio increased to 56.88% for the year ended December 31, 2018 from 54.48% for the same period in 2017. The increase was primarily driven by merger and acquisition expenses associated with the First Commons Bank acquisition.

Compensation and employee benefits expense increased $9.1 million, or 11.1%, to $91.5 million for the year ended December 31, 2018 from $82.4 million for the same period in 2017. The increase was primarily driven by an increase in employee headcount and incentive plan expenses.

Merger and acquisition expense increased $3.4 million, or 821.4%, to $3.8 million for the year ended December 31, 2018 from $0.4 million for the same period in 2017, due to the closing of the First Commons Bank acquisition.

Other expense increased $1.7 million, or 14.4%, to $13.5 million for the year ended December 31, 2018 from $11.8 million for the same period in 2017. The increase was primarily driven by an increase related to OREO expenses.

Provision for Income Taxes

	Year Ended December 31, 2018	2017	Dollar Change	Percent Change
	(Dollars in Thousands)			
Income before provision for income taxes	$ 112,740	$ 97,255	$ 15,485	15.9 %
Provision for income taxes	26,189	43,636	(17,447)	(40.0)%
Net income, before non-controlling interest in subsidiary	$ 86,551	$ 53,619	$ 32,932	61.4 %
Effective tax rate	23.2%	44.9%	N/A	(48.3)%

The Company recorded income tax expense of $26.2 million for 2018, compared to $43.6 million for 2017. This represents an effective tax rate of 23.2% and 44.9% for 2018 and 2017, respectively. The decrease in the Company's effective tax rate from 2017 was primarily driven by $10.3 million less in federal income taxes, as a result of the Tax Act, along with a $9.0 million Tax Cuts and Jobs Act adjustment that was made in 2017.

The Tax Act represents the most comprehensive reform to the U.S. tax code in over thirty years. The majority of the provisions of the Tax Act took effect on January 1, 2018. The Tax Act lowered the Company's federal tax rate from 35% in 2017 to 21% in 2018. The Tax Act also contained 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, limited the deductibility of net interest expense, eliminated the corporate alternative minimum tax, limited net operating loss carryforwards to 80% of taxable income and most recently, a parking disallowance related to employee parking.

As a result of the Tax Act, in 2017, 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 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.

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 are 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 $5.8 billion as of December 31, 2019 and represented 86.6% of total funding (the sum of total deposits and total borrowings), compared to deposits of $5.5 billion, or 85.6% of total funding, as of December 31, 2018. Core deposits, which consist of demand checking, NOW, savings and money market accounts, totaled $3.8 billion as of December 31, 2019 and represented 65.3% of total deposits, compared to core deposits of $3.7 billion, or 67.2% of total deposits, as of December 31, 2018. Additionally, the Company had $349.9 million of brokered deposits as of December 31, 2019, which represented 6.0% of total deposits, compared to $350.7 million or 6.4% of total deposits, as of December 31, 2018. 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 $902.7 million as of December 31, 2019, representing 13.4% of total funding, compared to $920.5 million, or 14.4% of total funding, as of December 31, 2018.

As members of the FHLBB, the Banks have access to both short- and long-term borrowings. As of December 31, 2019, the Company's total borrowing limit from the FHLBB for advances and repurchase agreements was $2.1 billion as compared to $2.1 billion as of December 31, 2018, based on the level of qualifying collateral available for these borrowings.

As of December 31, 2019, the Banks also have access to funding through certain uncommitted lines of credit of $475.0 million. The Company had a $12.0 million committed line of credit for contingent liquidity as of December 31, 2019.

The Company has access to the Federal Reserve Bank "discount window" to supplement its liquidity. The Company has $113.7 million of borrowing capacity at the Federal Reserve Bank as of December 31, 2019. As of December 31, 2019, 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 0% and 10% of total assets. As of December 31, 2019, cash, cash equivalents and investment securities available-for-sale totaled $576.8 million, or 7.3% of total assets. This compares to $592.4 million, or 8.0% of total assets as of December 31, 2018.

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, 2019 and 2018, 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. Refer to Note 19, "Regulatory Capital Requirements", for the Company's and the Banks' actual and required capital amounts and ratios.

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, 2019:					
Advances from the FHLBB	$ 599,262	$ 142,972	$ 4,025	$ 12,210	$ 758,469
Subordinated debentures and notes	—	—	—	83,591	83,591
Other borrowed funds	60,689	—	—	—	60,689
Loan commitments (1)	1,535,417	—	—	—	1,535,417
Occupancy lease commitments (2)	5,886	9,844	5,977	6,163	27,870
Service provider contracts (3)	27,049	83,499	45,064	22,598	178,210
Postretirement benefit obligations (4)	463	1,651	1,453	15,755	19,322
	$ 2,228,766	$ 237,966	$ 56,519	$ 140,317	$ 2,663,568

(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 3 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, 2019 or 2018. 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, 2019.

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, 2019, 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, 2019		December 31, 2018	
Gradual Change in Interest Rate Levels	Dollar Change	Percent Change	Dollar Change	Percent Change
	(Dollars in Thousands)			
Up 300 basis points	$ 29,795	11.5 %	$ 20,134	8.0 %
Up 200 basis points	12,478	4.8 %	9,353	3.7 %
Up 100 basis points	6,265	2.4 %	4,982	2.0 %
Down 100 basis points	(11,100)	(4.3)%	(9,894)	(3.9)%

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 11.5% as of December 31, 2019, compared to a positive 8.0% as of December 31, 2018, 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, 2019, 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, 2019	At December 31, 2018
Up 300 basis points	6.0 %	2.5 %
Up 200 basis points	5.1 %	2.5 %
Up 100 basis points	3.3 %	2.1 %
Down 100 basis points	(7.2)%	(7.0)%

The Company's EVE sensitivity for Up shock scenarios increased from December 31, 2018 to December 31, 2019 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, 2019.

	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	$ 44,201	$ —	$ —	$ —	$ —	$ 44,201
Weighted average rate	1.55 %	—%	—%	—%	—%	1.55%
Investment securities [1] [3]	86,901	91,014	126,384	163,800	117,676	585,775
Weighted average rate	1.93 %	1.59%	1.17%	1.26%	2.39%	1.62%
Commercial real estate loans [1]	2,035,515	440,171	435,417	595,679	162,405	3,669,187
Weighted average rate	4.12 %	4.52%	4.55%	4.71%	4.33%	4.33%
Commercial loans and leases [1]	884,896	387,238	276,206	233,629	56,816	1,838,785
Weighted average rate	5.98 %	6.90%	7.01%	6.52%	6.35%	6.41%
Consumer loans [1]	656,171	148,077	131,722	181,913	111,963	1,229,846
Weighted average rate	4.36 %	4.00%	4.03%	4.14%	4.21%	4.24%
Total interest-earning assets	3,707,684	1,066,500	969,729	1,175,021	448,860	7,367,794
Weighted average rate	4.52 %	5.06%	4.74%	4.50%	4.05%	4.60%
Interest-bearing liabilities [1]:						
NOW accounts	$ —	$ —	$ —	$ —	$ 371,380	$ 371,380
Weighted average rate	— %	—%	—%	—%	0.11%	0.11%
Savings accounts	—	—	—	—	613,467	613,467
Weighted average rate	— %	—%	—%	—%	0.46%	0.46%
Money market savings accounts	1,682,005	—	—	—	—	1,682,005
Weighted average rate	1.15 %	—%	—%	—%	—%	1.15%
Certificates of deposit [1]	1,383,027	494,492	56,294	87,829	—	2,021,642
Weighted average rate	2.26 %	2.28%	2.19%	2.64%	—%	2.28%
Borrowed funds [1]	671,688	141,011	4,795	3,886	81,369	902,749
Weighted average rate	2.18 %	2.14%	1.49%	3.08%	2.50%	2.21%
Total interest-bearing liabilities	3,736,720	635,503	61,089	91,715	1,066,216	5,591,243
Weighted average rate	1.75 %	2.25%	2.14%	2.66%	0.50%	1.58%
Interest sensitivity gap [2]	$ (29,036)	$ 430,997	$ 908,640	$ 1,083,306	$ (617,356)	$ 1,776,551
Cumulative interest sensitivity gap	$ (29,036)	$ 401,961	$ 1,310,601	$ 2,393,907	$ 1,776,551	
Cumulative interest sensitivity gap as a percentage of total assets	-0.37 %	5.12%	16.68%	30.47%	22.61%	
Cumulative interest sensitivity gap as a percentage of total interest-earning assets	-0.39 %	5.46%	17.79%	32.49%	24.11%	

(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, 2019, interest-earning assets maturing or repricing within one year amounted to $3.7 billion and interest-bearing liabilities maturing or repricing within one year amounted to $3.7 billion, resulting in a cumulative one-year negative gap position of $29.0 million or -0.39% of total interest-earning assets. As of December 31, 2018, the Company had a cumulative one-year positive gap position of $12.4 million, or 0.18% of total interest-earning assets. The change in the cumulative one-year gap position from December 31, 2018 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, 2019 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
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 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)
4.4	Description of Registrant's Securities
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 on September 21, 2017)
10.2+	Brookline Bancorp, Inc. 2003 Stock Option Plan
10.4+	Brookline Bancorp, Inc. 2011 Restricted Stock Plan
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)
10.5.1+	Form of Restricted Stock Award Agreement under the Brookline Bancorp, Inc. 2014 Equity Incentive Plan
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)
10.6.1	Amendment to the Employment Agreement, dated July 25, 2018, by and among the Brookline Bancorp, Inc., Brookline Bank and Paul Perrault.
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))

Exhibit	Description
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)
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, 2019 were formatted in xBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2019 and 2018, (ii) Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017, (iv) Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017 and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File-the cover page xBRL tags are embedded within the Inline xBRL document contained in Exhibit 101.

* 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, 2020

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, 2020	By:	/s/ CARL M. CARLSON Carl M. Carlson, *Chief Financial Officer* *(Principal Financial Officer)* Date: February 28, 2020
By:	/s/ MARGARET BOLES FITZGERALD Margaret Boles Fitzgerald, *Director* Date: February 28, 2020	By:	/s/ BOGDAN NOWAK Bogdan Nowak, *Director* Date: February 28, 2020
By:	/s/ JOANNE CHANG Joanne Chang, *Director* Date: February 28, 2020	By:	/s/ CHARLES H. PECK Charles H. Peck, *Director* Date: February 28, 2020
By:	/s/ DAVID C. CHAPIN David C. Chapin, *Director* Date: February 28, 2020	By:	/s/ JOHN M. PEREIRA John M. Pereira, *Director* Date: February 28, 2020
By:	/s/ JOHN J. DOYLE, JR. John J. Doyle, Jr., *Director* Date: February 28, 2020	By:	/s/ MERRILL W. SHERMAN Merrill W. Sherman, *Director* Date: February 28, 2020
By:	/s/ JOHN A. HACKETT John A. Hackett, *Director* Date: February 28, 2020	By:	/s/ JOSEPH J. SLOTNIK Joseph J. Slotnik, *Chairman and Director* Date: February 28, 2020
By:	/s/ JOHN L. HALL, II John L. Hall, II, *Director* Date: February 28, 2020	By:	/s/ PETER O. WILDE Peter O. Wilde, *Director* Date: February 28, 2020
By:	/s/ THOMAS J. HOLLISTER Thomas J. Hollister, *Director* Date: February 28, 2020		

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, 2019. 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, 2019, 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	*Chief Financial Officer*
(Principal Executive Officer)	*(Principal Financial Officer)*

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
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, 2019, 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, 2019, 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, 2019 and 2018, 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, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2020 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's Report on Internal Control Over Financial Reporting. 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, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
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, 2019 and 2018, 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, 2019 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, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, 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, 2019, 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, 2020 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan and lease losses related to originated loans collectively evaluated for impairment

As discussed in Notes 1 and Note 7 to the consolidated financial statements, the Company's allowance for loan and lease losses related to originated loans collectively evaluated for impairment (ALLL) was $57.1 million of a total allowance for loan and lease losses of $61.1 million as of December 31, 2019. The ALLL is calculated by product 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 type that is evaluated collectively, primarily by historic portfolio loss rates over a lookback period, which includes estimates of incurred losses over an estimated loss emergence period, assigned to each risk rating by product type. In addition, adjustments are made to the quantitative reserves for relevant qualitative factors.

We identified the assessment of the ALLL as a critical audit matter because it involved significant measurement uncertainty requiring complex auditor judgment, and knowledge and experience in the industry. This assessment encompassed the evaluation of the ALLL methodology, inclusive of the methodologies used to estimate (i) the historical loss rates and their key inputs and assumptions, including the risk ratings for commercial real estate loans and commercial loans and leases, the loss emergence period for each product type, and the look-back period, and (ii) the qualitative factors.

The primary procedures we performed to address the critical audit matter included the following. We tested certain internal controls over the (1) development of the ALLL methodology, (2) determination of the key inputs and assumptions used to estimate the historical loss rates, (3) development of the qualitative factors, and (4) analysis of the ALLL results, trends and ratios. We tested the Company's process to develop the ALLL estimate. Specifically, we tested the sources of the inputs and assumptions that the Company used by considering whether they are relevant and reliable, and challenged whether alternative assumptions should have been used. We tested the historical loss rates by evaluating (1) if loss data in the look-back period was representative of the credit characteristics of the current portfolio and (2) the sufficiency of loss data within the look-back period. We tested the qualitative factor framework and related adjustments by:

- evaluating the metrics, including the relevance of sources of data and assumptions, used to allocate the qualitative factor adjustments,
- analyzing the determination of each qualitative factor adjustment, and
- evaluating trends in the ALLL, including the qualitative factor adjustments, for consistency with trends in loan and lease portfolio growth and credit performance.

In addition, we involved credit risk professionals with specialized industry knowledge and experience who assisted in:

- evaluating the Company's ALLL methodology for compliance with U.S. generally accepted accounting principles,
- testing the look-back period assumptions used in calculating the historical loss rates to evaluate the appropriateness of the length of that period,
- evaluating the appropriateness of the methodology and inputs used to develop the loss emergence period assumptions,
- testing a sample of individual risk ratings of originated commercial real estate loans and commercial loans and leases, and
- evaluating the framework used to develop the resulting qualitative factors and the effect of those factors on the ALLL compared with relevant credit risk factors and consistency with credit trends.

/s/ KPMG LLP

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

Boston, Massachusetts
February 28, 2020

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	At December 31,	
	2019	2018
	(In Thousands Except Share Data)	
ASSETS		
Cash and due from banks	$ 33,589	$ 47,542
Short-term investments	44,201	42,042
Total cash and cash equivalents	77,790	89,584
Investment securities available-for-sale	498,995	502,793
Investment securities held-to-maturity (fair value of $87,561 and $112,830, respectively)	86,780	114,776
Equity securities held-for-trading	3,581	4,207
Total investment securities	589,356	621,776
Loans held-for-sale	—	3,247
Loans and leases:		
Commercial real estate loans	3,669,222	3,351,736
Commercial loans and leases	1,838,748	1,768,958
Consumer loans	1,229,846	1,182,822
Total loans and leases	6,737,816	6,303,516
Allowance for loan and lease losses	(61,082)	(58,692)
Net loans and leases	6,676,734	6,244,824
Restricted equity securities	53,818	61,751
Premises and equipment, net of accumulated depreciation of $76,763 and $70,140 respectively	74,350	76,382
Right-of-use asset operating leases	24,876	—
Deferred tax asset	25,017	21,495
Goodwill	160,427	160,427
Identified intangible assets, net of accumulated amortization of $37,481 and $35,818, respectively	4,423	6,086
Other real estate owned ("OREO") and repossessed assets, net	2,631	4,019
Other assets	167,431	103,214
Total assets	$ 7,856,853	$ 7,392,805
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing deposits:		
Demand checking accounts	$ 1,141,578	$ 1,033,551
Interest-bearing deposits:		
NOW accounts	371,380	336,317
Savings accounts	613,467	619,961
Money market accounts	1,682,005	1,675,050
Certificate of deposit accounts	2,021,642	1,789,165
Total interest-bearing deposits	4,688,494	4,420,493
Total deposits	5,830,072	5,454,044
Borrowed funds:		
Advances from the Federal Home Loan Bank of Boston ("FHLBB")	758,469	784,375
Subordinated debentures and notes	83,591	83,433
Other borrowed funds	60,689	52,734
Total borrowed funds	902,749	920,542
Operating lease liabilities	24,876	—
Mortgagors' escrow accounts	7,232	7,426
Accrued expenses and other liabilities	146,318	100,174
Total liabilities	6,911,247	6,482,186
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Brookline Bancorp, Inc. stockholders' equity:		
Common stock, $0.01 par value; 200,000,000 shares authorized; 85,177,172 shares issued and 85,177,172 shares issued, respectively	852	852
Additional paid-in capital	736,601	755,629
Retained earnings, partially restricted	265,376	212,838
Accumulated other comprehensive loss	2,283	(9,460)
Treasury stock, at cost; 5,003,127 shares and 5,020,025 shares, respectively	(59,073)	(59,120)
Unallocated common stock held by ESOP; 79,548 shares and 109,950 shares, respectively	(433)	(599)
Total Brookline Bancorp, Inc. stockholders' equity	945,606	900,140
Noncontrolling interest in subsidiary	—	10,479
Total stockholders' equity	945,606	910,619
Total liabilities and stockholders' equity	$ 7,856,853	$ 7,392,805

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Income

	Year Ended December 31,		
	2019	2018	2017
	(In Thousands Except Share Data)		
Interest and dividend income:			
Loans and leases	$ 330,345	$ 295,269	$ 247,022
Debt securities	12,281	13,960	12,524
Marketable and restricted equity securities	3,477	3,964	3,062
Short-term investments	1,523	700	442
Total interest and dividend income	347,626	313,893	263,050
Interest expense:			
Deposits	69,615	41,978	23,288
Borrowed funds	24,711	24,216	16,581
Total interest expense	94,326	66,194	39,869
Net interest income	253,300	247,699	223,181
Provision for credit losses	9,583	4,951	18,988
Net interest income after provision for credit losses	243,717	242,748	204,193
Non-interest income:			
Deposit fees	10,623	10,400	10,050
Loan fees	2,097	1,427	1,110
Loan level derivative income, net	8,262	5,440	2,187
Gain on investment securities, net	508	227	11,393
Gain on sales of loans and leases held-for-sale	1,709	1,883	2,644
Other	6,594	5,847	4,789
Total non-interest income	29,793	25,224	32,173
Non-interest expense:			
Compensation and employee benefits	96,554	91,535	82,413
Occupancy	15,696	14,991	14,546
Equipment and data processing	18,652	18,213	16,854
Professional services	4,366	4,404	4,315
FDIC insurance	1,445	2,722	3,326
Advertising and marketing	4,044	4,016	3,369
Amortization of identified intangible assets	1,663	2,080	2,089
Merger and acquisition expense	1,125	3,787	411
Other	13,936	13,484	11,788
Total non-interest expense	157,481	155,232	139,111
Income before provision for income taxes	116,029	112,740	97,255
Provision for income taxes	28,269	26,189	43,636
Net income before noncontrolling interest in subsidiary	87,760	86,551	53,619
Less net income attributable to noncontrolling interest in subsidiary	43	3,489	3,101
Net income attributable to Brookline Bancorp, Inc.	$ 87,717	$ 83,062	$ 50,518
Earnings per common share:			
Basic	$ 1.10	$ 1.04	$ 0.68
Diluted	1.10	1.04	0.68
Weighted average common shares outstanding during the year:			
Basic	79,679,781	79,669,668	74,459,508
Diluted	79,856,921	79,909,251	74,811,408
Dividends declared per common share	$ 0.450	$ 0.395	$ 0.360

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2019	2018	2017
	(In Thousands)		
Net income before noncontrolling interest in subsidiary	$ 87,760	$ 86,551	$ 53,619
Other comprehensive loss, net of taxes:			
Investment securities available-for-sale:			
Unrealized securities holding gains (losses)	15,290	(4,444)	(1,274)
Income tax (expense) benefit	(3,379)	980	457
Net unrealized securities holding gains (losses) before reclassification adjustments	11,911	(3,464)	(817)
Less reclassification adjustments for securities gains included in net income:			
Gain on sales of securities, net	—	173	—
Income tax expense	—	(38)	—
Net reclassification adjustments for securities gains included in net income	—	135	—
Net unrealized securities holding losses	11,911	(3,599)	(817)
Postretirement benefits:			
Adjustment of accumulated obligation for postretirement benefits	(227)	121	(422)
Income tax benefit (expense)	59	(32)	170
Net adjustment of accumulated obligation for postretirement benefits	(168)	89	(252)
Other comprehensive loss, net of taxes	11,743	(3,510)	(1,069)
Comprehensive income	99,503	83,041	52,550
Net income attributable to noncontrolling interest in subsidiary	43	3,489	3,101
Comprehensive income attributable to Brookline Bancorp, Inc.	$ 99,460	$ 79,552	$ 49,449

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
Year Ended December 31, 2019, 2018 and 2017

	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, 2018	$ 852	$ 755,629	$ 212,838	$ (9,460)	$ (59,120)	$ (599)	$ 900,140	$ 10,479	$ 910,619
Net income attributable to Brookline Bancorp, Inc.	—	—	87,717	—	—	—	87,717	—	87,717
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	43	43
Other comprehensive income	—	—	—	11,743	—	—	11,743	—	11,743
Common stock dividends of $0.44 per share	—	—	(35,110)	—	—	—	(35,110)	—	(35,110)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	(930)	—	—	—	—	(930)	—	(930)
Redemption of noncontrolling interest in subsidiary	—	(18,470)	—	—	—	—	(18,470)	(10,522)	(28,992)
Restricted stock awards, net of awards surrendered	—	80	(69)	—	1,918	—	1,929	—	1,929
Treasury stock, repurchase shares	—	—	—	—	(1,871)	—	(1,871)	—	(1,871)
Common stock held by ESOP committed to be released (30,402 shares)	—	292	—	—	—	166	458	—	458
Balance at December 31, 2019	$ 852	$ 736,601	$ 265,376	$ 2,283	$ (59,073)	$ (433)	$ 945,606	$ —	$ 945,606

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity (Continued)
Year Ended December 31, 2019, 2018 and 2017

	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, 2017	$ 817	$ 699,976	$ 161,217	$ (5,950)	$ (51,454)	$ (776)	$ 803,830	$ 8,753	$ 812,583
Net income attributable to Brookline Bancorp, Inc.	—	—	83,062	—	—	—	83,062	—	83,062
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	3,489	3,489
Common stock issued for acquisition	35	55,148	—	—	—	—	55,183	—	55,183
Issuance of non controlling interest	—	—	—	—	—	—	—	130	130
Other comprehensive loss	—	—	—	(3,510)	—	—	(3,510)	—	(3,510)
Common stock dividends of $0.395 per share	—	—	(31,441)	—	—	—	(31,441)	—	(31,441)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,893)	(1,893)
Restricted stock awards issued, net of awards surrendered	—	139	—	—	2,334	—	2,473	—	2,473
Treasury stock, repurchase shares	—	—	—	—	(10,000)	—	(10,000)	—	(10,000)
Common stock held by ESOP committed to be released (32,382 shares)	—	366	—	—	—	177	543	—	543
Balance at December 31, 2018	$ 852	$ 755,629	$ 212,838	$ (9,460)	$ (59,120)	$ (599)	$ 900,140	$ 10,479	$ 910,619

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity (Continued)
Year Ended December 31, 2019, 2018 and 2017

	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 non controlling interest	—	—	—	—	—	—	—	118	118
Other comprehensive loss	—	—		(1,069)	—	—	(1,069)	—	(1,069)
Common stock dividends of $0.360 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 plans	—	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 Cash Flows

	Year Ended December 31,		
	2019	2018	2017
		(In Thousands)	
Cash flows from operating activities:			
Net income attributable to Brookline Bancorp, Inc.	$ 87,717	$ 83,062	$ 50,518
Adjustments to reconcile net income to net cash provided from operating activities:			
Net income attributable to noncontrolling interest in subsidiary	43	3,489	3,101
Provision for credit losses	9,583	4,951	18,988
Origination of loans and leases held-for-sale	(15,361)	(25,370)	(27,425)
Proceeds from sales of loans and leases held-for-sale, net	19,930	26,519	32,073
Deferred income tax expense (benefit)	(2)	(5,453)	10,798
Depreciation of premises and equipment	6,861	7,382	7,232
Amortization of investment securities premiums and discounts, net	1,810	2,200	2,042
Amortization of deferred loan and lease origination costs, net	7,045	6,971	6,695
Amortization of identified intangible assets	1,663	2,080	2,089
Amortization of debt issuance costs	100	100	100
(Accretion) amortization of acquisition fair value adjustments, net	(809)	354	(1,583)
Gain on investment securities, net	(508)	(227)	(11,393)
Gain on sales of loans and leases held-for-sale	(1,709)	(1,883)	(2,644)
Loss (gain) on sales of OREO and other repossessed assets, net	108	—	(79)
Write-down of OREO and other repossessed assets	903	1,234	458
Compensation under recognition and retention plans	2,683	2,546	2,308
ESOP shares committed to be released	458	543	501
Net change in:			
Cash surrender value of bank-owned life insurance	(1,030)	(1,039)	(1,041)
Equity securities held-for-trading	1,215	(5,371)	—
Other assets	(63,235)	(10,855)	(2,413)
Accrued expenses and other liabilities	45,254	31,796	(5,378)
Net cash provided from operating activities	102,719	123,029	84,947
Cash flows from investing activities:			
Proceeds from sales of investment securities available-for-sale	—	22,210	—
Proceeds from maturities, calls, and principal repayments of investment securities available-for-sale	68,165	82,896	71,611
Purchases of investment securities available-for-sale	(50,400)	(73,852)	(90,971)
Proceeds from maturities, calls, and principal repayments of investment securities held to maturity	28,858	3,290	3,817
Purchases of investment securities held-to-maturity	(1,430)	(8,915)	(26,873)
Proceeds from redemption/sales of restricted equity securities	20,857	12,110	24,462
Purchase of restricted equity securities	(12,924)	(13,262)	(7,927)
Proceeds from sales of loans and leases held-for-investment, net	13,860	7,294	28,608
Net increase in loans and leases	(467,493)	(593,968)	(378,906)
Acquisitions, net of cash and cash equivalents acquired	—	(24,659)	—
			(Continued)

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

	Year Ended December 31,		
	2019	2018	2017
		(In Thousands)	
Purchase of premises and equipment, net	(4,997)	(3,352)	(11,557)
Proceeds from sales of OREO and other repossessed assets	6,482	2,186	3,762
Net cash used for investing activities	(399,022)	(588,022)	(383,974)
Cash flows from financing activities:			
Increase in demand checking, NOW, savings and money market accounts	143,551	1,006	93,819
Increase (decrease) in certificates of deposit	232,911	580,878	166,448
Proceeds from FHLBB advances	4,029,662	6,607,745	4,685,706
Repayment of FHLBB advances	(4,055,568)	(6,713,279)	(4,705,543)
Increase (decrease) in other borrowed funds, net	7,955	5,095	(2,568)
(Decrease) increase in mortgagors' escrow accounts, net	(194)	(260)	41
Proceeds from exercise of stock options	—	490	1,469
Repurchases of common stock	(1,871)	(10,000)	—
Proceeds from issuance of common stock	—	—	81,943
Common stock issued for acquisition	—	55,182	—
Payment of dividends on common stock	(35,110)	(31,441)	(27,035)
Payment of income taxes for shares withheld in share based activity	(46)	(81)	(352)
Redemption of noncontrolling interest in subsidiary	(35,851)	—	—
Proceeds from issuance of noncontrolling units	—	130	118
Payment of dividends to owners of noncontrolling interest in subsidiary	(930)	(1,893)	(1,671)
Net cash provided from financing activities	284,509	493,572	292,375
Net (decrease) increase in cash and cash equivalents	(11,794)	28,579	(6,652)
Cash and cash equivalents at beginning of year	89,584	61,005	67,657
Cash and cash equivalents at end of year	$ 77,790	$ 89,584	$ 61,005
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest on deposits, borrowed funds and subordinated debt	$ 94,533	$ 65,182	$ 40,785
Income taxes	27,345	21,129	34,026
Non-cash investing activities:			
Transfer from loans and leases to loan and leases held-for-sale	$ —	$ —	$ 7,500
Transfer from loans to other real estate owned	6,105	3,020	7,161
Acquisition of First Commons Bank, N.A.:			
Fair value of assets acquired, net of cash and cash equivalents acquired	$ —	$ 292,025	$ —
Fair value of liabilities assumed	—	278,988	—

See accompanying notes to consolidated financial statements.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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 trust company and Bank Rhode Island ("BankRI"), a Rhode Island-chartered financial institution (collectively referred to as the "Banks"). The Banks are all members of the Federal Reserve System. The Company is also the parent of Brookline Securities Corp. ("BSC"). The Company's primary business is to provide commercial, business and retail banking services to its corporate, municipal and retail customers through the Banks and its non-bank subsidiaries. Until February 14, 2020 (the "Merger Closing Date"), the Company was also the parent of First Ipswich Bank ("First Ipswich"), a Massachusetts-chartered trust company. Effective upon the Merger Closing Date, First Ipswich was merged with and into Brookline Bank, with Brookline as the surviving institution.

Brookline Bank, which includes its wholly-owned subsidiaries BBS Investment Corp., Longwood Securities Corp., Eastern Funding LLC ("Eastern Funding"), First Ipswich Insurance Agency and First Ipswich Securities II Corp., operates 31 full-service banking offices in the greater Boston metropolitan area with two additional lending offices. BankRI, which includes its wholly-owned subsidiaries, Acorn Insurance Agency, BRI Realty Corp., Macrolease Corporation ("Macrolease"), BRI Investment Corp. and its wholly-owned subsidiary, BRI MSC Corp., operates 20 full-service banking offices in the greater Providence, Rhode Island area.

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

The Company and the Banks are supervised, examined and regulated by the Board of Governors of the Federal Reserve System ("FRB"). As a Massachusetts-chartered trust company, Brookline Bank is 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. Until July 31, 2019, Brookline Bank was a member bank of the Depositors Insurance Fund (the “DIF”), a private, industry-sponsored insurance fund that insures all deposits above FDIC limits for Massachusetts-chartered savings banks. Brookline Bank converted its charter from a Massachusetts-chartered savings bank to a Massachusetts-chartered trust company and ended its membership in the DIF on July 31, 2019. Excess deposits that are insured by the DIF on July 31, 2019 will continue to be insured by the DIF until July 31, 2020. Term deposits in excess of the FDIC insurance coverage will continue to be insured by the DIF until they reach maturity.

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 changes in the near-term include the determination of the allowance for loan and lease losses, the determination of fair market values of assets and liabilities, including acquired loans, 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 significant estimates 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," "held-to-maturity," or "held-for-trading." 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, Held-to-Maturity, and Held-for-Trading

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. Investment securities expected to be held for very short term duration, used for hedging, or are marketable equity securities are typically designated held-for-trading. Held-for-trading securities are carried at estimated fair value principally based on market prices and dealer quotes received from third-party and nationally-recognized pricing services. Gains and losses for held-for-trading are reported on the income statement as gains on investment securities, net. As of December 31, 2019 and 2018, 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, 2019 and 2018, 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. The Company uses a model to reforecast expected cash flows on these acquired loans. 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).

For the First Commons Bank portfolio, minimal loss is expected from the loan portfolio based on historical performance, management’s due diligence, and market conditions. Therefore, the fair value of the loan portfolio was calculated on an individual loan basis using a discounted cash flow analysis factoring in the contractual terms of the loans, current market pricing, and prepayment expectations.

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 over a lookback period, 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, 2019 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, 2019, this portfolio is approximately $10.3 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, 2019, 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 certain office space under various noncancellable operating leases as well as certain other assets. These leases have original terms ranging from 3 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. All of the Company's current outstanding leases are classified as operating leases.

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 Brookline Bank are the beneficiaries of their respective policies. BankRI and Brookline Bank 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 Brookline Bank 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, 2019 and 2018.

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 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."

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 2019, 2018 and 2017. Therefore, the Company has determined to be a single segment.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, Leases (“ASU 2016-02”). This ASU requires lessees to record most leases on their balance sheet but recognize expenses on their income statements in a manner similar to current accounting. Subsequently, the FASB issued ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01 to update provisions to ASU 2016-02. The Company has adopted all of the above mentioned ASU's regarding leases as of January 1, 2019. The standard had an impact on our consolidated balance sheet by recognizing right-of-use asset operating leases and operating lease liabilities on the balance sheet. However, there was no impact on our consolidated income statement as the timing of the expense recognition has not changed. Additional details can be found in Note 12.

(2) Acquisitions

Eastern Funding, LLC Redemption of Non-Controlling Interest

On January 4, 2019, Brookline Bank, a wholly-owned subsidiary of the Company, completed the redemption of the remaining 15.93 percent interest in Eastern Funding, LLC, a subsidiary of Brookline Bank. Brookline Bank paid $35.9 million in cash consideration for the outstanding interest in Eastern Funding, LLC. Eastern Funding, LLC is now a wholly-owned subsidiary of Brookline Bank.

(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, 2019 and 2018, the average amount required to be held before a credit for vault cash was $10.5 million and $8.2 million, respectively. Aggregate reserve balances included in cash and cash equivalents were $53.0 million and $48.0 million, respectively, as of December 31, 2019 and 2018.

Short-term investments are summarized as follows:

	At December 31, 2019	At December 31, 2018
	(In Thousands)	
FRB interest bearing reserve	$ 39,964	$ 34,914
FHLB overnight deposits	4,237	4,628
Federal funds sold	—	2,500
Total short-term investments	$ 44,201	$ 42,042

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

(4) Investment Securities

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

	At December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
GSE debentures	$ 182,922	$ 2,939	$ 58	$ 185,803
GSE CMOs	87,001	22	1,091	85,932
GSE MBSs	153,049	797	503	153,343
SBA commercial loan asset-backed securities	34	—	—	34
Corporate debt obligations	28,484	502	—	28,986
U.S. treasury bonds	44,675	338	116	44,897
Total investment securities available-for-sale	$ 496,165	$ 4,598	$ 1,768	$ 498,995
Investment securities held-to-maturity:				
GSE debentures	$ 31,228	$ 113	$ 51	$ 31,290
GSEs MBSs	9,360	—	81	9,279
Municipal obligations	45,692	822	—	46,514
Foreign government obligations	500	—	22	478
Total investment securities held-to-maturity	$ 86,780	$ 935	$ 154	$ 87,561
Equity securities held-for-trading		$ 561		$ 3,581

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	At December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Investment securities available-for-sale:				
GSE debentures	$ 184,072	$ 99	$ 3,092	$ 181,079
GSE CMOs	107,363	17	4,250	103,130
GSE MBSs	169,334	124	4,369	165,089
SBA commercial loan asset-backed securities	51	—	—	51
Corporate debt obligations	40,618	—	910	39,708
U.S. treasury bonds	13,812	65	141	13,736
Total investment securities available-for-sale	$ 515,250	$ 305	$ 12,762	$ 502,793
Investment securities held-to-maturity:				
GSE debentures	$ 50,546	$ 22	$ 967	$ 49,601
GSEs MBSs	11,426	—	295	11,131
Municipal obligations	52,304	10	716	51,598
Foreign government obligations	500	—	—	500
Total investment securities held-to-maturity	$ 114,776	$ 32	$ 1,978	$ 112,830
Equity securities held for trading			1,170	$ 4,207

As of December 31, 2019, the fair value of all investment securities available-for-sale was $499.0 million, with net unrealized gains of $2.8 million, compared to a fair value of $502.8 million and net unrealized losses of $12.5 million as of December 31, 2018. As of December 31, 2019, $205.6 million, or 41.2% of the portfolio, had gross unrealized losses of $1.8 million, compared to $466.7 million, or 92.8% of the portfolio, with gross unrealized losses of $12.8 million as of December 31, 2018.

As of December 31, 2019, the fair value of all investment securities held-to-maturity was $87.6 million, with net unrealized gains of $0.8 million, compared to a fair value of $112.8 million with net unrealized losses of $1.9 million as of December 31, 2018. As of December 31, 2019, $22.3 million, or 25.5% of the portfolio, had gross unrealized losses of $0.2 million. As of December 31, 2018, $102.1 million, or 90.5% of the portfolio had gross unrealized losses of $2.0 million.

As of December 31, 2019, the Company reported a fair value of $3.6 million of equity securities held-for-trading. As of December 31, 2018, the Company reported a fair value of $4.2 million of equity securities held-for-trading.

Investment Securities as Collateral

As of December 31, 2019 and 2018, respectively, $433.6 million and $442.5 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, 2019 and 2018.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Other-Than-Temporary Impairment ("OTTI")

Investment securities as of December 31, 2019 and 2018 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, 2019					
	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	$ 10,965	$ 58	$ —	$ —	$ 10,965	$ 58
GSE CMOs	28,659	217	55,885	874	84,544	1,091
GSE MBSs	42,046	115	42,257	388	84,303	503
SBA commercial loan asset-backed securities	—	—	33	—	33	—
U.S. Treasury bonds	25,754	116	—	—	25,754	116
Temporarily impaired investment securities available-for-sale	107,424	506	98,175	1,262	205,599	1,768
Investment securities held-to-maturity:						
GSE debentures	8,714	30	2,977	21	11,691	51
GSEs MBSs	—	—	9,257	81	9,257	81
Municipal obligations	710	—	205	—	915	—
Foreign government obligations	478	22	—	—	478	22
Temporarily impaired investment securities held-to-maturity	9,902	52	12,439	102	22,341	154
Total temporarily impaired investment securities	$ 117,326	$ 558	$ 110,614	$ 1,364	$ 227,940	$ 1,922

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	At December 31, 2018					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(In Thousands)					
Investment securities available-for-sale:						
GSE debentures	$ 25,780	$ 191	$ 130,284	$ 2,901	$ 156,064	$ 3,092
GSE CMOs	—	—	102,630	4,250	102,630	4,250
GSE MBSs	21,487	113	138,051	4,256	159,538	4,369
SBA commercial loan asset-backed securities	—	—	51	—	51	—
Corporate debt obligations	10,019	93	29,689	817	39,708	910
U.S. Treasury bonds	3,927	37	4,753	104	8,680	141
Temporarily impaired investment securities available-for-sale	61,213	434	405,458	12,328	466,671	12,762
Investment securities held-to-maturity:						
GSE debentures	—	—	40,653	967	40,653	967
GSEs MBSs	—	—	11,080	295	11,080	295
Municipal obligations	14,813	107	35,058	609	49,871	716
Foreign government obligations	—	—	500	—	500	—
Temporarily impaired investment securities held-to-maturity	14,813	107	87,291	1,871	102,104	1,978
Total temporarily impaired investment securities	$ 76,026	$ 541	$ 492,749	$ 14,199	$ 568,775	$ 14,740

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, 2019. 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, 2019. 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, 2019, 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 $17.4 million were backed explicitly by the full faith and credit of the U.S. Government, compared to $20.6 million as of December 31, 2018.

As of December 31, 2019, the Company owned 60 GSE debentures with a total fair value of $185.8 million, and a net unrealized gain of $2.9 million. As of December 31, 2018, the Company held 60 GSE debentures with a total fair value of $181.1 million, and a net unrealized loss of $3.0 million. As of December 31, 2019, 5 of the 60 securities in this portfolio were in an unrealized loss position. As of December 31, 2018, 51 of the 60 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 year ended December 31, 2019, the Company did not purchase any GSE debentures, compared to the year ended December 31, 2018, when the Company purchased a total of $33.9 million of GSE debentures.

As of December 31, 2019, the Company owned 61 GSE CMOs with a total fair value of $85.9 million and a net unrealized loss of $1.1 million. As of December 31, 2018, the Company held 61 GSE CMOs with a total fair value of $103.1 million with a net unrealized loss of $4.2 million. As of December 31, 2019, 45 of the 61 securities in this portfolio were in an unrealized loss position. As of December 31, 2018, 46 of the 61 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, 2019 and 2018, the Company did not purchase any GSE CMOs.

As of December 31, 2019, the Company owned 150 GSE MBSs with a total fair value of $153.3 million and a net unrealized gain of $0.3 million. As of December 31, 2018, the Company held 162 GSE MBSs with a total fair value of $165.1 million with a net unrealized loss of $4.2 million. As of December 31, 2019, 48 of the 150 securities in this portfolio were in an unrealized loss position. As of December 31, 2018, 93 of the 162 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, 2019 and 2018, the Company purchased a total of $19.6 million and $15.2 million, respectively, of GSE MBSs.

SBA Commercial Loan Asset-Backed

As of December 31, 2019, the Company owned 4 SBA securities with a total fair value of $34.0 thousand, which approximated amortized cost. As of December 31, 2018, the Company owned 4 SBA securities with a total fair value of $51.0 thousand which approximated amortized cost. As of December 31, 2019, 3 of the 4 securities in this portfolio were in an unrealized loss position. As of December 31, 2018, all of the 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. For the years ended December 31, 2019 and 2018, the Company did not purchase any SBA securities.

Corporate Obligations

The Company may invest in high-quality corporate obligations to provide portfolio diversification and improve the overall yield on the portfolio. As of December 31, 2019, the Company owned 8 corporate obligation securities with a total fair value of $29.0 million and a net unrealized gain of $0.5 million. This compares to 11 corporate obligation securities with a total fair value of $39.7 million and a net unrealized loss of $0.9 million as of December 31, 2018. As of December 31, 2019, none of the securities in this portfolio were in an unrealized loss position. As of December 31, 2018, all 11 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, 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, 2019 and 2018, the Company did not purchase any corporate obligations.

U.S. Treasury Bonds

The Company invests in securities issued by the U.S. government. As of December 31, 2019, the Company owned 9 U.S. Treasury bonds with a total fair value of $44.9 million and a net unrealized gain of $0.2 million. As of December 31, 2018, the Company owned 7 U.S. Treasury bonds with a total fair value of $13.7 million and a net unrealized loss of $0.1 million. As of December 31, 2019, 5 of the 9 securities in this portfolio were in an unrealized loss position. As of December 31, 2018, 2 of the 7 securities in this portfolio were in unrealized loss positions. For the years ended December 31, 2019 and 2018, the Company purchased $30.8 million and $24.7 million in U.S. Treasury bonds, respectively.

Equity Securities Held-for-Trading

From time to time, the Company will invest in equity securities held-for-trading. As of December 31, 2019 and 2018, the Company owned equity securities held-for-trading with a fair value of $3.6 million and $4.2 million, respectively.

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, 2019. Management does not intend to sell these securities prior to maturity.

U.S. Government-Sponsored Enterprises

As of December 31, 2019, the Company owned 10 GSE debentures with a total fair value of $31.3 million and a net unrealized gain of $0.1 million. As of December 31, 2018, the Company owned 17 GSE debentures with a total fair value of $49.6 million and a net unrealized loss of $0.9 million. As of December 31, 2019, 4 of the 10 securities in this portfolio were in an unrealized loss position. At December 31, 2018, 14 of the 17 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, 2019, the Company did not purchase any GSE debentures, compared to the year ended December 31, 2018, when the Company purchased a total of $8.9 million of GSE debentures.

As of December 31, 2019, the Company owned 8 GSE MBSs with a total fair value of $9.3 million and a net unrealized loss of $0.1 million. As of December 31, 2018, the Company owned 8 GSE MBSs with a total fair value of $11.1 million and an unrealized loss of $0.3 million. As of December 31, 2019 and 2018, 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 year ended December 31, 2019 and 2018, the Company did not purchase any GSE MBSs.

Municipal Obligations

The Company invests in certain state and municipal securities with high credit ratings for portfolio diversification and tax planning purpose. As of December 31, 2019, the Company owned 93 municipal obligation securities with a total fair value and total amortized cost of $46.5 million and $45.7 million, respectively. As of December 31, 2018, the Company owned 98 municipal obligation securities with a total fair value of $51.6 million and an amortized cost of $52.3 million, respectively. As of December 31, 2019, 6 of the 93 securities in this portfolio were in an unrealized loss position as compared to December 31, 2018, when 94 of the 98 securities were in an unrealized loss position. During the year ended December 31, 2019, the Company purchased a total of $0.9 million of municipal obligations, compared to the year ended December 31, 2018, when the Company did not purchase any municipal obligations.

Foreign Government Obligations

As of December 31, 2019 and 2018, the Company owned one foreign government obligation security with a fair value and amortized cost of $0.5 million. During the year ended December 31, 2019, the Company repurchased the foreign government obligation security that matured during the first quarter of 2019. As of December 31, 2019 and 2018, the security was in an unrealized loss position. During the year ended December 31, 2019 and 2018, the Company did not purchase any additional foreign government obligation securities.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Portfolio Maturities

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

	At December 31,					
	2019			2018		
	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	$ 12,797	$ 12,804	1.76%	$ 12,041	$ 12,007	2.03%
After 1 year through 5 years	217,569	220,757	2.19%	195,701	192,692	2.14%
After 5 years through 10 years	93,805	94,212	2.04%	115,665	112,819	2.18%
Over 10 years	171,994	171,222	2.12%	191,843	185,275	2.17%
	$ 496,165	$ 498,995	2.13%	$ 515,250	$ 502,793	2.16%
Investment securities held-to-maturity:						
Within 1 year	$ 6,366	$ 6,381	1.33%	$ 7,640	$ 7,618	1.17%
After 1 year through 5 years	63,898	64,559	1.81%	72,735	71,492	1.84%
After 5 years through 10 years	7,177	7,364	1.79%	23,025	22,640	2.20%
Over 10 years	9,339	9,257	1.90%	11,376	11,080	2.13%
	$ 86,780	$ 87,561	1.82%	$ 114,776	$ 112,830	1.89%

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, 2019, issuers of debt securities with an estimated fair value of $37.6 million had the right to call or prepay the obligations. Of the $37.6 million, approximately $3.0 million matures within 1 year, $34.6 million matures in 1 - 5 years, and none mature after five years. As of December 31, 2018, issuers of debt securities with an estimated fair value of approximately $19.1 million had the right to call or prepay the obligations. Of the $19.1 million, none of the obligations mature within 1 year, $8.4 million mature in 1-5 years, $10.7 million mature in 6-10 years, and none mature 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 March 6, 2018, the Company, through its wholly owned subsidiary, BSC, received $0.6 million in cash and 11,303 shares of Community Bank Systems, Inc. ("CBU") common stock as settlement for the indemnification escrow on the 12 month anniversary date of the merger between Northeast Retirement Securities, Inc. and CBU. The Company subsequently sold all 11,303 shares of the CBU stock and recognized a gain on the sale of $0.6 million.

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

On December 17, 2019, the Company sold 100,000 shares of marketable equity securities, for a loss of $232 thousand.

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

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	Year Ended December 31,		
	2019	2018	2017
		(In Thousands)	
Proceeds from sales of debt securities	$ —	$ 20,000	$ —
Proceeds from sales of marketable and restricted equity securities	1,212	2,700	11,393
Gross gains from sales	—	1,472	11,612
Gross losses from sales	(232)	(68)	(219)
Gain on sales of securities, net	$ (232)	$ 1,404	$ 11,393

(5) Restricted Equity Securities

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

	At December 31,	
	2019	2018
	(In Thousands)	
FHLBB stock	$ 35,482	$ 43,655
FRB stock	18,084	17,995
Other restricted equity securities	252	101
	$ 53,818	$ 61,751

The Company invests in the stock of FHLBB as one of the requirements to borrow. As of December 31, 2019 and 2018, 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, 2019 and was classified as "adequately capitalized" by its regulator, based on the FHLBB's financial information as of September 30, 2019. The FHLBB paid a dividend to member banks at an annualized rate of 556 basis points in 2019. The FHLBB increased its dividend from 617 basis points in the first quarter of 2019 to 587 basis points in the fourth quarter of 2019. As of December 31, 2019, 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, 2019 and 2018, 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.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(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, 2019					
	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	$ 2,400,037	4.32%	$ 90,974	4.63%	$ 2,491,011	4.33%
Multi-family mortgage	896,482	4.18%	35,681	4.59%	932,163	4.20%
Construction	239,015	5.04%	7,033	6.73%	246,048	5.09%
Total commercial real estate loans	3,535,534	4.33%	133,688	4.73%	3,669,222	4.34%
Commercial loans and leases:						
Commercial	713,875	4.65%	15,627	5.14%	729,502	4.66%
Equipment financing	1,049,997	7.71%	2,411	5.98%	1,052,408	7.71%
Condominium association	56,838	4.84%	—	—%	56,838	4.84%
Total commercial loans and leases	1,820,710	6.42%	18,038	5.25%	1,838,748	6.41%
Consumer loans:						
Residential mortgage	711,522	4.06%	102,723	4.40%	814,245	4.10%
Home equity	343,247	4.41%	33,572	4.93%	376,819	4.46%
Other consumer	38,674	4.44%	108	17.91%	38,782	4.48%
Total consumer loans	1,093,443	4.18%	136,403	4.54%	1,229,846	4.22%
Total loans and leases	$ 6,449,687	4.89%	$ 288,129	4.67%	$ 6,737,816	4.88%

	At December 31, 2018					
	Originated		Acquired		Total	
	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon
	(Dollars In Thousands)					
Commercial real estate loans:						
Commercial real estate	$ 2,208,904	4.61%	$ 121,821	4.62%	$ 2,330,725	4.61%
Multi-family mortgage	799,813	4.51%	47,898	4.58%	847,711	4.51%
Construction	151,138	5.62%	22,162	6.74%	173,300	5.76%
Total commercial real estate loans	3,159,855	4.63%	191,881	4.85%	3,351,736	4.64%
Commercial loans and leases:						
Commercial	712,630	4.96%	23,788	5.39%	736,418	4.97%
Equipment financing	978,840	7.61%	3,249	5.97%	982,089	7.60%
Condominium association	50,451	4.70%	—	—%	50,451	4.70%
Total commercial loans and leases	1,741,921	6.44%	27,037	5.46%	1,768,958	6.43%
Consumer loans:						
Residential mortgage	653,059	4.09%	129,909	4.45%	782,968	4.15%
Home equity	331,014	5.05%	45,470	5.39%	376,484	5.09%
Other consumer	23,260	5.55%	110	17.81%	23,370	5.61%
Total consumer loans	1,007,333	4.44%	175,489	4.70%	1,182,822	4.48%
Total loans and leases	$ 5,909,109	5.13%	$ 394,407	4.83%	$ 6,303,516	5.11%

The net unamortized deferred loan origination fees and costs included in total loans and leases were $15.7 million and $15.6 million as of December 31, 2019 and 2018, respectively.

The Company's Banks and subsidiaries lend primarily in eastern Massachusetts, southern New Hampshire and Rhode Island, with the exception of equipment financing, 28.1% of which is in the greater New York and New Jersey metropolitan area and 71.9% of which is in other areas in the United States of America as of December 31, 2019, as compared to 26.8% of which is in the greater New York and New Jersey metropolitan area and 73.2% of which is in other areas in the United States of America as of December 31, 2018.

Accretable Yield for the Acquired Loan Portfolio

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

	Year Ended December 31,		
	2019	2018	2017
	(In Thousands)		
Balance at beginning of year	$ 7,905	$ 10,522	$ 14,353
Accretion	(3,769)	(4,117)	(7,801)
Reclassification from nonaccretable difference as a result from changes in expected cash flows	1,086	1,500	3,970
Balance at end of year	$ 5,222	$ 7,905	$ 10,522

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. 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, 2019.

	Year Ended December 31,	
	2019	2018
	(In Thousands)	
Balance at beginning of year	$ 46,771	$ 47,941
New loans granted during the year	34	2,842
Loans reclassified as insider loans	16,800	—
Advances on lines of credit	8,652	193
Repayments	(1,857)	(4,205)
Balance at end of year	$ 70,400	$ 46,771

Unfunded commitments on extensions of credit to related parties totaled $12.8 million and $5.9 million as of December 31, 2019 and 2018, respectively.

Loans and Leases Pledged as Collateral

As of December 31, 2019 and 2018, there were $3.0 billion and $3.0 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, 2019 and 2018.

(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, 2019			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at December 31, 2018	$ 28,187	$ 25,283	$ 5,222	$ 58,692
Charge-offs	—	(8,911)	(127)	(9,038)
Recoveries	—	1,688	179	1,867
Provision for loan and lease losses	2,098	6,766	697	9,561
Balance at December 31, 2019	$ 30,285	$ 24,826	$ 5,971	$ 61,082

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	Year Ended December 31, 2018			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Balance at December 31, 2017	$ 27,112	$ 26,333	$ 5,147	$ 58,592
Charge-offs	(103)	(6,585)	(540)	(7,228)
Recoveries	—	2,287	290	2,577
Provision for loan and lease losses	1,178	3,248	325	4,751
Balance at December 31, 2018	$ 28,187	$ 25,283	$ 5,222	$ 58,692

	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

The liability for unfunded credit commitments, which is included in other liabilities, remained $1.9 million, at December 31, 2019, and 2018, 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, 2019, and 2018.

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,		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
	(In Thousands)								
Provision (credit) for loan and lease losses:									
Commercial real estate	$ 1,798	$ 254	$ (343)	$ 300	$ 924	$ (172)	$ 2,098	$ 1,178	$ (515)
Commercial	6,539	3,699	18,899	227	(451)	284	6,766	3,248	19,183
Consumer	713	556	273	(16)	(231)	(157)	697	325	116
Total provision (credit) for loan and lease losses	9,050	4,509	18,829	511	242	(45)	9,561	4,751	18,784
Unfunded credit commitments	22	200	204	—	—	—	22	200	204
Total provision (credit) for credit losses	$ 9,072	$ 4,709	$ 19,033	$ 511	$ 242	$ (45)	$ 9,583	$ 4,951	$ 18,988

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. 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.

As of December 31, 2019, 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, 2019, the Company had a portfolio of approximately $10.3 million in loans secured by taxi medallions issued by the cities of Boston and Cambridge. As of December 31, 2018, this portfolio was approximately $13.7 million. Application-based mobile ride services, such as Uber and Lyft, have generated increased competition in the transportation sector, resulting in a reduction in taxi utilization and, as a result, a reduction in the collateral value and credit quality of taxi medallion loans. This has increased the likelihood that loans secured by taxi medallions may default, or that the borrowers may be unable to repay these loans at maturity, 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, 2019, the Company had an allowance for loan and lease losses associated with taxi medallion loans of $2.1 million of which $0.6 million were specific reserves and $1.5 million was a general reserve. As of December 31, 2018, the Company had a reserve for loan and lease losses associated with taxi medallion loans of $2.5 million of which $1.9 million were specific reserves and $0.6 million was a general reserve. The decrease in the allowance for loans associated with taxi medallion loans was primarily driven by the decrease in specific reserves due to charge-offs, partially offset by the increase in the general reserve due to the downgrade of a taxi relationship. The total troubled debt restructured loans secured by taxi medallions decreased from $3.7 million at December 31, 2018 to $1.0 million at December 31, 2019. The total loans secured by taxi medallions that were placed on nonaccrual decreased to $1.3 million at December 31, 2019 from $3.7 million at December 31, 2018. The decrease in total loans secured by taxi medallions was primarily driven by the net charge-offs of $1.7 million and the pay down in taxi medallion loans. 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 $59.3 million as of December 31, 2019, compared to $55.6 million as of December 31, 2018. The general portion of the allowance for loan and lease losses increased by $3.7 million during the year ended December 31, 2019, as a result of the continued growth in the Company's loan portfolios, partly offset by decreases in historical loss factors applied to the commercial real estate and commercial loan portfolios.

The specific allowance for loan and lease losses was $1.8 million as of December 31, 2019, compared to $3.1 million as of December 31, 2018. The specific allowance for loan and lease losses decreased by $1.3 million during the year ended December 31, 2019, which was primarily driven by the charge-offs on the specific reserves for taxi medallion loans during the year.

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, 2019 by credit quality indicator.

	At December 31, 2019							
	Commercial Real Estate	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer	Total
	(In Thousands)							
Originated:								
Loan rating:								
Pass	$ 2,379,925	$ 896,398	$ 239,015	$ 688,268	$ 1,038,793	$ 56,687	$ 38,673	$ 5,337,759
OAEM	17,006	—	—	10,803	1,389	—	—	29,198
Substandard	3,106	84	—	14,801	7,995	151	1	26,138
Doubtful	—	—	—	3	1,820	—	—	1,823
Total originated	2,400,037	896,482	239,015	713,875	1,049,997	56,838	38,674	5,394,918
Acquired:								
Loan rating:								
Pass	81,360	35,681	7,033	15,215	2,404	—	108	141,801
OAEM	597	—	—	210	—	—	—	807
Substandard	9,017	—	—	202	7	—	—	9,226
Total acquired	90,974	35,681	7,033	15,627	2,411	—	108	151,834
Total loans	$ 2,491,011	$ 932,163	$ 246,048	$ 729,502	$ 1,052,408	$ 56,838	$ 38,782	$ 5,546,752

As of December 31, 2019, there were no loans categorized as definite loss.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	At December 31, 2019			
	Residential Mortgage		Home Equity	
	($ In Thousands)			
Originated:				
Loan-to-value ratio:				
Less than 50%	$ 184,628	22.7%	$ 132,736	35.2%
50% - 69%	293,976	36.1%	91,681	24.3%
70% - 79%	204,600	25.1%	81,459	21.6%
80% and over	25,664	3.2%	37,371	9.9%
Data not available*	2,654	0.3%	—	—%
Total originated	711,522	87.4%	343,247	91.0%
Acquired:				
Loan-to-value ratio:				
Less than 50%	32,838	4.0%	16,882	4.5%
50%—69%	44,754	5.4%	7,958	2.1%
70%—79%	14,305	1.8%	705	0.2%
80% and over	4,608	0.6%	4,726	1.3%
Data not available*	6,218	0.8%	3,301	0.9%
Total acquired	102,723	12.6%	33,572	9.0%
Total loans	$ 814,245	100.0%	$ 376,819	100.0%

* Represents accounts for which data are not available.

Table of

The following tables present the recorded investment in loans in each class as of December 31, 2018 by credit quality indicator.

	At December 31, 2018							
	Commercial Real Estate	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer	Total
	(In Thousands)							
Originated:								
Loan rating:								
Pass	$ 2,198,377	$ 799,483	$ 150,742	$ 685,773	$ 969,275	$ 50,186	$ 23,249	$ 4,877,085
OAEM	6,096	—	—	3,726	52	—	—	9,874
Substandard	4,431	330	396	22,870	6,895	265	11	35,198
Doubtful	—	—	—	261	2,618	—	—	2,879
Total originated	2,208,904	799,813	151,138	712,630	978,840	50,451	23,260	4,925,036
Acquired:								
Loan rating:								
Pass	111,919	47,715	22,162	23,250	3,240	—	110	208,396
OAEM	626	—	—	236	—	—	—	862
Substandard	9,276	183	—	302	9	—	—	9,770
Total acquired	121,821	47,898	22,162	23,788	3,249	—	110	219,028
Total loans	$ 2,330,725	$ 847,711	$ 173,300	$ 736,418	$ 982,089	$ 50,451	$ 23,370	$ 5,144,064

As of December 31, 2018, there were no loans categorized as definite loss.

	At December 31, 2018			
	Residential Mortgage		Home Equity	
	($ In Thousands)			
Originated:				
Loan-to-value ratio:				
Less than 50%	$ 171,523	21.9%	$ 142,534	37.9%
50%—69%	287,337	36.7%	84,423	22.4%
70%—79%	173,870	22.2%	73,898	19.6%
80% and over	19,030	2.4%	30,129	8.0%
Data not available*	1,299	0.2%	30	—%
Total originated	653,059	83.4%	331,014	87.9%
Acquired:				
Loan-to-value ratio:				
Less than 50%	36,752	4.6%	24,705	6.6%
50%—69%	53,788	6.9%	10,353	2.7%
70%—79%	26,510	3.4%	1,000	0.3%
80% and over	6,701	0.9%	4,348	1.2%
Data not available*	6,158	0.8%	5,064	1.3%
Total acquired	129,909	16.6%	45,470	12.1%
Total loans	$ 782,968	100.0%	$ 376,484	100.0%

* Represents 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, 2019	At December 31, 2018
	(In Thousands)	
Recorded investment in mortgage loans collateralized by residential real estate property that are in the process of foreclosure	$ 110	$ 121

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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, 2019 and 2018.

	At December 31, 2019							
	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	$ 3,330	$ 2,032	$ 1,606	$ 6,968	$ 2,393,069	$ 2,400,037	$ 51	$ 2,751
Multi-family mortgage	3,559	553	—	4,112	892,370	896,482	—	84
Construction	—	—	—	—	239,015	239,015	—	—
Total commercial real estate loans	6,889	2,585	1,606	11,080	3,524,454	3,535,534	51	2,835
Commercial loans and leases:								
Commercial	5,010	199	3,875	9,084	704,791	713,875	—	4,707
Equipment financing	3,098	1,558	7,246	11,902	1,038,095	1,049,997	—	9,822
Condominium association	458	—	—	458	56,380	56,838	—	151
Total commercial loans and leases	8,566	1,757	11,121	21,444	1,799,266	1,820,710	—	14,680
Consumer loans:								
Residential mortgage	1,014	—	3	1,017	710,505	711,522	—	753
Home equity	794	501	139	1,434	341,813	343,247	2	276
Other consumer	46	1	1	48	38,626	38,674	—	1
Total consumer loans	1,854	502	143	2,499	1,090,944	1,093,443	2	1,030
Total originated loans and leases	$ 17,309	$ 4,844	$ 12,870	$ 35,023	$ 6,414,664	$ 6,449,687	$ 53	$ 18,545

(Continued)

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	At December 31, 2019							
	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 (1)
	(In Thousands)							
Acquired:								
Commercial real estate loans:								
Commercial real estate	$ 539	$ 59	$ 8,989	$ 9,587	$ 81,387	$ 90,974	$ 8,919	$ 94
Multi-family mortgage	—	—	—	—	35,681	35,681	—	—
Construction	—	—	—	—	7,033	7,033	—	—
Total commercial real estate loans	539	59	8,989	9,587	124,101	133,688	8,919	94
Commercial loans and leases:								
Commercial	—	—	—	—	15,627	15,627	—	202
Equipment financing	—	—	7	7	2,404	2,411	7	—
Total commercial loans and leases	—	—	7	7	18,031	18,038	7	202
Consumer loans:								
Residential mortgage	35	75	1,090	1,200	101,523	102,723	1,090	—
Home equity	430	—	42	472	33,100	33,572	40	620
Other consumer	—	—	—	—	108	108	—	—
Total consumer loans	465	75	1,132	1,672	134,731	136,403	1,130	620
Total acquired loans and leases	1,004	134	10,128	11,266	276,863	288,129	10,056	916
Total loans and leases	$ 18,313	$ 4,978	$ 22,998	$ 46,289	$ 6,691,527	$ 6,737,816	$ 10,109	$ 19,461

(1) Loans and leases acquired with deteriorated credit quality are always accruing.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	At December 31, 2018							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Originated:								
Commercial real estate loans:								
Commercial real estate	$ 5,139	$ 896	$ 2,962	$ 8,997	$ 2,199,907	$ 2,208,904	$ 277	$ 3,806
Multi-family mortgage	893	—	145	1,038	798,775	799,813	—	330
Construction	297	—	396	693	150,445	151,138	—	396
Total commercial real estate loans	6,329	896	3,503	10,728	3,149,127	3,159,855	277	4,532
Commercial loans and leases:								
Commercial	2,021	582	6,244	8,847	703,783	712,630	1,962	6,421
Equipment financing	2,509	650	5,685	8,844	969,996	978,840	12	9,500
Condominium association	320	—	—	320	50,131	50,451	—	265
Total commercial loans and leases	4,850	1,232	11,929	18,011	1,723,910	1,741,921	1,974	16,186
Consumer loans:								
Residential mortgage	400	—	1,597	1,997	651,062	653,059	—	1,842
Home equity	761	25	183	969	330,045	331,014	1	191
Other consumer	51	18	15	84	23,176	23,260	—	17
Total consumer loans	1,212	43	1,795	3,050	1,004,283	1,007,333	1	2,050
Total originated loans and leases	$ 12,391	$ 2,171	$ 17,227	$ 31,789	$ 5,877,320	$ 5,909,109	$ 2,252	$ 22,768

(Continued)

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	At December 31, 2018							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Acquired:								
Commercial real estate loans:								
Commercial real estate	$ —	$ 215	$ 9,087	$ 9,302	$ 112,519	$ 121,821	$ 9,018	$ 122
Multi-family mortgage	348	—	—	348	47,550	47,898	—	—
Construction	360	242	—	602	21,560	22,162	—	—
Total commercial real estate loans	708	457	9,087	10,252	181,629	191,881	9,018	122
Commercial loans and leases:								
Commercial	124	44	290	458	23,330	23,788	90	200
Equipment financing	—	—	9	9	3,240	3,249	9	—
Total commercial loans and leases	124	44	299	467	26,570	27,037	99	200
Consumer loans:								
Residential mortgage	—	371	2,113	2,484	127,425	129,909	2,113	290
Home equity	191	265	2	458	45,012	45,470	—	717
Other consumer	—	—	—	—	110	110	—	—
Total consumer loans	191	636	2,115	2,942	172,547	175,489	2,113	1,007
Total acquired loans and leases	1,023	1,137	11,501	13,661	380,746	394,407	11,230	1,329
Total loans and leases	$ 13,414	$ 3,308	$ 28,728	$ 45,450	$ 6,258,066	$ 6,303,516	$ 13,482	$ 24,097

Impaired Loans and Leases

Refer to Note 1, "Basis of Presentation", in the consolidated financial statements for more information on the Company's methodology over impaired loans and leases. 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.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	At December 31, 2019			At December 31, 2018		
	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	$ 3,899	$ 3,892	$ —	$ 5,569	$ 5,545	$ —
Commercial	28,539	28,533	—	30,927	31,053	—
Consumer	2,237	2,223	—	2,989	2,978	—
Total originated with no related allowance recorded	34,675	34,648	—	39,485	39,576	—
With an allowance recorded:						
Commercial real estate	68	68	7	396	396	5
Commercial	5,980	6,055	1,672	8,224	8,208	2,961
Consumer	1,224	1,220	70	665	664	89
Total originated with an allowance recorded	7,272	7,343	1,749	9,285	9,268	3,055
Total originated impaired loans and leases	41,947	41,991	1,749	48,770	48,844	3,055
Acquired:						
With no related allowance recorded:						
Commercial real estate	12,365	12,366	—	9,538	9,538	—
Commercial	437	437	—	531	531	—
Consumer	3,516	3,516	—	4,772	4,772	—
Total acquired with no related allowance recorded	16,318	16,319	—	14,841	14,841	—
With an allowance recorded:						
Consumer	447	447	40	154	154	26
Total acquired with an allowance recorded	447	447	40	154	154	26
Total acquired impaired loans and leases	16,765	16,766	40	14,995	14,995	26
Total impaired loans and leases	$ 58,712	$ 58,757	$ 1,789	$ 63,765	$ 63,839	$ 3,081

(1) Includes originated and acquired nonaccrual loans of $18.5 million and $0.9 million, respectively as of December 31, 2019.
Includes originated loans individually and collectively evaluated for impairment of $27.3 million and $14.6 million, respectively as of December 31, 2019.
Includes acquired loans individually and collectively evaluated for impairment of $5.2 million and $11.6 million, respectively as of December 31, 2019.

(2) Includes originated and acquired nonaccrual loans of $22.7 million and $1.3 million, respectively as of December 31, 2018.
Includes originated loans individually and collectively evaluated for impairment of $41.2 million and $7.6 million, respectively as of December 31, 2018.
Includes acquired loans individually and collectively evaluated for impairment of $2.5 million and $12.5 million, respectively as of December 31, 2018.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	Year Ended					
	December 31, 2019		December 31, 2018		December 31, 2017	
	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	$ 5,148	$ 110	$ 6,484	$ 87	$ 10,181	$ 277
Commercial	29,759	1,009	26,514	993	24,950	747
Consumer	2,662	42	2,801	54	4,330	58
Total originated with no related allowance recorded	37,569	1,161	35,799	1,134	39,461	1,082
With an allowance recorded:						
Commercial real estate	269	3	99	—	3,271	162
Commercial	7,125	76	9,026	96	18,382	1
Consumer	946	32	835	11	—	—
Total originated with an allowance recorded	8,340	111	9,960	107	21,653	163
Total originated impaired loans and leases	45,909	1,272	45,759	1,241	61,114	1,245
Acquired:						
With no related allowance recorded:						
Commercial real estate	11,409	163	9,868	7	4,005	55
Commercial	511	11	1,212	16	2,280	31
Consumer	4,298	39	5,061	61	5,295	69
Total acquired with no related allowance recorded	16,218	213	16,141	84	11,580	155
With an allowance recorded:						
Consumer	302	11	135	4	151	4
Total acquired with an allowance recorded	302	11	135	4	151	4
Total acquired impaired loans and leases	16,520	224	16,276	88	11,731	159
Total impaired loans and leases	$ 62,429	$ 1,496	$ 62,035	$ 1,329	$ 72,845	$ 1,404

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	At December 31, 2019			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Allowance for Loan and Lease Losses:				
Originated:				
Individually evaluated for impairment	$ 7	$ 1,672	$ 70	$ 1,749
Collectively evaluated for impairment	28,415	22,853	5,850	57,118
Total originated loans and leases	28,422	24,525	5,920	58,867
Acquired:				
Individually evaluated for impairment	—	—	40	40
Collectively evaluated for impairment	65	197	11	273
Acquired with deteriorated credit quality	1,798	104	—	1,902
Total acquired loans and leases	1,863	301	51	2,215
Total allowance for loan and lease losses	$ 30,285	$ 24,826	$ 5,971	$ 61,082
Loans and Leases:				
Originated:				
Individually evaluated for impairment	$ 3,956	$ 20,019	$ 3,326	$ 27,301
Collectively evaluated for impairment	3,531,578	1,800,691	1,090,117	6,422,386
Total originated loans and leases	3,535,534	1,820,710	1,093,443	6,449,687
Acquired:				
Individually evaluated for impairment	2,942	397	1,841	5,180
Collectively evaluated for impairment	79,465	15,465	110,758	205,688
Acquired with deteriorated credit quality	51,281	2,176	23,804	77,261
Total acquired loans and leases	133,688	18,038	136,403	288,129
Total loans and leases	$ 3,669,222	$ 1,838,748	$ 1,229,846	$ 6,737,816

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	At December 31, 2018			
	Commercial Real Estate	Commercial	Consumer	Total
	(In Thousands)			
Allowance for Loan and Lease Losses:				
Originated:				
Individually evaluated for impairment	$ 5	$ 2,961	$ 89	$ 3,055
Collectively evaluated for impairment	26,617	22,131	5,075	53,823
Total originated loans and leases	26,622	25,092	5,164	56,878
Acquired:				
Individually evaluated for impairment	—	—	26	26
Collectively evaluated for impairment	32	83	20	135
Acquired with deteriorated credit quality	1,533	108	12	1,653
Total acquired loans and leases	1,565	191	58	1,814
Total allowance for loan and lease losses	$ 28,187	$ 25,283	$ 5,222	$ 58,692
Loans and Leases:				
Originated:				
Individually evaluated for impairment	$ 5,610	$ 32,127	$ 3,502	$ 41,239
Collectively evaluated for impairment	3,154,245	1,709,794	1,003,831	5,867,870
Total originated loans and leases	3,159,855	1,741,921	1,007,333	5,909,109
Acquired:				
Individually evaluated for impairment	—	404	2,072	2,476
Collectively evaluated for impairment	121,119	24,094	142,194	287,407
Acquired with deteriorated credit quality	70,762	2,539	31,223	104,524
Total acquired loans and leases	191,881	27,037	175,489	394,407
Total loans and leases	$ 3,351,736	$ 1,768,958	$ 1,182,822	$ 6,303,516

Troubled Debt Restructured Loans and Leases

A specific valuation allowance for losses on troubled debt restructured loans is initially 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, 2019	At December 31, 2018
	(In Thousands)	
Troubled debt restructurings:		
On accrual	$ 17,076	$ 12,257
On nonaccrual	6,104	8,684
Total troubled debt restructurings	$ 23,180	$ 20,941

Total troubled debt restructuring loans and leases increased by $2.3 million to $23.2 million at December 31, 2019 from $20.9 million at December 31, 2018, primarily driven by one construction loan of $2.9 million which became a TDR during the year, partially offset by the payoff and pay down of current troubled debt restructuring loans during the year.

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, 2019						
		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	2	$ 295	$ 290	$ —	$ 221	—	$ —
Commercial	3	6,794	5,457	2,455	1,912	1	1,912
Equipment financing	7	2,774	2,266	—	392	2	365
Residential mortgage	3	868	866	—	96	—	—
Home equity	3	453	453	—	—	—	—
Total originated	18	11,184	9,332	2,455	2,621	3	2,277
Acquired:							
Construction	1	4,869	2,942	—	—	—	—
Residential mortgage	1	297	295	—	—	—	—
Home equity	1	134	133	—	133	—	—
Total acquired	3	5,300	3,370	—	133	—	—
Total loans and leases	21	$ 16,484	$ 12,702	$ 2,455	$ 2,754	3	$ 2,277

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

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	At and for the Year Ended December 31, 2018						
		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	$ 673	$ 652	$ —	$ 653	—	$ —
Commercial	10	1,775	1,706	733	1,706	2	1,075
Equipment financing	14	2,510	2,556	37	1,351	—	—
Residential mortgage	2	550	550	12	341	1	341
Home equity	1	86	83	—	—	—	—
Total originated	28	$ 5,594	$ 5,547	$ 782	$ 4,051	3	$ 1,416
Acquired:							
Home equity	2	249	245	—	245	—	—
Total acquired	2	249	245	—	245	—	—
Total loans and leases	30	$ 5,843	$ 5,792	$ 782	$ 4,296	3	$ 1,416

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

	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.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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,		
	2019	2018	2017
		(In Thousands)	
Loans with one modification:			
Extended maturity	$ 5,811	$ 1,717	$ 2,810
Adjusted principal	—	—	19
Adjusted interest rate	252	—	—
Interest only	—	—	174
Combination maturity, principal, interest rate	3,624	3,651	1,914
Total loans modified once	$ 9,687	$ 5,368	$ 4,917
Loans with more than one modification:			
Extended maturity	$ 3,015	$ —	$ 1,910
Combination maturity, principal, interest rate	—	424	174
Total loans modified more than once	$ 3,015	$ 424	$ 2,084
Total loans modified	$ 12,702	$ 5,792	$ 7,001

The increase in troubled debt restructuring loans and leases that were modified for the year ending December 31, 2019 was primarily due to the increases in modifications on the commercial loans by $3.6 million and construction loans by $2.9 million during the year.

The net charge-offs of the performing and nonperforming troubled debt restructuring loans and leases for the years ending December 31, 2019, 2018, and 2017 were $2.0 million, $1.2 million, and $4.8 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, 2019 was primarily driven by the charge-offs on various taxi medallion relationships during the year.

As of December 31, 2019, loans modified to troubled debt restructurings totaled $3.1 million. As of December 31, 2018, and 2017 the Company did not have any loans modified to trouble debt restructurings.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(8) Premises and Equipment

Premises and equipment consist of the following:

	At December 31, 2019	At December 31, 2018	Estimated Useful Life
	(In Thousands)		(In Years)
Land	$ 12,320	$ 12,300	NA
Fine art	545	533	NA
Computer equipment	11,886	10,488	3
Vehicles	135	126	3 to 5
Core processing system and software	20,748	20,466	3 to 7.5
Furniture, fixtures and equipment	15,393	14,696	5 to 25
Office building and improvements	90,086	87,913	10 to 40
Total	151,113	146,522	
Accumulated depreciation and amortization	76,763	70,140	
Total premises and equipment	$ 74,350	$ 76,382	

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, 2019, 2018 and 2017, depreciation and amortization expense related to premises and equipment totaled $7.0 million, $7.5 million, and $7.4 million, respectively.

During the year the Company made office improvements to three locations and upgraded the computer system throughout the Company.

(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, 2019	2018	2017
	(In Thousands)		
Balance at beginning of year	$ 160,427	$ 137,890	$ 137,890
Additions	—	22,537	—
Balance at end of year	$ 160,427	$ 160,427	$ 137,890

The following is a summary of the Company's other intangible assets:

	At December 31, 2019			At December 31, 2018		
	Gross Amount	Accumulated Amortization	Carrying Amount	Gross Amount	Accumulated Amortization	Carrying Amount
	(In Thousands)					
Other intangible assets:						
Core deposits	$ 38,294	$ 34,960	$ 3,334	$ 38,294	$ 33,297	$ 4,997
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	$ 41,904	$ 37,481	$ 4,423	$ 41,904	$ 35,818	$ 6,086

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 7.04 years. There were no impairment losses relating to other acquisition-related intangible assets recorded during the years ended December 31, 2019, 2018 and 2017.

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)
2020	$ 1,297
2021	850
2022	494
2023	263
2024	153
Thereafter	277
Total	$ 3,334

(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, 2019 and 2018, BankRI owned seven policies with a net cash surrender value of $41.0 million and $39.9 million, respectively. As of December 31, 2019 and 2018, Brookline Bank, as successor-in-interest to First Ipswich owned two policies with a net cash surrender value of $0.8 million, respectively.

The Company recorded a total of $1.0 million, $1.0 million, and $1.0 million of tax exempt income from these nine policies in 2019, 2018, and 2017, 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, 2019, the Company had investments in 17 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,	
	2019	2018
	(In Thousands)	
Investments in affordable housing projects included in other assets	$ 29,939	$ 10,895
Unfunded commitments related to affordable housing projects included in other liabilities	20,286	1,115
Investment in affordable housing tax credits	2,042	1,885
Investment in affordable housing tax benefits	540	585

	For the year ended December 31,		
	2019	2018	2017
	(In Thousands)		
Investment amortization included in provision for income taxes	$ 2,097	$ 1,916	$ 1,844
Amount recognized as income tax benefit	540	585	623

(11) Deposits

A summary of deposits follows:

	December 31, 2019		December 31, 2018	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)			
Demand checking accounts	$ 1,141,578	—%	$ 1,033,551	—%
NOW accounts	371,380	0.11%	336,317	0.10%
Savings accounts	613,467	0.46%	619,961	0.32%
Money market accounts	1,682,005	1.15%	1,675,050	1.18%
Total core deposit accounts	3,808,430	0.59%	3,664,879	0.60%
Certificate of deposit accounts maturing:				
Within six months	730,512	2.24%	475,303	1.20%
After six months but within 1 year	650,461	2.24%	562,018	1.40%
After 1 year but within 2 years	495,509	2.26%	538,435	1.85%
After 2 years but within 3 years	56,508	2.19%	95,806	2.16%
After 3 years but within 4 years	58,492	2.64%	46,027	1.73%
After 4 years but within 5 years	29,759	2.58%	71,556	2.57%
5+ Years	401	2.19%	20	1.98%
Total certificate of deposit accounts	2,021,642	2.26%	1,789,165	1.58%
Total deposits	$ 5,830,072	1.17%	$ 5,454,044	0.92%

Certificate of deposit accounts issued in amounts of $250,000 or more totaled $557.5 million and $480.8 million as of December 31, 2019 and 2018, respectively.

Interest expense on deposit balances is summarized as follows:

	Year Ended December 31,		
	2019	2018	2017
	(In Thousands)		
Interest-bearing deposits:			
NOW accounts	$ 436	$ 283	$ 225
Savings accounts	2,900	1,804	1,297
Money market accounts	21,206	15,369	8,863
Certificate of deposit accounts	45,073	24,522	12,903
Total interest-bearing deposits	$ 69,615	$ 41,978	$ 23,288

Related Party Deposits

Deposit accounts of directors, executive officers and their affiliates totaled $70.4 million and $59.8 million as of December 31, 2019 and 2018, respectively.

Collateral Pledged to Deposits

As of December 31, 2019 and 2018, $184.0 million and $211.5 million, respectively, of collateral was pledged for municipal deposits and TT&L.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(12) Borrowed Funds

Borrowed funds are comprised of the following:

	At December 31, 2019	At December 31, 2018
	(In Thousands)	
Advances from the FHLBB	$ 758,469	$ 784,375
Subordinated debentures and notes	83,591	83,433
Other borrowed funds	60,689	52,734
Total borrowed funds	$ 902,749	$ 920,542

Interest expense on borrowed funds for the periods indicated is as follows:

	Year Ended December 31, 2019	2018	2017
		(In Thousands)	
Advances from the FHLBB	$ 18,701	$ 18,650	$ 11,330
Subordinated debentures and notes	5,206	5,181	5,081
Other borrowed funds	804	385	170
Total interest expense on borrowed funds	$ 24,711	$ 24,216	$ 16,581

Collateral Pledged to Borrowed Funds

As of December 31, 2019 and 2018, $2.5 billion and $2.4 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. The Banks did not have any outstanding FRB borrowings as of December 31, 2019 and 2018.

FHLBB Advances

FHLBB advances mature as follows:

	At December 31, 2019			2018		
	Amount	Callable Amount	Weighted Average Rate	Amount	Callable Amount	Weighted Average Rate
			(Dollars in Thousands)			
Within 1 year	$ 599,262	$ —	2.27%	$ 603,590	$ —	2.19%
Over 1 year to 2 years	139,762	—	2.12%	160,073	—	2.64%
Over 2 years to 3 years	3,210	—	0.01%	580	—	3.07%
Over 3 years to 4 years	—	—	—%	3,214	—	0.03%
Over 4 years to 5 years	4,025	—	3.91%	—	—	—%
Over 5 years	12,210	—	3.28%	16,918	—	3.45%
	$ 758,469	$ —	2.26%	$ 784,375	$ —	2.30%

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, 2019. Total available borrowing capacity for advances from the FHLBB and FRB was $2.2 billion as of December 31, 2019 for the Banks. The total amount of qualifying collateral for FHLBB and FRB borrowings was $3.5 billion as of December 31, 2019.

Other Borrowed Funds

Information concerning other borrowed funds is as follows for the periods indicated below:

	Year Ended December 31,	
	2019	2018
	(Dollars In Thousands)	
Outstanding at end of year	$ 60,689	$ 52,734
Average outstanding for the year	79,276	46,079
Maximum outstanding at any month-end	122,776	55,144
Weighted average rate at end of year	0.60%	0.16%
Weighted average rate paid for the year	1.01%	0.83%

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 $10.0 million to $42.7 million as of December 31, 2019 from $52.7 million as of December 31, 2018.

The Company has access to a $12.0 million committed line of credit as of December 31, 2019. As of December 31, 2019 and December 31, 2018, 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 $475.0 million. As of December 31, 2019, the Company had $18.0 million borrowings on outstanding uncommitted lines of credit as compared to December 31, 2018, when the Company had no borrowings on outstanding 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.

				Carrying Amount	
Issue Date	Rate	Maturity Date	Next Call Date	December 31, 2019	December 31, 2018
		(Dollars in Thousands)			
June 26, 2003	Variable; 3-month LIBOR + 3.10%	June 26, 2033	March 25, 2020	$ 4,826	$ 4,803
March 17, 2004	Variable; 3-month LIBOR + 2.79%	March 17, 2034	March 16, 2020	4,739	4,704
September 15, 2014	6.0% Fixed-to-Variable; 3-month LIBOR + 3.315%	September 15, 2029	September 15, 2024	74,026	73,926
			Total	$ 83,591	$ 83,433

The above carrying amounts of the acquired subordinated debentures included $0.4 million of accretion adjustments and $1.0 million of capitalized debt issuance costs as of December 31, 2019. This compares to $0.5 million of accretion adjustments and $1.1 million of capitalized debt issuance costs as of December 31, 2018.

(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,	
	2019	2018
	(In Thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to originate loans and leases:		
Commercial real estate	$ 50,034	$ 76,642
Commercial	78,058	75,713
Residential mortgage	25,998	16,363
Unadvanced portion of loans and leases	808,681	707,997
Unused lines of credit:		
Home equity	528,251	487,476
Other consumer	25,374	50,404
Other commercial	380	347
Unused letters of credit:		
Financial standby letters of credit	10,166	11,491
Performance standby letters of credit	4,652	3,075
Commercial and similar letters of credit	3,823	4,573
Loan level derivatives:		
Receive fixed, pay variable	1,101,193	714,500
Pay fixed, receive variable	1,101,193	714,500
Risk participation-out agreements	235,693	100,531
Risk participation-in agreements	55,281	35,838
Foreign exchange contracts:		
Buys foreign currency, sells U.S. currency	1,125	6,573
Sells foreign currency, buys U.S. currency	1,230	6,582

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.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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 $1.9 million and $1.9 million as of December 31, 2019 and December 31, 2018, 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 $60.6 million and $59.7 million, respectively, as of December 31, 2019. The fair value of derivative assets and liabilities was $22.5 million and $22.2 million, respectively, as of December 31, 2018.

Lease Commitments

The Company leases certain office space under various noncancellable operating leases. These leases have original terms ranging from 3 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.

The Company considered the following criteria when determining whether a contract contains a lease, the existence of an identifiable asset and the right to obtain substantially all of the economic benefits from use of the asset through the period. The Company used the FHLB classic advance rates as of December 31, 2019 as the discount rate to determine the net present value of the remaining lease payments.

	At December 31, 2019	
	(In Thousands)	
The components of lease expense were as follow:		
Operating lease cost	$	6,461
Supplemental cash flow information related to leases was as follows:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$	6,515
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	$	66
Supplemental balance sheet information related to leases was as follows:		
Operating Leases		
Operating lease right-of-use assets	$	24,876
Operating lease liabilities		24,876
Weighted Average Remaining Lease Term		
Operating leases		7.47
Weighted Average Discount Rate		
Operating leases		3.2%

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

A summary of future minimum rental payments under such leases at the dates indicated follows:

Year ended December 31,	Minimum Rental Payments (In Thousands)
2020	$ 5,886
2021	5,267
2022	4,577
2023	3,672
2024	2,305
Thereafter	6,163
Total	$ 27,870
Less imputed interest	(2,994)
	$ 24,876

Certain leases contain escalation clauses for real estate taxes and other expenditures, which are not included above. Total rental expense was $6.2 million in 2019. This compares to total rent expense of $5.8 million in 2018. In 2017, total rent expense was $5.5 million. The increase in expense was due to the addition of two banking offices in Wakefield and Braintree, Massachusetts, and a rent increase for the Eastern Funding main office.

A portion of the Company's headquarters was rented to third-party tenants which generated rental income of $0.4 million in 2019, 2018 and 2017 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,					
	2019		2018		2017	
	Basic	Fully Diluted	Basic	Fully Diluted	Basic	Fully Diluted
	(Dollars in Thousands, Except Per Share Amounts)					
Numerator:						
Net income	$ 87,717	$ 87,717	$ 83,062	$ 83,062	$ 50,518	$ 50,518
Denominator:						
Weighted average shares outstanding	79,679,781	79,679,781	79,669,668	79,669,668	74,459,508	74,459,508
Effect of dilutive securities	—	177,140	—	239,583	—	351,900
Adjusted weighted average shares outstanding	79,679,781	79,856,921	79,669,668	79,909,251	74,459,508	74,811,408
EPS	$ 1.10	$ 1.10	$ 1.04	$ 1.04	$ 0.68	$ 0.68

(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, 2019, 2018 and 2017, 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 income (loss) by component, net of tax, were as follows for the periods indicated:

	Year Ended December 31, 2019		
	Investment Securities Available-for-Sale	Postretirement Benefits	Accumulated Other Comprehensive Income (Loss)
	(In Thousands)		
Balance at December 31, 2018	$ (9,712)	$ 252	$ (9,460)
Other comprehensive income (loss)	11,911	(168)	11,743
Balance at December 31, 2019	$ 2,199	$ 84	$ 2,283

	Year Ended December 31, 2018		
	Investment Securities Available-for-Sale	Postretirement Benefits	Accumulated Other Comprehensive Loss
	(In Thousands)		
Balance at December 31, 2017	$ (6,113)	$ 163	$ (5,950)
Other comprehensive (loss) income	(3,599)	89	(3,510)
Reclassification due to adoption of ASU 2018-02	—	—	—
Balance at December 31, 2018	$ (9,712)	$ 252	$ (9,460)

	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)
Reclassification due to adoption of ASU 2018-02	(1,083)	20	(1,063)
Balance at December 31, 2017	$ (6,113)	$ 163	$ (5,950)

(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, 2019 or 2018.

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. The risk participation-out agreements have grown in tandem with the Company's increase in derivative activity.

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, respectively on the consolidated balance sheets.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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, 2019 (Dollars In Thousands)							
Loan level derivatives								
Receive fixed, pay variable	119	$ 24,777	$ —	$ 31,131	$ 16,794	$ 1,028,491	$ 1,101,193	$ 58,102
Pay fixed, receive variable	119	24,777	—	31,131	16,794	1,028,491	1,101,193	58,102
Risk participation-out agreements	40	13,967	—	—	7,143	214,583	235,693	1,229
Risk participation-in agreements	7	—	—	—	19,000	36,281	55,281	283
Foreign exchange contracts								
Buys foreign currency, sells U.S. currency	16	$ 1,125	$ —	$ —	$ —	$ —	$ 1,125	$ 54
Sells foreign currency, buys U.S. currency	18	1,230	—	—	—	—	1,230	53

	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, 2018 (Dollars In Thousands)							
Loan level derivatives								
Receive fixed, pay variable	86	$ 1,931	$ 26,419	$ —	$ 31,762	$ 654,388	$ 714,500	$ 6,081
Pay fixed, receive variable	86	1,931	26,419	—	31,762	654,388	714,500	6,081
Risk participation-out agreements	26	—	14,892	—	—	85,639	100,531	344
Risk participation-in agreements	5	—	—	—	—	35,838	35,838	84
Foreign exchange contracts								
Buys foreign currency, sells U.S. currency	22	$ 6,573	$ —	$ —	$ —	$ —	$ 6,573	$ 123
Sells foreign currency, buys U.S. currency	37	6,582	—	—	—	—	6,582	131

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 net gain (loss) recognized in income due to changes in the fair value for the year ended December 31, 2019 and 2018.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	Year Ended December 31, 2019	2018
	(In Thousands)	
Net gain recognized in income on:		
Net risk participation agreements	686	205
Foreign exchange contracts	(7)	1
Total	$ 679	$ 206

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, 2019 and 2018. The estimated net credit risk exposure for derivative financial instruments was zero as of December 31, 2019, and 2018.

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 $86.5 million and $5.9 million in the normal course of business as of December 31, 2019 and 2018, 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, 2019					
				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	$ 59,365	$ —	$ 59,365	$ —	$ 11,900	$ 47,465
Risk participation-out agreements	1,229	—	1,229	—	—	1,229
Foreign exchange contracts	54	—	54	—	—	54
Total	$ 60,648	$ —	$ 60,648	$ —	$ 11,900	$ 48,748
Liability derivatives						
Loan level derivatives	$ 59,365	$ —	$ 59,365	$ 86,521	$ —	$ (27,156)
Risk participation-in agreements	283	—	283	—	—	283
Foreign exchange contracts	53	—	53	—	—	53
Total	$ 59,701	$ —	$ 59,701	$ 86,521	$ —	$ (26,820)

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	At December 31, 2018					
				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	$ 22,013	$ —	$ 22,013	$ —	$ 50	$ 21,963
Risk participation-out agreements	344	—	344	—	—	344
Foreign exchange contracts	131	—	131	—	—	131
Total	$ 22,488	$ —	$ 22,488	$ —	$ 50	$ 22,438
Liability derivatives						
Loan level derivatives	$ 22,013	$ —	$ 22,013	$ 5,877	$ —	$ 16,136
Risk participation-in agreements	84	—	84	—	—	84
Foreign exchange contracts	123	—	123	—	—	123
Total	$ 22,220	$ —	$ 22,220	$ 5,877	$ —	$ 16,343

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,		
	2019	2018	2017
	(In Thousands)		
Current provision:			
Federal	$ 21,706	$ 23,949	$ 27,825
State	6,565	7,693	5,013
Total current provision	28,271	31,642	32,838
Deferred provision (benefit):			
Federal	701	(4,323)	10,209
State	(703)	(1,130)	589
Total deferred provision (benefit)	(2)	(5,453)	10,798
Total provision for income taxes	$ 28,269	$ 26,189	$ 43,636

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Total provision for income taxes differed from the amounts computed by applying the statutory U.S. federal income tax rate of 21.0% in 2019, 21.0% in 2018 and 35.0% in 2017 to income before tax expense as a result of the following:

	Year Ended December 31,		
	2019	2018	2017
	(Dollars In Thousands)		
Expected income tax expense at statutory federal tax rate	$ 24,366	$ 23,675	$ 34,039
State taxes, net of federal income tax benefit	4,837	5,184	3,641
Bank-owned life insurance	(216)	(218)	(364)
Tax-exempt interest income	(435)	(487)	(873)
Income attributable to noncontrolling interest in subsidiary	(11)	(933)	(870)
Merger and acquisition expense	—	32	138
Tax Act Adjustment	—	(707)	8,965
Investments in affordable housing projects	(369)	(358)	(653)
Other, net	97	1	(387)
Total provision for income taxes	$ 28,269	$ 26,189	$ 43,636
Effective income tax rate	24.4%	23.2%	44.9%

The Company's effective tax rate was 24.4% as of December 31, 2019 compared to 23.2% as of December 31, 2018. The Company's expected income tax expense was $0.7 million higher in 2019. The item impacting the Company's increase in the effective tax rate from 2018 involved Brookline Bank's completed purchase of the remaining interest in Eastern Funding in 2019. Tax savings of approximately $0.9 million were recognized for this portion of Eastern Funding in 2018, but not in 2019. In 2018, the Company made an adjustment related to the Tax Act that reduced the provision for income taxes by $0.7 million.

On December 22, 2017, the Tax 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 Act took effect on January 1, 2018. The Tax Act lowered the Company’s federal tax rate from 35% to 21%. The Tax 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 a parking disallowance related to employee parking.

As a result of the Tax Act, in 2017, 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 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.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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, 2019	At December 31, 2018
	(In Thousands)	
Deferred tax assets:		
Allowance for loan and lease losses	$ 16,294	$ 15,936
Right-of-use asset - operating leases	6,450	—
Deferred compensation	4,748	4,692
Identified intangible assets and goodwill	4,319	—
Supplemental Executive Retirement Plans	3,023	2,846
Unrealized loss on investment securities available-for-sale	—	2,737
Net operating loss carryforwards	187	976
Postretirement benefits	458	391
Nonaccrual interest	557	482
Accrued expense	—	372
Restricted stock and stock option plans	751	497
Employee stock ownership plan	83	106
Other	733	331
Total gross deferred tax assets	37,603	29,366
Deferred tax liabilities:		
Operating leases - liability	6,450	—
Identified intangible assets and goodwill	—	2,428
Deferred loan origination costs, net	3,785	3,537
Depreciation	420	789
Unrealized gain on investment securities available-for-sale	622	—
Prepaid expense	110	116
Accrued Expense	122	—
Acquisition fair value adjustments	1,077	1,001
Total gross deferred tax liabilities	12,586	7,871
Net deferred tax asset	$ 25,017	$ 21,495

As of December 31, 2019, the Company had net operating loss carryforwards for federal income tax purposes of $0.9 million gross which are available to offset future federal taxable income, if any, through 2020. Of this total net operating loss carryforward amount, $0.7 million is related to the Company's First Commons Bank transaction.

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 payables, receivables or as deferred tax items as of December 31, 2019 and 2018. The Company files U.S. federal and state income tax returns. As of December 31, 2019, the Company is subject to examination by the Massachusetts, Rhode Island and several other state tax authorities for tax years after December 31, 2014.

(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, 2019, 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 the Banking Division of the Rhode Island Department of Business Regulation in the case of BankRI.

Common Stock Repurchases

On February 4, 2016, the Company's Board of Directors authorized a stock repurchase program to acquire up to $10.0 million of the Company's common stock over a period of twelve months ending on January 31, 2017 (the "2016 Stock Repurchase Plan"). No shares were purchased under the 2016 Stock Repurchase Plan.

On December 5, 2018, the Company’s Board of Directors authorized a stock repurchase program to acquire up to $10.0 million of the Company’s common stock over a period of twelve months ending on December 31, 2019 (the “2018 Stock Repurchase Plan”). As of December 31, 2018, 725,583 shares of the Company's common stock were repurchased under the 2018 Stock Repurchase Plan.

On January 30, 2019, the Company’s Board of Directors authorized a stock repurchase program to acquire up to $10.0 million of the Company’s common stock over a period of eleven months ending on December 31, 2019 (the “2019 Stock Repurchase Plan”). As of December 31, 2019, 103,758 shares of the Company’s common stock were repurchased under the 2019 Stock Repurchase Plan.

On December 4, 2019, the Company’s Board of Directors authorized a stock repurchase program to acquire up to $10.0 million of the Company’s common stock over a period of twelve months ending on December 31, 2020 (the “2020 Stock Repurchase Plan”). There is no guarantee as to the exact number of shares, if any, to be repurchased by the Company under the 2020 Stock Repurchase Plan. 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.

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 $11.9 million (unaudited), $13.0 million (unaudited), and $15.1 million (unaudited) at December 31, 2019, 2018 and 2017, 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 FRB at the consolidated level. As member banks of the FRB, Brookline Bank and BankRI 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, 2019, 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

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Notes to Consolidated Financial Statements (Continued)

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.

Beginning January 1, 2019, the Company and the Banks will have to maintain a capital conservation buffer composed of Common Equity Tier 1 capital equal to 2.5% of risk-weighted assets above the amounts required to be adequately capitalized in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. Capital ratios required to be considered well-capitalized exceed the ratios required under the capital conservation buffer requirement at December 31, 2019.

As of December 31, 2019, 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, 2019, 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, 2019 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, 2019:								
Brookline Bancorp, Inc.								
Common equity Tier 1 capital ratio (1)	$ 780,962	11.44%	$ 307,197	4.50%	$ 477,861	7.00%	N/A	N/A
Tier 1 leverage capital ratio (2)	790,527	10.28%	307,598	4.00%	307,598	4.00%	N/A	N/A
Tier 1 risk-based capital ratio (3)	790,527	11.58%	409,599	6.00%	580,266	8.50%	N/A	N/A
Total risk-based capital ratio (4)	927,515	13.59%	545,999	8.00%	716,623	10.50%	N/A	N/A
Brookline Bank								
Common equity Tier 1 capital ratio (1)	$ 513,311	11.44%	$ 201,914	4.50%	$ 314,089	7.00%	$ 291,654	6.50%
Tier 1 leverage capital ratio (2)	513,311	10.42%	197,048	4.00%	197,048	4.00%	246,310	5.00%
Tier 1 risk-based capital ratio (3)	513,311	11.44%	269,219	6.00%	381,394	8.50%	358,959	8.00%
Total risk-based capital ratio (4)	555,474	12.38%	358,949	8.00%	471,121	10.50%	448,687	10.00%
BankRI								
Common equity Tier 1 capital ratio (1)	$ 240,362	11.75%	$ 92,054	4.50%	$ 143,194	7.00%	$ 132,966	6.50%
Tier 1 leverage capital ratio (2)	240,362	9.97%	96,434	4.00%	96,434	4.00%	120,543	5.00%
Tier 1 risk-based capital ratio (3)	240,362	11.75%	122,738	6.00%	173,879	8.50%	163,651	8.00%
Total risk-based capital ratio (4)	258,719	12.65%	163,617	8.00%	214,747	10.50%	204,521	10.00%
First Ipswich								
Common equity Tier 1 capital ratio (1)	$ 41,320	13.45%	$ 13,825	4.50%	$ 21,505	7.00%	$ 19,969	6.50%
Tier 1 leverage capital ratio (2)	41,320	8.80%	18,782	4.00%	18,782	4.00%	23,477	5.00%
Tier 1 risk-based capital ratio (3)	41,320	13.45%	18,433	6.00%	26,113	8.50%	24,577	8.00%
Total risk-based capital ratio (4)	43,762	14.24%	24,585	8.00%	32,268	10.50%	30,732	10.00%

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(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, 2018 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, 2018:								
Brookline Bancorp, Inc.								
Common equity Tier 1 capital ratio (1)	$ 745,103	11.94%	$ 280,818	4.50%	$ 436,828	7.00%	N/A	N/A
Tier 1 leverage capital ratio (2)	765,089	10.58%	289,259	4.00%	289,259	4.00%	N/A	N/A
Tier 1 risk-based capital ratio (3)	765,089	12.26%	374,432	6.00%	530,445	8.50%	N/A	N/A
Total risk-based capital ratio (4)	899,563	14.42%	499,064	8.00%	655,022	10.50%	N/A	N/A
Brookline Bank								
Common equity Tier 1 capital ratio (1)	$ 495,798	12.06%	$ 184,999	4.50%	$ 287,777	7.00%	$ 267,221	6.50%
Tier 1 leverage capital ratio (2)	506,277	11.02%	183,767	4.00%	183,767	4.00%	229,708	5.00%
Tier 1 risk-based capital ratio (3)	506,277	12.32%	246,563	6.00%	349,298	8.50%	328,751	8.00%
Total risk-based capital ratio (4)	545,533	13.27%	328,882	8.00%	431,658	10.50%	411,102	10.00%
BankRI								
Common equity Tier 1 capital ratio (1)	$ 209,670	11.37%	$ 82,983	4.50%	$ 129,084	7.00%	$ 119,864	6.50%
Tier 1 leverage capital ratio (2)	209,670	9.35%	89,698	4.00%	89,698	4.00%	112,123	5.00%
Tier 1 risk-based capital ratio (3)	209,670	11.37%	110,644	6.00%	156,745	8.50%	147,525	8.00%
Total risk-based capital ratio (4)	227,674	12.35%	147,481	8.00%	193,569	10.50%	184,351	10.00%
First Ipswich								
Common equity Tier 1 capital ratio (1)	$ 39,655	13.91%	$ 12,829	4.50%	$ 19,956	7.00%	$ 18,530	6.50%
Tier 1 leverage capital ratio (2)	39,655	9.59%	16,540	4.00%	16,540	4.00%	20,675	5.00%
Tier 1 risk-based capital ratio (3)	39,655	13.91%	17,105	6.00%	24,232	8.50%	22,807	8.00%
Total risk-based capital ratio (4)	42,944	15.06%	22,812	8.00%	29,941	10.50%	28,515	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,		
	2019	2018	2017
	(In Thousands)		
Change in plan assets:			
Fair value of plan assets at beginning of year	$ —	$ —	$ —
Employer contributions	32	31	19
Benefits paid	(32)	(31)	(19)
Fair value of plan assets at end of year	$ —	$ —	$ —
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 1,490	$ 1,534	$ 1,135
Service cost	54	70	49
Interest cost	60	59	43
Estimated benefits paid	(32)	(31)	(19)
Actuarial loss (gain)	185	(142)	326
Benefit obligation at end of year	$ 1,757	$ 1,490	$ 1,534
Funded status at end of year	$ 1,757	$ 1,490	$ 1,534
Accumulated benefit obligation at end of year	$ 1,757	$ 1,490	$ 1,534

The liability for the postretirement benefits included in accrued expenses and other liabilities was $1.8 million, $1.5 million, and $1.5 million as of December 31, 2019, 2018 and 2017, 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,		
	2019	2018	2017
	(In Thousands)		
Net periodic benefit expense:			
Service cost	$ 54	$ 70	$ 49
Interest cost	60	59	43
Prior service credit	(21)	(21)	(21)
Actuarial gain	(27)	—	(47)
Net periodic benefit expense	$ 66	$ 108	$ 24
Changes in postretirement benefit obligation recognized in other comprehensive income:			
Net actuarial (loss) gain	(206)	$ 142	$ (401)
Prior service credit	(21)	(21)	(21)
Total pre-tax changes in postretirement benefit obligation recognized in other comprehensive income	$ (227)	$ 121	$ (422)

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The discount rate used to determine the actuarial present value of projected postretirement benefit obligations was 3.19% in 2019, 4.22% in 2018 and 3.62% in 2017. The estimated prior service credit that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2020 is $100 thousand.

The actual health care trend used to measure the accumulated postretirement benefit obligation in 2019 for plan participants below age 65 and for plan participants over age 65 was 13.3% and 1.2%, respectively. In 2018, the rate for plan participants below age 65 and for plan participants over age 65 was 3.1% and 2.4%, respectively. The health care trend rates for 2018 and 2019 are based on actual changes in medical premium rates for those years. The rates to be used in 2020 through 2024 are expected to be in the range of 5.9% to 5.1% and to decline gradually thereafter to 4.5%. 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, 2019	
	1% Increase	1% Decrease
	(In Thousands)	
Effect on total service and interest cost components of net periodic postretirement benefit costs	$ 25	$ (20)
Effect on the accumulated postretirement benefit obligation	365	(289)

401(k) Plan

The Company administers one 401(k) 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 401(k) plan by making voluntary contributions, subject to certain limits based on federal tax laws. The Company makes a matching contribution of the amount contributed by eligible employees, up to 5% of the employee's yearly compensation. Expenses associated with the plans were $3.1 million in 2019, $3.2 million in 2018, and $2.6 million in 2017.

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 in 2019, 2018 and 2017 were $236.2 thousand, $181.1 thousand, and $128.5 thousand, respectively. Accrued liabilities associated with the Nonqualified Plan in 2019, 2018, and 2017 were $5.5 thousand, $5.5 thousand, and $80.2 thousand, 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 who are entitled to an annual retirement benefit. As of December 31, 2019, there were 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. In 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, 2019, and 2018 were $1.1 million and $0.5 million, respectively. Aggregate benefits payable included in accrued expenses and other liabilities as of December 31, 2019 and 2018 were $12.8 million and $12.1 million, respectively.

The nominal discount rate used to determine the actuarial present value of projected benefits under the agreements was 3.25% and 4.00% in the years 2019 and 2018, respectively.

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, 2019 and 2018, was $0.8 million and $1.0 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, 2019 and 2018, the ESOP held 79,548 and 109,950 unallocated shares, respectively at an aggregate cost of $0.4 million and $0.6 million, respectively. The market value of such shares as of December 31, 2019 and 2018 was $1.3 million and $1.5 million, respectively. Compensation and employee benefits expense related to the ESOP was $0.5 million in 2019, $0.5 million in 2018 and $0.5 million in 2017, based on the commitment to release to eligible employees 30,402 shares in 2019, 32,382 shares in 2018 and 34,356 shares in 2017.

Share-Based Compensation Plans

Under the Brookline Bancorp, Inc. 2014 Equity Incentive Plan (the “2014 Plan”), approved by stockholders on May 7, 2014, the Company may award stock options, stock appreciation rights, restricted stock, restricted stock units, unrestricted stock, performance share awards, dividend equivalent rights and cash-based awards to officers, employees, non-employee directors and consultants of the Company. The maximum number of shares that may be issued under the 2014 Plan is 1,750,000.

Under the Brookline Bancorp, Inc. 2011 Restricted Stock Plan (the “2011 Plan”), approved by stockholders on April 20, 2011, the Company may grant shares of restricted stock to employees and directors. The maximum number of shares that may be issued under the 2011 Plan is 500,000.

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. The remaining 50% of each award has a cliff vesting schedule and 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. The specific performance measure targets are approved by annually by the Compensation Committee and are discussed in the Company's Proxy Statement. If a grantee 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 grantee only when the shares vest.

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 2014 Plan and the 2011 Plan was $2.4 million in 2019, $2.5 million in 2018 and $2.3 million in 2017, respectively. Total income tax benefits on vested awards was $0.1 million in 2019, $1.2 million in 2018, and $0.7 million in 2017. Dividends paid on unvested awards under the 2014 Plan and the 2011 Plan, which are recognized as compensation expense, were $0.1 million in 2019, $0.2 million in 2018, and $0.1 million in 2017.

The following table presents information about the Company's restricted stock awards as of and for the year ending December 31, 2019:

	Restricted Stock Awards Outstanding	Weighted Average Price per Share	
	(Dollars in Thousands, Except Per Share Amounts)		
Restricted Stock Awards:			
Outstanding at December 31, 2018	390,635	$ 15.21	
Granted	212,461	14.25	
Vested	(175,160)	14.46	
Forfeited / Canceled	(21,486)	11.78	
Outstanding at December 31, 2019	406,450	$ 15.21	
Unrecognized compensation cost			$ 3,964
Weighted average remaining recognition period (months)			24

Stock Options

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 2019, 2018, or 2017. There was no expense for the stock option plans in 2019, 2018, and 2017. The following table presents a summary of the status of the Company's stock options outstanding as of and for the year ending December 31, 2019:

	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[(1)]:				
Outstanding at December 31, 2018	5,000	$ 9.90		
Granted	—	—		
Exercised	—	—		
Forfeited / Canceled	—	—		
Outstanding at December 31, 2019	5,000	$ 9.90	$ 33	0.8
Exercisable at December 31, 2019	5,000	$ 9.90	$ 33	0.8

(1) Options granted pursuant to the Brookline Bancorp, Inc. 2003 Stock Option Plan (the "2003 Stock Option Plan"). The 2003 Stock Option Plan terminated by its terms on October 16, 2013, however, outstanding option awards granted pursuant to the 2003 Stock Option Plan may be exercised for 10 years from the date of grant.

(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 2019 and 2018.

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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, 2019 and 2018:

	Carrying Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Investment securities available-for-sale:				
Debt securities:				
GSE debentures	$ —	$ 185,803	$ —	$ 185,803
GSE CMOs	—	85,932	—	85,932
GSE MBSs	—	153,343	—	153,343
SBA commercial loan asset-backed securities	—	34	—	34
Corporate debt obligations	—	28,986	—	28,986
U.S. Treasury bonds	—	44,897	—	44,897
Total investment securities available-for-sale	$ —	$ 498,995	$ —	$ 498,995
Equity securities held-for-trading	$ 2,569	$ 1,012	$ —	$ 3,581
Loan level derivatives	—	59,365	—	59,365
Risk participation-out agreements	—	1,229	—	1,229
Foreign exchange contracts	—	54	—	54
Liabilities:				
Loan level derivatives	$ —	$ 59,365	$ —	$ 59,365
Risk participation-in agreements	—	283	—	283
Foreign exchange contracts	—	53	—	53

	Carrying Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Investment securities available-for-sale:				
Debt securities:				
GSE debentures	$ —	$ 181,079	$ —	$ 181,079
GSE CMOs	—	103,130	—	103,130
GSE MBSs	—	165,089	—	165,089
SBA commercial loan asset-backed securities	—	51	—	51
Corporate debt obligations	—	39,708	—	39,708
U.S. Treasury bonds	—	13,736	—	13,736
Total investment securities available-for-sale	$ —	$ 502,793	$ —	$ 502,793
Equity securities held for trading	$ 3,235	$ 972	$ —	$ 4,207
Loan level derivatives	—	22,013	—	22,013
Risk participation-out agreements	—	344	—	344
Foreign exchange contracts	—	131	—	131
Liabilities:				
Loan level derivatives	$ —	$ 22,013	$ —	$ 22,013
Risk participation-in agreements	—	84	—	84
Foreign exchange contracts	—	123	—	123

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. During the 3rd quarter of 2018, the Company re-designated all equity securities as held-for-trading and they are included in levels 1 and 2. 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, 2019 and December 31, 2018, 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.

Equity Securities Held-for-Trading

The fair value of equity securities held-for-trading is based principally on market prices and dealer quotes received from third-party and nationally-recognized pricing services. The Company's 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.

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, 2019 and December 31, 2018.

There were no transfers between levels for assets and liabilities recorded at fair value on a recurring basis during 2019 or 2018.

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, 2019 and 2018 are summarized below:

	Carrying Value as of December 31, 2019			
	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	$ —	$ —	$ 2,243	$ 2,243
Repossessed assets	—	2,631	—	2,631
Total assets measured at fair value on a non-recurring basis	$ —	$ 2,631	$ 2,243	$ 4,874

	Carrying Value as of December 31, 2018			
	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	$ —	$ —	$ 11,451	$ 11,451
OREO	—	—	3,054	3,054
Repossessed assets	—	965	—	965
Total assets measured at fair value on a non-recurring basis	$ —	$ 965	$ 14,505	$ 15,470

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, 2019	At December 31, 2018	
	(Dollars in Thousands)		
Collateral-dependent impaired loans and leases	$ 2,243	$ 11,451	Appraisal of collateral [(1)]
Other real estate owned	—	3,054	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 2019.

	Carrying Value	Estimated Fair Value	Fair Value Measurements		
			Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
			(In Thousands)		
At December 31, 2019					
Financial assets:					
Investment securities held-to-maturity:					
GSE debentures	$ 31,228	$ 31,290	$ —	$ 31,290	$ —
GSE MBSs	9,360	9,279	—	9,279	—
Municipal obligations	45,692	46,514	—	46,514	—
Foreign government obligations	500	478	—	—	478
Loans and leases, net	6,676,734	6,697,583	—	—	6,697,583
Restricted equity securities	53,818	53,818	—	—	53,818
Financial liabilities:					
Certificates of deposit	2,021,642	2,026,683	—	2,026,683	—
Borrowed funds	902,749	902,670	—	902,670	—
At December 31, 2018					
Financial assets:					
Investment securities held-to-maturity:					
GSE debentures	$ 50,546	$ 49,601	$ —	$ 49,601	$ —
GSE MBSs	11,426	11,131	—	11,131	—
Municipal obligations	52,304	51,598	—	51,598	—
Foreign government obligations	500	500	—	—	500
Loans held-for-sale	3,247	3,247	—	3,247	—
Loans and leases, net	6,244,824	6,154,704	—	—	6,154,704
Restricted equity securities	61,751	61,751	—	—	61,751
Financial liabilities:					
Certificates of deposit	1,789,165	1,778,860	—	1,778,860	—
Borrowed funds	920,542	886,545	—	886,545	—

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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.

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.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(22) Condensed Parent Company Financial Statements

Condensed Parent Company Balance Sheets as of December 31, 2019 and 2018 and Statements of Income for the years ended December 31, 2019, 2018 and 2017 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, 2019	At December 31, 2018
	(In Thousands)	
ASSETS		
Cash and due from banks	$ 35,736	$ 33,663
Short-term investments	33	33
Total cash and cash equivalents	35,769	33,696
Equity securities held-for-trading	2,569	3,235
ESOP loan to Brookline Bank	752	1,002
Intercompany loan to Brookline Bank	30,000	40,000
Restricted equity securities	252	101
Premises and equipment, net	2,403	4,318
Deferred tax asset	1,742	1,499
Investment in subsidiaries, at equity	924,352	864,798
Goodwill	35,267	35,267
Other assets	12,116	5,400
Total assets	$ 1,045,222	$ 989,316
LIABILITIES AND STOCKHOLDERS' EQUITY		
Borrowed funds	$ 83,591	$ 83,433
Deferred tax liability	—	—
Accrued expenses and other liabilities	16,025	5,743
Total liabilities	99,616	89,176
Stockholders' equity:		
Common stock, $0.01 par value; 200,000,000 shares authorized; 85,177,172 shares issued and 85,177,172 shares issued, respectively	852	852
Additional paid-in capital	736,601	755,629
Retained earnings, partially restricted	265,376	212,838
Accumulated other comprehensive loss	2,283	(9,460)
Treasury stock, at cost; 5,003,127 shares and 5,020,025 shares, respectively	(59,073)	(59,120)
Unallocated common stock held by ESOP; 79,548 shares and 109,950 shares, respectively	(433)	(599)
Total stockholders' equity	945,606	900,140
Total liabilities and stockholders' equity	$ 1,045,222	$ 989,316

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Statements of Income

	Year Ended December 31,		
	2019	2018	2017
		(In Thousands)	
Interest and dividend income:			
Dividend income from subsidiaries	$ —	$ —	$ 7,317
Marketable and restricted equity securities	147	37	—
ESOP loan to Brookline Bank	77	98	120
Intercompany loan to Brookline Bank	1,183	1,722	532
Total interest and dividend income	1,407	1,857	7,969
Interest expense:			
Borrowed funds	5,274	5,223	5,123
Net interest income	(3,867)	(3,366)	2,846
Non-interest income:			
Gain on securities, net	467	71	—
Other	—	16	—
Total non-interest income	467	87	—
Non-interest expense:			
Compensation and employee benefits (1)	(507)	345	391
Occupancy	1,589	1,586	1,584
Equipment and data processing (1)	(770)	(798)	(1,011)
Directors' fees	461	417	453
Franchise taxes	306	321	180
Insurance	543	534	528
Professional services	548	364	470
Advertising and marketing	31	19	4
Merger and acquisition expense	—	452	411
Other (1)	(1,139)	(1,140)	(1,224)
Total non-interest expense	1,062	2,100	1,786
Loss before income taxes	(4,462)	(5,379)	1,060
Credit for income taxes	(969)	(1,976)	(1,944)
Loss before equity in undistributed income of subsidiaries	(3,493)	(3,403)	3,004
Equity in undistributed income of subsidiaries	91,210	86,465	47,514
Net income	$ 87,717	$ 83,062	$ 50,518

(1) The Parent Company received a net benefit in 2019, 2018 and 2017 from the intercompany allocation of expense that is eliminated in consolidation.

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Statements of Cash Flows

	Year Ended December 31, 2019	2018	2017
	(In Thousands)		
Cash flows from operating activities:			
Net income attributable to parent company	$ 87,717	$ 83,062	$ 50,518
Adjustments to reconcile net income to net cash provided from operating activities:			
Equity in undistributed income of subsidiaries	(91,210)	(86,465)	(47,514)
Depreciation of premises and equipment	2,824	3,073	2,856
Amortization of debt issuance costs	100	100	100
Equity securities held-for-trading	666	(3,235)	—
Other operating activities, net	47,296	(31,014)	(5,885)
Net cash provided from (used for) operating activities	47,393	(34,479)	75
Cash flows from investing activities:			
Repayment of ESOP loan by Brookline Bank	250	250	250
Pay down (issuance) of intercompany loan to Brookline Bank	10,000	40,000	(80,000)
Purchase of restricted equity securities	(151)	(1)	—
Purchase of premises and equipment	(909)	(1,359)	(1,942)
Net cash provided from (used for) investing activities	9,190	38,890	(81,692)
Cash flows from financing activities:			
Proceeds from issuance of common stock	—	—	81,943
Common stock issued for acquisition	—	55,183	—
Redemption of noncontrolling interest in subsidiary	(18,470)	—	—
Payment of dividends to owners of noncontrolling interest in subsidiary	(930)	—	—
Payment of dividends on common stock	(35,110)	(31,441)	(27,035)
Net cash (used for) provided from financing activities	(54,510)	23,742	54,908
Net increase (decrease) in cash and cash equivalents	2,073	28,153	(26,709)
Cash and cash equivalents at beginning of year	33,696	5,543	32,252
Cash and cash equivalents at end of year	$ 35,769	$ 33,696	$ 5,543
Supplemental disclosures of cash flow information:			
Acquisition of First Commons Bank, N.A.:			
Fair value of assets acquired, net of cash and cash equivalents acquired	$ —	$ 292,025	$ —
Fair value of liabilities assumed	—	278,988	—

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(23) Quarterly Results of Operations (Unaudited)

	2019 Quarters			
	Fourth	Third	Second	First
	(Dollars in Thousands Except Per Share Data)			
Interest and dividend income	$ 87,450	$ 87,906	$ 87,184	$ 85,086
Interest expense	23,519	24,670	24,050	22,087
Net interest income	63,931	63,236	63,134	62,999
Provision for credit losses	3,602	871	3,757	1,353
Net interest income after provision for credit losses	60,329	62,365	59,377	61,646
Loan level derivative income, net	2,494	2,251	1,772	1,745
(Loss) gain on investment securities, net	133	(116)	357	134
Gain on sales of loans and leases held-for-sale	309	550	561	289
Other non-interest income	4,820	5,244	4,788	4,462
Amortization of identified intangible assets	(420)	(421)	(420)	(402)
Other non-interest expense	(38,395)	(39,770)	(39,184)	(38,469)
Income before provision for income taxes	29,270	30,103	27,251	29,405
Provision for income taxes	7,087	7,507	6,780	6,895
Net income before noncontrolling interest in subsidiary	22,183	22,596	20,471	22,510
Less net income attributable to noncontrolling interest in subsidiary	—	—	—	43
Net income attributable to Brookline Bancorp, Inc.	$ 22,183	$ 22,596	$ 20,471	$ 22,467
Earnings per share:				
Basic	$ 0.28	$ 0.28	$ 0.26	$ 0.28
Diluted	0.28	0.28	0.26	0.28
Average common shares outstanding:				
Basic	79,682,724	79,700,403	79,669,922	79,658,583
Diluted	79,845,447	79,883,510	79,886,292	79,843,578
Common stock price:				
High	$ 16.83	$ 15.39	$ 15.92	$ 16.23
Low	14.36	13.73	14.35	13.90
Dividends per share	$ 0.115	$ 0.110	$ 0.110	$ 0.105

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	2018 Quarters			
	Fourth	Third	Second	First
	(Dollars in Thousands Except Per Share Data)			
Interest and dividend income	$ 83,544	$ 80,636	$ 78,074	$ 71,639
Interest expense	20,385	18,304	15,357	12,148
Net interest income	63,159	62,332	62,717	59,491
Provision for credit losses	123	2,717	1,470	641
Net interest income after provision for credit losses	63,036	59,615	61,247	58,850
Loan level derivative income, net	1,811	2,192	571	866
Gain on sales of investment securities, net	(692)	(243)	—	1,162
Gain on sales of loans and leases held-for-sale	327	535	722	299
Other non-interest income	5,015	4,585	4,233	3,841
Amortization of identified intangible assets	(537)	(537)	(539)	(467)
Other non-interest expense	(39,745)	(36,773)	(37,163)	(39,471)
Income before provision for income taxes	29,215	29,374	29,071	25,080
Provision for income taxes	7,055	6,140	7,342	5,652
Net income before noncontrolling interest in subsidiary	22,160	23,234	21,729	19,428
Less net income attributable to noncontrolling interest in subsidiary	1,022	774	898	795
Net income attributable to Brookline Bancorp, Inc.	$ 21,138	$ 22,460	$ 20,831	$ 18,633
Earnings per share:				
Basic	$ 0.26	$ 0.28	$ 0.26	$ 0.24
Diluted	0.26	0.28	0.26	0.24
Average common shares outstanding:				
Basic	80,258,489	80,315,050	80,184,977	77,879,593
Diluted	80,407,558	80,515,467	80,505,614	78,167,800
Common stock price:				
High	$ 16.97	$ 19.05	$ 19.25	$ 17.05
Low	12.86	16.70	15.90	15.60
Dividends per share	$ 0.105	$ 0.100	$ 0.100	$ 0.090

(24) Revenue from Contracts with Customers

Overview

Revenue from contracts with customers in the scope of Accounting Standards Codification (“ASC”) ("Topic 606") is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue from contracts with customers when it satisfies its performance obligations.

The Company’s performance obligations are generally satisfied as services are rendered and can either be satisfied at a point in time or over time. Unsatisfied performance obligations at the report date are not material to our consolidated financial statements.

In certain cases, other parties are involved with providing services to our customers. If the Company is a principal in the transaction (providing services itself or through a third party on its behalf), revenues are reported based on the gross consideration received from the customer and any related expenses are reported gross in noninterest expense. If the Company is an agent in the transaction (referring to another party to provide services), the Company reports its net fee or commission retained as revenue.

Accounting Policy Updates

The Company adopted Topic 606, "Revenue from Contracts with Customers" effective January 1, 2018 and has applied the guidance to all contracts within the scope of Topic 606 as of that date. As a result, the Company has modified its accounting policy for revenue recognition as detailed in this Note.

As discussed in Note 1, the Company applied Topic 606 using the modified retrospective method, therefore, the prior period comparative information has not been adjusted and continues to be reported under Topic 605. There was no cumulative effect adjustment as of January 1, 2018, and there were no material changes to our consolidated financial statements at or for the twelve months ended December 31, 2019, as a result of adopting Topic 606.

The Company applied the practical expedient pertaining to contracts with original expected duration of one year or less and does not disclose information about remaining performance obligations on such contracts.

The Company also applied the practical expedient pertaining to contracts for which, at contract inception, the period between when the entity transfers the services and when the customer pays for those services will be one year or less. As such, the Company does not adjust the consideration from customers for the effects of a significant financing component.

A substantial portion of the Company's revenue is specifically excluded from the scope of Topic 606. This exclusion is associated with financial instruments, including interest income on loans and investment securities, in addition to loan derivative income and gains on loan and investment sales. For the revenue that is in-scope of Topic 606, the following is a description of principal activities from which the Company generates its revenue from contracts with customers, separated by the timing of revenue recognition.

Revenue Recognized at a Point in Time

The Company recognizes revenue that is transactional in nature and such revenue is earned at a point in time. Revenue that is recognized at a point in time includes card interchange fees (fee income related to debit card transactions), ATM fees, wire transfer fees, overdraft charge fees, and stop-payment and returned check fees. Additionally, revenue is collected from loan fees, such as letters of credit, line renewal fees and application fees. Such revenue is derived from transactional information and is recognized as revenue immediately as the transactions occur or upon providing the service to complete the customer's transaction.

Revenue Recognized Over Time

The Company recognizes revenue over a period of time, generally monthly, as services are performed and performance obligations are satisfied. Such revenue includes commissions on investments, insurance sales and service charges on deposit accounts. Fee revenue from service charges on deposit accounts represent the service charges assessed to customers who hold deposit accounts at the Bank.

(25) Subsequent Events

First Ipswich Bank

On February 15, 2020, Brookline Bank completed the merger of First Ipswich Bank and its subsidiaries with and into Brookline Bank. First Ipswich was already a wholly-owned subsidiary of the Company, therefore there was no tax impact and minimal impact to customers. All of First Ipswich Bank's six branch locations were retained and converted to Brookline Bank branches.

The Company has evaluated subsequent events other than the matters described above and through the date of issuance.

DESCRIPTION OF EQUITY SECURITIES REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

Brookline Bancorp, Inc. (the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: common stock, par value $1.00 per share (the "Common Stock"). The Company's Common Stock is traded on the Nasdaq Global Select Market[sm] under the symbol "BRKL."

The following is a description of the material terms and provisions of the Company's Common Stock. It may not contain all information that is important to you. You can access complete information by referring to the Company's certificate of incorporation and bylaws and the Delaware General Corporation Law. The certificate of incorporation and bylaws are attached as exhibits to the Annual Report on Form 10-K to which this description is an exhibit.

General

Under the certificate of incorporation, the Company has authority, without further shareholder action, to issue up to 200,000,000 shares of Common Stock. The Company may amend its certificate of incorporation from time to time to increase the number of authorized shares of Common Stock with shareholder approval.

The Company may issue Common Stock from time to time. The Company's Board of Directors must approve the amount of capital stock the Company sells and the price for which it is sold. Holders of Common Stock do not have any preferential rights or preemptive rights to buy or subscribe for capital stock or other securities that the Company may issue. The Company's Common Stock does not have any redemption rights, sinking fund provisions or any conversion rights.

Dividends

The Company may pay dividends on its Common Stock if, after giving effect to the distribution, it would be able to pay its indebtedness as the indebtedness comes due in the usual course of business and its total assets exceed the sum of its liabilities and the amount needed, if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of any holders of capital stock who have preference in the event of dissolution. The holders of Common Stock are entitled to receive and share equally in dividends as may be declared by the Company's Board of Directors out of funds legally available therefor. If the Company issues shares of preferred stock, the holders thereof may have a priority over the holders of the Common Stock with respect to dividends.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, and subject to the preferential rights of any other class or series of stock, holders of shares of the Common Stock are entitled to receive all assets of the Company available for distribution, after payment or provision for payment of all debts and liabilities of the Company, including deposit accounts and accrued interest thereon, and after distribution of the balance in the liquidation account to eligible account holders.

Voting Rights

Subject to the provisions of the certificate of incorporation, each holder of Common Stock is entitled to one vote per share and has no right to cumulate votes in the election of directors. Holders of the Company's Common Stock elect the Company's Board of Directors and act on all other matters as are required to be presented to them under Delaware law or as are otherwise presented to them by the Company's Board of Directors.

Under the certificate of incorporation, any person who beneficially owns more than 10% of the then-outstanding shares of the Company's Common Stock will not be entitled or permitted to vote any shares of Common Stock held in excess of the 10% limit.

All matters to be voted on by stockholders, other than a contested election of directors, must be approved by a majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present, subject to any voting rights granted to holders of any then outstanding preferred stock. In contested elections of directors, which generally will include any situation in which the Company receives a notice that a stockholder has nominated a person for election to the Company's Board of Directors at a meeting of the stockholders of the Company that is not withdrawn on or before the tenth day before the Company first mails its notice for such meeting to its stockholders, a plurality voting standard will apply.

EXHIBIT A

BROOKLINE BANCORP, INC.

2003 STOCK OPTION PLAN

1. Purpose

The purpose of the Brookline Bancorp, Inc. ("Company") 2003 Stock Option Plan (the "Plan") is to advance the interests of the Company and its stockholders by providing certain current and prospective Key Employees and Outside Directors of the Company and its Affiliates, upon whom the continued success of the Company most depends, with a flexible and comprehensive stock option plan that permits the granting of a variety of long-term incentive awards as a means of enhancing and encouraging the recruitment and retention of such individuals.

2. Definitions

The following words and phrases when used in this Plan with an initial capital letter, unless the context clearly indicates otherwise, shall have the meanings set forth below. Wherever appropriate, the masculine pronoun shall include the feminine pronoun and singular shall include the plural:

"Affiliate" means any "parent corporation" or "subsidiary corporation" of the Bank or the Company, as such terms are defined in Section 424(e) or 424(f), respectively, of the Code, or a successor to a parent corporation or subsidiary corporation.

"Award" means an Award of Non-Statutory Stock Options, Incentive Stock Options, Reload Options, Limited Rights, and/or Dividend Equivalent Rights granted under the provisions of the Plan.

"Bank" means Brookline Bank, or a successor corporation.

"Beneficiary" means the person or persons designated by a Participant to receive any benefits payable under the Plan in the event of such Participant's death. Such person or persons shall be designated in writing on forms provided for this purpose by the Committee and may be changed from time to time by similar written notice to the Committee. In the absence of a written designation, the Beneficiary shall be the Participant's surviving spouse, if any, or if none, his estate.

"Board" or **"Board of Directors"** means the board of directors of the Company or its Affiliate, as applicable.

"Cause" means personal dishonesty, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, or the willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or a final cease-and-desist order, any of which is committed in connection with the performance by the Key Employee or Director of his or her duties for the Company or an Affiliate.

"Change in Control" means a change in control of a nature that: (i) would be required to be reported in response to Item 1(a) of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); or (ii) results in a Change in Control of the Bank or the Company within the meaning of the Home Owners' Loan Act, as amended ("HOLA"), and applicable rules and regulations promulgated thereunder, as in effect at the time of the Change in Control; or (iii) without limitation such a Change in Control shall be deemed to have occurred at such time as (a) any "person" (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of Company's outstanding securities except for any securities purchased by the Bank's employee stock ownership plan or trust; or (b) individuals who constitute the Board on the date hereof (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, *provided* that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters

of the directors comprising the Incumbent Board, or whose nomination for election by the Company's stockholders was approved by the same Nominating Committee serving under an Incumbent Board, shall be, for purposes of this clause (b), considered as though he were a member of the Incumbent Board; or (c) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the Bank or the Company or similar transaction in which the Bank or Company is not the surviving institution occurs; or (d) a proxy statement soliciting proxies from stockholders of the Company, by someone other than the current management of the Company, seeking stockholder approval of a plan of reorganization, merger or consolidation of the Company or similar transaction with one or more corporations as a result of which the outstanding shares of the class of securities then subject to the Plan are to be exchanged for or converted into cash or property or securities not issued by the Company; or (e) a tender offer is made for 25% or more of the voting securities of the Company and the shareholders owning beneficially or of record 25% or more of the outstanding securities of the Company have tendered or offered to sell their shares pursuant to such tender offer and such tendered shares have been accepted by the tender offeror.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means a Committee of the Board consisting of either (i) two or more Non-Employee Directors of the Company, or (ii) the entire Board of the Company.

"Common Stock" means shares of the common stock of the Company, par value $.01 per share.

"Company" means Brookline Bancorp, Inc., the stock holding company of the Bank, or a successor corporation.

"Continuous Service" means employment as a Key Employee and/or service as an Outside Director without any interruption or termination of such employment and/or service with the Company, the Bank or an Affiliate. Continuous Service shall also mean a continuation as a member of the Board of Directors following a cessation of employment as a Key Employee. In the case of a Key Employee, employment shall not be considered interrupted in the case of sick leave, military leave or any other leave of absence approved by the Bank or in the case of transfers between payroll locations of the Bank or between the Bank, its parent, its subsidiaries or its successor.

"Date of Grant" means the actual date on which an Award is granted by the Committee.

"Director" means a member of the Board.

"Disability" means the permanent and total inability by reason of mental or physical infirmity, or both, of an employee to perform the work customarily assigned to him, or of a Director to serve as such. Additionally, in the case of an employee, a medical doctor selected or approved by the Board must advise the Committee that it is either not possible to determine when such Disability will terminate or that it appears probable that such Disability will be permanent during the remainder of said employee's lifetime.

"Dividend Equivalent Rights" means the right to receive an amount of cash based upon the terms set forth in Section 10 hereof.

"Effective Date" means the date of, or a date determined by the Board following, approval of the Plan by the Company's stockholders.

"Fair Market Value" means, when used in connection with the Common Stock on a certain date, the reported closing price of the Common Stock as reported by the Nasdaq stock market (as published by The *Wall Street Journal*, if published) or any nationally recognized stock exchange on such date, or if the Common Stock was not traded on such date, then on the next preceding day on which the Common Stock was traded; *provided, however*, that if the Common Stock is not reported on the Nasdaq stock market or any nationally recognized stock exchange, Fair Market Value shall mean the average sale price of all shares of Common Stock sold during the 30-day period immediately preceding the date on which such stock option was granted, and if no shares of stock have been sold within such 30-day period, the average sale price of the last three sales of Common Stock sold during the 90-day period immediately preceding the date on which such stock option was granted. In the event Fair Market Value cannot be determined in the manner described above, then Fair Market Value shall be determined by the Committee.

of the directors comprising the Incumbent Board, or whose nomination for election by the Company's stockholders was approved by the same Nominating Committee serving under an Incumbent Board, shall be, for purposes of this clause (b), considered as though he were a member of the Incumbent Board; or (c) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the Bank or the Company or similar transaction in which the Bank or Company is not the surviving institution occurs; or (d) a proxy statement soliciting proxies from stockholders of the Company, by someone other than the current management of the Company, seeking stockholder approval of a plan of reorganization, merger or consolidation of the Company or similar transaction with one or more corporations as a result of which the outstanding shares of the class of securities then subject to the Plan are to be exchanged for or converted into cash or property or securities not issued by the Company; or (e) a tender offer is made for 25% or more of the voting securities of the Company and the shareholders owning beneficially or of record 25% or more of the outstanding securities of the Company have tendered or offered to sell their shares pursuant to such tender offer and such tendered shares have been accepted by the tender offeror.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means a Committee of the Board consisting of either (i) two or more Non-Employee Directors of the Company, or (ii) the entire Board of the Company.

"Common Stock" means shares of the common stock of the Company, par value $.01 per share.

"Company" means Brookline Bancorp, Inc., the stock holding company of the Bank, or a successor corporation.

"Continuous Service" means employment as a Key Employee and/or service as an Outside Director without any interruption or termination of such employment and/or service with the Company, the Bank or an Affiliate. Continuous Service shall also mean a continuation as a member of the Board of Directors following a cessation of employment as a Key Employee. In the case of a Key Employee, employment shall not be considered interrupted in the case of sick leave, military leave or any other leave of absence approved by the Bank or in the case of transfers between payroll locations of the Bank or between the Bank, its parent, its subsidiaries or its successor.

"Date of Grant" means the actual date on which an Award is granted by the Committee.

"Director" means a member of the Board.

"Disability" means the permanent and total inability by reason of mental or physical infirmity, or both, of an employee to perform the work customarily assigned to him, or of a Director to serve as such. Additionally, in the case of an employee, a medical doctor selected or approved by the Board must advise the Committee that it is either not possible to determine when such Disability will terminate or that it appears probable that such Disability will be permanent during the remainder of said employee's lifetime.

"Dividend Equivalent Rights" means the right to receive an amount of cash based upon the terms set forth in Section 10 hereof.

"Effective Date" means the date of, or a date determined by the Board following, approval of the Plan by the Company's stockholders.

"Fair Market Value" means, when used in connection with the Common Stock on a certain date, the reported closing price of the Common Stock as reported by the Nasdaq stock market (as published by The *Wall Street Journal*, if published) or any nationally recognized stock exchange on such date, or if the Common Stock was not traded on such date, then on the next preceding day on which the Common Stock was traded; *provided, however*, that if the Common Stock is not reported on the Nasdaq stock market or any nationally recognized stock exchange, Fair Market Value shall mean the average sale price of all shares of Common Stock sold during the 30-day period immediately preceding the date on which such stock option was granted, and if no shares of stock have been sold within such 30-day period, the average sale price of the last three sales of Common Stock sold during the 90-day period immediately preceding the date on which such stock option was granted. In the event Fair Market Value cannot be determined in the manner described above, then Fair Market Value shall be determined by the Committee.

The Committee is authorized, but is not required, to obtain an independent appraisal to determine the Fair Market Value of the Common Stock.

"Incentive Stock Option" means an Option granted by the Committee to a Participant, which Option is designated as an Incentive Stock Option pursuant to Section 8.

"Key Employee" means any person who is currently employed by the Company or an Affiliate who is chosen by the Committee to participate in the Plan.

"Limited Right" means the right to receive an amount of cash based upon the terms set forth in Section 9.

"Non-Statutory Stock Option" means an Option granted by the Committee to (i) an Outside Director or (ii) to any other Participant and such Option is either (A) not designated by the Committee as an Incentive Stock Option, or (B) fails to satisfy the requirements of an Incentive Stock Option as set forth in Section 422 of the Code and the regulations thereunder.

"Non-Employee Director" means, for purposes of the Plan, a Director who (a) is not employed by the Company or an Affiliate; (b) does not receive compensation directly or indirectly as a consultant (or in any other capacity than as a Director) greater than $60,000; (c) does not have an interest in a transaction requiring disclosure under Item 404(a) of Regulation S-K; or (d) is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K.

"Normal Retirement" means for a Key Employee, retirement at the normal or early retirement date set forth in the Bank's Employee Stock Ownership Plan, or any successor plan. Normal Retirement for an Outside Director means a cessation of service on the Board of Directors for any reason other than removal for Cause, after reaching 65 years of age and maintaining at least 10 years of Continuous Service.

"Outside Director" means a Director of the Company or an Affiliate who is not an employee of the Company or an Affiliate.

"Option" means an Award granted under Section 7 or Section 8.

"Participant" means a Key Employee or Outside Director of the Company or its Affiliates who receives or has received an award under the Plan.

"Reload Option" means an option to acquire shares of Common Stock equivalent to the shares (i) used by a Participant to pay for an Option, or (ii) surrendered by a Key Employee to the Company in order to satisfy income tax required to be withheld, based upon the terms set forth in Section 18.

"Termination for Cause" means the termination of employment or termination of service on the Board caused by the individual's personal dishonesty, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, or the willful violation of any law, rule or regulation (other than traffic violations or similar offenses), or a final cease-and-desist order, any of which is committed in connection with the performance by the Key Employee or Director of his or her duties for the Company or an Affiliate.

3. **Administration of the Plan.**

3.1 **Role of the Committee.** The Plan shall be administered and interpreted by the Committee, which shall have all of the powers allocated to it in the Plan. The interpretation and construction by the Committee of any provisions of the Plan or of any Award granted hereunder shall be final and binding. The Committee shall act by vote or written consent of a majority of its members. Subject to the express provisions and limitations of the Plan, the Committee may adopt such rules and procedures as it deems appropriate for the conduct of its affairs. The Committee shall report its actions and decisions with respect to the Plan to the Board at appropriate times.

3.2 **Role of the Board.** The members of the Committee shall be appointed or approved by, and will serve at the pleasure of, the Board. The Board may in its discretion from time to time remove members from, or add

members to, the Committee. The Board shall have all of the powers allocated to it in the Plan, may take any action under or with respect to the Plan that the Committee is authorized to take, and may reverse or override any action taken or decision made by the Committee under or with respect to the Plan, *provided, however*, that the Board may not revoke any Award except in the event of revocation for Cause or with respect to unearned Awards in the event the Recipient of an Award voluntarily terminates employment with the Bank prior to Normal Retirement.

3.3 **Plan Administration Restrictions.** All transactions involving an Award shall:

(a) be approved by the Company's full Board or by the Committee; or

(b) be approved, or ratified, in compliance with Section 14 of the Exchange Act, by either: the affirmative vote of the holders of a majority of the securities present, or represented and entitled to vote at a meeting duly held in accordance with the laws of the state in which the Company is incorporated; or the written consent of the holders of a majority of the securities of the issuer entitled to vote provided that such ratification occurs no later than the date of the next annual meeting of shareholders; or

(c) if an Award of an Option or Limited Right, result in the acquisition of an Award that must be held by the Participant for a period of six months following the date of such acquisition, unless forfeited sooner.

3.4 **Limitation on Liability.** No member of the Board or the Committee shall be liable for any determination made in good faith with respect to the Plan or any Awards granted under it. If a member of the Board or the Committee is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of anything done or not done by him in such capacity under or with respect to the Plan, the Bank or the Company shall indemnify such member against expense (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in the best interests of the Bank and the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

4. Types of Awards

Awards under the Plan may be granted in any one or a combination of: (a) Incentive Stock Options; (b) Non-Statutory Stock Options; (c) Limited Rights; (d) Dividend Equivalent Rights and (e) Reload Options.

5. Stock Subject to the Plan

Subject to adjustment as provided in Section 17, the maximum number of shares reserved for issuance under the Plan is 2,500,000 shares. Shares issued under the Plan may be issued by the Company from authorized but unissued shares, treasury shares or acquired by the Company in open market purchases. The maximum number of Options that may be awarded to a Key Employee is 625,000. To the extent that Options or rights granted under the Plan are exercised, the shares underlying the exercised Options will be unavailable for future grants under the Plan; to the extent that Options, together with any related rights granted under the Plan, terminate, expire or are canceled without having been exercised (including a termination or cancellation which occurs as the result of exercise of a Limited Right), new Awards may be made with respect to such shares. In addition, any Reload Options issued with respect to shares that are used for the full or partial payment of the exercise price of any option or in connection with shares returned to the issuer to satisfy the federal tax withholding requirements relating to an option exercise, if any, will not reduce the number of options available for issuance, as set forth in the first and third sentences of this paragraph.

6. Eligibility

Key Employees of the Company and its Affiliates shall be eligible to receive Incentive Stock Options, Non-Statutory Stock Options, Limited Rights, Dividend Equivalent Rights and/or Reload Options under the Plan. Outside Directors shall be eligible to receive Non-Statutory Stock Options, Dividend Equivalent Rights, Limited Rights and Reload Options under the Plan.

7. **Non-Statutory Stock Options**

(a) **Grants to Key Employees and Outside Directors.** The Committee may, from time to time, grant Non-Statutory Stock Options to eligible Key Employees and Outside Directors, and, upon such terms and conditions as the Committee may determine, grant Non-Statutory Stock Options in exchange for and upon surrender of previously granted Awards under the Plan. Non-Statutory Stock Options granted under the Plan, including Non-Statutory Stock Options granted in exchange for and upon surrender of previously granted Awards, are subject to the terms and conditions set forth in this Section 7.

(b) **Option Agreement.** Each Option shall be evidenced by a written option agreement between the Company and the Participant specifying the number of shares of Common Stock that may be acquired through its exercise and containing the terms and conditions of the option which shall not be inconsistent with the terms of the Plan.

(c) **Price.** The purchase price per share of Common Stock deliverable upon the exercise of each Non-Statutory Stock Option shall be at least equal to the Fair Market Value of the Common Stock of the Company on the date the Option is granted. Shares may be purchased only upon full payment of the purchase price in one or more of the manners set forth in Section 12 hereof, as determined by the Committee.

(d) **Manner of Exercise and Vesting.** A Non-Statutory Stock Option granted under the Plan shall vest at the rate or rates determined by the Committee. A vested Option may be exercised from time to time, in whole or in part, by delivering a written notice of exercise to the President or Chief Executive Officer of the Company, or his designee. Such notice shall be irrevocable and must be accompanied by full payment of the purchase price in cash or shares of Common Stock at the Fair Market Value of such shares, determined on the exercise date in the manner described in Section 12 hereof. If previously acquired shares of Common Stock are tendered in payment of all or part of the exercise price, the Fair Market Value of such shares shall be determined as of the date of such exercise.

(e) **Terms of Options.** The term during which each Non-Statutory Stock Option may be exercised shall be determined by the Committee, but in no event shall a Non-Statutory Stock Option be exercisable in whole or in part more than 10 years from the Date of Grant. No Options shall be earned by a Participant unless the Participant maintains Continuous Service until the vesting date of such Option, except as set forth herein. The shares comprising each installment may be purchased in whole or in part at any time after such installment becomes purchasable. The Committee may, in its sole discretion, accelerate or extend the time at which any Non-Statutory Stock Option may be exercised in whole or in part by Key Employees and/or Outside Directors. Notwithstanding any other provision of this Plan, in the event of a Change in Control of the Company or the Bank, all Non-Statutory Stock Options that have been awarded shall become immediately exercisable following such Change in Control.

(f) **Termination of Employment or Service.** Upon the termination of a Key Employee's employment or upon termination of an Outside Director's service for any reason other than Normal Retirement, death, Disability, Change in Control or Termination for Cause, the Participant's Non-Statutory Stock Options shall be exercisable only as to those shares that were immediately purchasable on the date of termination and only for three months following termination. In the event of Termination for Cause, all rights under a Participant's Non-Statutory Stock Options shall expire upon termination. In the event of termination of service or employment due to the Normal Retirement, a Change in Control or death or Disability of any Participant, all Non-Statutory Stock Options held by the Participant, whether or not exercisable at such time, shall be exercisable by the Participant or his legal representative or beneficiaries for five years following the date of his termination due to Normal Retirement, death or Disability, *provided* that in no event shall the period extend beyond the expiration of the Non-Statutory Stock Option term.

(g) **Transferability.** In the discretion of the Board, all or any Non-Statutory Stock Option granted hereunder may be transferable by the Participant once the Option has vested, provided, however, that the Board may limit the transferability of such Option or Options to a designated class or classes of persons.

8. Incentive Stock Options

The Committee may, from time to time, grant Incentive Stock Options to Key Employees. Incentive Stock Options granted pursuant to the Plan shall be subject to the following terms and conditions:

(a) **Option Agreement.** Each Option shall be evidenced by a written option agreement between the Company and the Key Employee specifying the number of shares of Common Stock that may be acquired through its exercise and containing such other terms and conditions that are not inconsistent with the terms of the Plan.

(b) **Price.** Subject to Section 16 of the Plan and Section 422 of the Code, the purchase price per share of Common Stock deliverable upon the exercise of each Incentive Stock Option shall be at least equal to 100% of the Fair Market Value of the Common Stock on the date the Incentive Stock Option is granted. However, if a Key Employee owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or its Affiliates (or under Section 424(d) of the Code is deemed to own stock representing more than 10% of the total combined voting power of all classes of stock of the Company or its Affiliates by reason of the ownership of such classes of stock, directly or indirectly, by or for any brother, sister, spouse, ancestor or lineal descendent of such Key Employee, or by or for any corporation, partnership, estate or trust of which such Key Employee is a shareholder, partner or Beneficiary), the purchase price per share of Common Stock deliverable upon the exercise of each Incentive Stock Option shall be at least equal to 110% of the Fair Market Value of the Common Stock on the date the Incentive Stock Option is granted. Shares may be purchased only upon payment of the full purchase price in one or more of the manners set forth in Section 12 hereof, as determined by the Committee.

(c) **Manner of Exercise.** Incentive Stock Options granted under the Plan shall vest at the rate or rates determined by the Committee. The vested Options may be exercised from time to time, in whole or in part, by delivering a written notice of exercise to the President and Chief Executive Officer of the Company or his designee. Such notice is irrevocable and must be accompanied by full payment of the purchase price in cash or shares of Common Stock at the Fair Market Value of such shares determined on the exercise date by the manner set forth in Section 12.

The Committee may, in its sole discretion, accelerate the time at which any Incentive Stock Option may be exercised in whole or in part, *provided* that it is consistent with the terms of Section 422 of the Code. Notwithstanding the above, in the event of a Change in Control, all Incentive Stock Options that have been awarded shall become immediately exercisable, unless the aggregate exercise price of the amount exercisable as a result of a Change in Control, together with the aggregate exercise price of all other Incentive Stock Options first exercisable in the year in which the Change in Control occurs, shall exceed $100,000 (determined as of the Date of Grant). In such event, the first $100,000 of Incentive Stock Options (determined as of the Date of Grant) shall be exercisable as Incentive Stock Options and any excess shall be exercisable as Non-Statutory Stock Options but shall remain subject to the provisions of this Section 8 to the extent permitted.

(d) **Amounts of Options.** Incentive Stock Options may be granted to any eligible Key Employee in such amounts as determined by the Committee; *provided* that the amount granted is consistent with the terms of Section 422 of the Code. In granting Incentive Stock Options, the Committee shall consider such factors as it deems relevant, which factors may include, among others, the position and responsibilities of the Key Employee, the length and value of his or her service to the Bank, the Company, or the Affiliate, the compensation paid to the Key Employee and the Committee's evaluation of the performance of the Bank, the Company, or the Affiliate. In the case of an Option intended to qualify as an Incentive Stock Option, the aggregate Fair Market Value (determined as of the time the Option is granted) of the Common Stock with respect to which Incentive Stock Options granted are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and its Affiliates) shall not exceed $100,000. The provisions of this Section 8(d) shall be construed and applied in accordance with Section 422(d) of the Code and the regulations, if any, promulgated thereunder.

(e) **Terms of Options.** The term during which each Incentive Stock Option may be exercised shall be determined by the Committee, but in no event shall an Incentive Stock Option be exercisable in whole or in part more than 10 years from the Date of Grant. If any Key Employee, at the time an Incentive Stock Option is granted to him, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or its Affiliate (or, under Section 424(d) of the Code, is deemed to own stock representing more than 10%

of the total combined voting power of all classes of stock, by reason of the ownership of such classes of stock, directly or indirectly, by or for any brother, sister, spouse, ancestor or lineal descendent of such Key Employee, or by or for any corporation, partnership, estate or trust of which such Key Employee is a shareholder, partner or Beneficiary), the Incentive Stock Option granted to him shall not be exercisable after the expiration of five years from the Date of Grant. Notwithstanding any other provision of this Plan, in the event of a Change in Control of the Company or the Bank, all Incentive Stock Options that have been awarded shall become immediately exercisable following such Change in Control.

(f) **Termination of Employment.** Upon the termination of a Key Employee's employment for any reason other than Disability, Normal Retirement, Change in Control, death or Termination for Cause, the Key Employee's Incentive Stock Options shall be exercisable only as to those shares that were immediately purchasable by such Key Employee at the date of termination and only for a period of three months following termination. In the event of Termination for Cause, all rights under the Incentive Stock Options shall expire upon termination.

Upon termination of a Key Employee's employment due to Normal Retirement, a Change in Control or death or Disability, all Incentive Stock Options held by such Key Employee, whether or not exercisable at such time, shall be exercisable for a period of five years following the date of his cessation of employment. However, any such Option shall not be eligible for treatment as an Incentive Stock Option in the event such Option is exercised more than three months following the date of his Normal Retirement or termination of employment following a Change in Control. No Option shall be eligible for treatment as an Incentive Stock Option in the event such Option is exercised more than one year following termination of employment due to Disability and provided further, in order to obtain Incentive Stock Option treatment for Options exercised by heirs or devisees of an Optionee, the Optionee's death must have occurred while employed or within three (3) months of termination of employment. In no event shall the exercise period extend beyond the expiration of the Incentive Stock Option term.

(g) **Transferability.** No Incentive Stock Option granted under the Plan is transferable except by will or the laws of descent and distribution and is exercisable during his lifetime only by the Key Employee to which it is granted.

(h) **Compliance with Code.** The options granted under this Section 8 are intended to qualify as Incentive Stock Options within the meaning of Section 422 of the Code, but the Company makes no warranty as to the qualification of any Option as an Incentive Stock Option within the meaning of Section 422 of the Code. If an Option granted hereunder fails for whatever reason to comply with the provisions of Section 422 of the Code, and such failure is not or cannot be cured, such Option shall be a Non-Statutory Stock Option.

9. Limited Rights

The Committee may grant a Limited Right simultaneously with the grant of any Option to any Key Employee or Director, with respect to all or some of the shares covered by such Option. Limited Rights granted under the Plan are subject to the following terms and conditions:

(a) **Terms of Rights.** In no event shall a Limited Right be exercisable in whole or in part before the expiration of six months from the date of grant of the Limited Right. A Limited Right may be exercised only in the event of a Change in Control.

The Limited Right may be exercised only when the underlying Option is eligible to be exercised, *provided* that the Fair Market Value of the underlying shares on the day of exercise is greater than the exercise price of the related Option.

Upon exercise of a Limited Right, the related Option shall cease to be exercisable. Upon exercise or termination of an Option, any related Limited Rights shall terminate. The Limited Rights may be for no more than 100% of the difference between the exercise price and the Fair Market Value of the Common Stock subject to the underlying Option. The Limited Right is transferable only when the underlying Option is transferable and under the same conditions.

(b) **Payment.** Upon exercise of a Limited Right, the holder shall promptly receive from the Company an amount of cash or shares of the Company or its acquiror, as applicable, the value of which shall be equal to the difference between the Fair Market Value on the Date of Grant of the related Option and the Fair Market Value of the underlying shares on the date the Limited Right is exercised, multiplied by the number of shares with respect to which such Limited Right is being exercised. The determination of whether the Limited Right shall be paid in cash or shares shall be in the sole discretion of the Company (and/or the acquiror, as applicable).

10. Dividend Equivalent Rights

Simultaneously with the grant of any Option to a Participant, the Committee may grant a Dividend Equivalent Right with respect to all or some of the shares covered by such Option. Dividend Equivalent Rights granted under this Plan are subject to the following terms and conditions:

(a) **Terms of Rights.** The Dividend Equivalent Right provides the Participant with a cash benefit per share for each share underlying the unexercised portion of the related Option equal to the amount of any extraordinary dividend (as defined in Section 10(c)) per share of Common Stock declared by the Company. The terms and conditions of any Dividend Equivalent Right shall be evidenced in the Option agreement entered into with the Participant and shall be subject to the terms and conditions of the Plan. The Dividend Equivalent Right is transferable only when the related Option is transferable and under the same conditions.

(b) **Payment.** Upon the payment of an extraordinary dividend, the Participant holding a Dividend Equivalent Right with respect to Options or portions thereof which have vested shall promptly receive from the Company the amount of cash equal to the amount of the extraordinary dividend per share of Common Stock, multiplied by the number of shares of Common Stock underlying the unexercised portion of the related Option. With respect to options or portions thereof which have not vested, the amount that would have been received pursuant to the Dividend Equivalent Right with respect to the shares underlying such unvested Option or portion thereof shall be paid to the Participant holding such Dividend Equivalent Right on such date as the Option or portion thereof becomes vested. Payments shall be decreased by the amount of any applicable tax withholding prior to distribution to the Participant as set forth in Section 18.

(c) **Extraordinary Dividend.** For purposes of this Section 10, an extraordinary dividend is that part of any dividend paid per share (i) that exceeds earnings per share for the current quarter based on weighted average shares outstanding and adjusted net income and (ii) where the aggregate dollar amount of the dividend paid for the current quarter and preceding three quarters (a) exceeds the Company's adjusted net income for the current quarter and preceding three quarters and (b) causes a reduction in stockholders' equity of more than five percent on an annualized basis. If and when the payment of dividends causes a cumulative reduction in stockholders' equity of more than ten percent, that part of any dividend causing such reduction shall be paid to Participants holding Dividend Equivalent Rights. Adjusted net income equals net income exclusive of the after-tax effect of (1) amounts recorded in the first and second quarter of 2003 resulting from retroactive legislation involving the Company's real estate investment trust subsidiary, (2) income or expense resulting from initial application of new accounting requirements, (3) expenses related to the 2003 Recognition and Retention Plan and the 2003 Stock Option Plan, and (4) gains or losses from sales of assets other than from sales of loans and investment securities in the ordinary course of business.

11. Reload Option

Simultaneously with the grant of any Option to a Participant, the Committee may grant a Reload Option with respect to all or some of the shares covered by such Option. A Reload Option may be granted to a Participant who satisfies all or part of the exercise price of the Option with shares of Common Stock (as described in Section 12(c) below). The Reload Option represents an additional option to acquire the same number of shares of Common Stock as is used by the Participant to pay for the original Option. Reload Options may also be granted to replace Common Stock surrendered by the Participant to the Company for payment of a Participant's withholding tax under Section 18. A Reload Option is subject to all of the same terms and conditions as the original Option except that (i) the exercise price of the shares of Common Stock subject to the Reload Option will be determined at the time the original Option is exercised and (ii) such Reload Option will conform to all provisions of the Plan at the time the original Option is exercised.

12. Alternate Option Payment Mechanism

The Committee has sole discretion to determine what form of payment it will accept for the exercise of an Option. The Committee may indicate acceptable forms in the agreement with the Participant covering such Options or may reserve its decision to the time of exercise. No Option is to be considered exercised until payment in full is accepted by the Committee or its agent.

(a) **Cash Payment.** The exercise price may be paid in cash or by check.

(b) **Cashless Exercise.** Subject to vesting requirements, if applicable, a Participant may engage in a "cashless exercise" of the Option. Upon a cashless exercise, the Participant shall give the Company written notice of the exercise of the Option, together with an order to a registered broker-dealer or equivalent third party, to sell part or all of the Common Stock subject to the Option and to deliver enough of the proceeds to the Company to pay the Option exercise price and any applicable withholding taxes. If the Participant does not sell the Common Stock subject to the Option through a registered broker-dealer or equivalent third party, the Optionee can give the Company written notice of the exercise of the Option and the third party purchaser of the Common Stock subject to the Option shall pay the Option exercise price plus applicable withholding taxes to the Company.

(c) **Exchange of Common Stock.** The Committee may permit payment of the Option exercise price by the tendering of previously acquired shares of Common Stock. All shares of Common Stock tendered in payment of the exercise price of an Option shall be valued at the Fair Market Value of the Common Stock on the date prior to the date of exercise. No tendered shares of Common Stock which were acquired by the Participant upon the previous exercise of an Option or as awards under a stock award plan (such as the Company's Recognition and Retention Plan) shall be accepted for exchange unless the Participant has held such shares (without restrictions imposed by said plan or award) for at least six months prior to the exchange.

13. Rights of a Stockholder

A Participant shall have no rights as a stockholder with respect to any shares covered by a Non-Statutory and/or Incentive Stock Option until the date of issuance of a stock certificate for such shares. Nothing in the Plan or in any Award granted confers on any person any right to continue in the employ of the Company or its Affiliates or to continue to perform services for the Company or its Affiliates or interferes in any way with the right of the Company or its Affiliates to terminate his services as an officer, director or employee at any time.

14. Agreement with Participants

Each Award of Options, Reload Options, Limited Rights and/or Dividend Equivalent Rights will be evidenced by a written agreement, executed by the Participant and the Company or its Affiliates, that describes the conditions for receiving the Awards, including the date of Award, the purchase price, applicable periods, and any other terms and conditions as may be required by the Board or applicable securities law.

15. Designation of Beneficiary

A Participant may, with the consent of the Committee, designate a person or persons to receive, in the event of death, any Option, Reload Option, Limited Rights Award or Dividend Equivalent Rights to which he would then be entitled. Such designation will be made upon forms supplied by and delivered to the Company and may be revoked in writing. If a Participant fails effectively to designate a Beneficiary, then his estate will be deemed to be the Beneficiary. In the absence of a written designation, the Beneficiary shall be the Participant's surviving spouse, if any, or if none, the Participant's estate.

16. Dilution and Other Adjustments

In the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, pro rata return of capital to all shareholders, recapitalization, or any merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other corporate change, or other increase or decrease in such

shares, without receipt or payment of consideration by the Company, the Committee shall make such adjustments to previously granted Awards, to prevent dilution or enlargement of the rights of the Participant, including any or all of the following:

(a) adjustments in the aggregate number of shares of Common Stock that may be awarded under the Plan;

(b) adjustments in the aggregate number of shares of Common Stock that may be awarded to any single individual under the Plan;

(c) adjustments in the aggregate number of shares of Common Stock covered by Awards already made under the Plan; or

(d) adjustments in the purchase price of outstanding Incentive and/or Non-Statutory Stock Options, or any Related Options or any Limited Rights attached to such Options.

No such adjustments may, however, materially change the value of benefits available to a Participant under a previously granted Award. With respect to Incentive Stock Options, no such adjustment shall be made if it would be deemed a "modification" of the Award under Section 424 of the Code. Further, no such adjustment shall be made if such adjustment will cause variable accounting under the Plan.

17. Effect of a Change in Control on Option Awards

In the event of a Change in Control, the Committee and the Board of Directors will take one or more of the following actions to be effective as of the date of such Change in Control:

(a) provide that such Options shall be assumed, or equivalent options shall be substituted ("Substitute Options") by the acquiring or succeeding corporation (or an affiliate thereof), provided that: (A) any such Substitute Options exchanged for Incentive Stock Options shall meet the requirements of Section 424(a) of the Code, and (B) the shares of stock issuable upon the exercise of such Substitute Options shall constitute securities registered in accordance with the Securities Act of 1933, as amended ("1933 Act") or such securities shall be exempt from such registration in accordance with Sections 3(a)(2) or 3(a)(5) of the 1933 Act, (collectively, "Registered Securities"), or in the alternative, if the securities issuable upon the exercise of such Substitute Options shall not constitute Registered Securities, then the Participant will receive upon consummation of the Change in Control a cash payment for each Option surrendered equal to the difference between the (1) Fair Market Value of the consideration to be received for each share of Common Stock in the Change in Control times the number of shares of Common Stock subject to such surrendered Options, and (2) the aggregate exercise price of all such surrendered Options, or

(b) in the event of a transaction under the terms of which the holders of Common Stock will receive upon consummation thereof a cash payment (the "Merger Price") for each share of Common Stock exchanged in the Change in Control transaction, make or provide for a cash payment to the Participants equal to the difference between (A) the Merger Price times the number of shares of Common Stock subject to such Options held by each Optionee (to the extent then exercisable at prices not in excess of the Merger Price) and (B) the aggregate exercise price of all such surrendered Options in exchange for such surrendered Options.

18. Withholding

There may be deducted from each distribution of cash and/or Common Stock under the Plan the minimum amount of tax required by any governmental authority to be withheld. Shares of Common Stock shall be withheld where required from any distribution of Common Stock.

19. Amendment of the Plan

The Board may at any time, and from time to time, modify or amend the Plan in any respect, or modify or amend an Award received by Key Employees and/or Outside Directors; *provided, however,* that no such termination, modification or amendment may affect the rights of a Participant, without his consent, under an

outstanding Award. Any amendment or modification of the Plan or an outstanding Award under the Plan, including but not limited to the acceleration of vesting of an outstanding Award for reasons other than death, Disability, Normal Retirement, or a Change in Control, shall be approved by the Committee or the full Board of the Company.

20. Effective Date of Plan

The Plan shall become effective upon the date of, or a date determined by the Board of Directors following approval of the Plan by the Company's stockholders.

21. Termination of the Plan

The right to grant Awards under the Plan will terminate upon the earlier of (i) 10 years after the Effective Date, or (ii) the date on which the exercise of Options or related Rights equaling the maximum number of shares reserved under the Plan occurs, as set forth in Section 5. The Board may suspend or terminate the Plan at any time, *provided* that no such action will, without the consent of a Participant, adversely affect his rights under a previously granted Award.

22. Applicable Law

The Plan will be administered in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the Company has caused the Plan to be executed by its duly authorized officers as of the ____ day of ________, 2003.

Date Approved by Stockholders: ______________

Effective Date: ______________

ATTEST: **BROOKLINE BANCORP, INC.**

____

George C. Caner, Jr., Secretary

____

Richard P. Chapman, Jr.
President and Chief Executive Officer

BROOKLINE BANCORP, INC.

2011 RESTRICTED STOCK PLAN

ARTICLE 1 – GENERAL

Section 1.1 Purpose, Effective Date and Term. The purpose of the Brookline Bancorp, Inc. 2011 Restricted Stock Plan (the "Plan") is to promote the long-term financial success of Brookline Bancorp, Inc. (the "Company"), and its Subsidiaries, including Brookline Bank (the "Bank"), 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. The "Effective Date" of the Plan shall be the date the Plan is implemented by the Board subsequent to the satisfaction of the applicable shareholder approval requirements. The Plan shall remain in effect as long as any Awards are outstanding; provided, however, that no Awards may be granted under the Plan after the ten-year anniversary of the Effective Date.

Section 1.2 Administration. The Plan shall be administered by the Compensation Committee of the Company's Board of Directors (the "Committee"), in accordance with Section 5.1.

Section 1.3 Participation. Each Employee or Director of the Company or any Subsidiary of the Company who is granted an Award in accordance with the terms of the Plan shall be a "Participant" in the Plan. Awards shall be limited to Employees and Directors of the Company or any Subsidiary.

Section 1.4 Definitions. Capitalized terms used in this Plan are defined in Article 8 and elsewhere in this Plan.

ARTICLE 2 - AWARDS

Section 2.1 General. Each Award under the Plan shall be subject to the terms and conditions of the Plan and such additional terms, conditions, limitations and restrictions as the Committee shall provide with respect to such Award and as evidenced in the Award Agreement. Subject to the provisions of Section 2.6, an Award may be granted as an alternative to or replacement of an existing Award under the Plan or any other plan of the Company or any Subsidiary or as the form of payment for grants or rights earned or due under any other compensation plan or arrangement of the Company or its Subsidiaries, including without limitation the plan of any entity acquired by the Company or any Subsidiary.

Section 2.2 Restricted Stock.

(a) Grant of Restricted Stock. Restricted Stock means a grant of shares of Stock under this Section or under Section 2.3 with respect to shares intended to be performance-based compensation, for no consideration or such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan, subject to a vesting schedule or the satisfaction of market conditions or performance conditions. Each Restricted Stock Award shall be evidenced by an Award Agreement that shall: (i) specify the number of shares of Stock covered by the Restricted Stock Award; and (ii) specify the date of grant of the Restricted Stock Award; (iii) specify the vesting period; and (iv) contain such other terms and conditions not inconsistent with the Plan, including the effect of termination of a Participant's employment or Service with the Company, as the Committee may, in its discretion, prescribe. All Restricted Stock Awards (other than those subject to performance-based vesting conditions under Section 2.3 hereof) shall be in the form of issued and outstanding shares of Stock that shall be either: (x) registered in the name of the Participant and held by the Company, together with a stock power executed by the Participant in favor of the Company, pending the vesting or forfeiture of the Restricted Stock; or (y) registered in the name of, and delivered to, the Participant. In any event, the certificates evidencing the Restricted Stock Award shall at all times prior to the applicable vesting date bear the following legend:

The Stock evidenced hereby is subject to the terms of an Award Agreement with Brookline Bancorp, Inc. dated [Date], made pursuant to the terms of the Brookline Bancorp, Inc. 2011 Restricted Stock Plan, copies of which are on file at the executive offices of Brookline Bancorp, Inc., and may not be sold, encumbered, hypothecated or otherwise transferred except in accordance with the terms of such Plan and Award Agreement,

or such other restrictive legend as the Committee, in its discretion, may specify. Performance-based Restricted Stock Awards may or may not be issued and outstanding, in the discretion of the Committee. Notwithstanding the foregoing, the Company may in its sole discretion issue Restricted Stock in any other approved format (e.g., electronically) in order to facilitate the paperless transfer of such Awards. In the event Restricted Stock is not issued in certificate form, the Company and the transfer agent shall maintain appropriate bookkeeping entries that evidence Participants' ownership of such Awards. Restricted Stock that is not issued in certificate form shall be subject to the same terms and conditions of the Plan as certificated shares, including the restrictions on transferability and the provision of a stock power executed by the Participant in favor of the Company, until the satisfaction of the conditions to which the Restricted Stock Award is subject.

(b) Terms and Conditions. Each Restricted Stock Award shall be subject to the following terms and conditions:

(i) Dividends. Unless the Committee determines otherwise with respect to any Restricted Stock Award and specifies such determination in the relevant Award Agreement, any cash dividends or distributions declared with respect to shares of Stock subject to the Restricted Stock Award shall be retained by the Committee and shall be held until the Stock subject to the Restricted Stock Award vests in the Participant. Upon the vesting of the Restricted Stock Award, the Committee shall cause the dividend (and any earnings thereon) attributable to such Restricted Stock Award to be distributed to the Participant no later than two and one-half months following the date on which the Restricted Stock Award vests. Alternatively, but only if determined by the Committee at the time of Award and set forth in the Award Agreement, cash dividends or distributions declared on the Restricted Stock shall be distributed to the Participant who has been granted the Restricted Stock at the same time as such dividends or distributions are distributed to other stockholders without regard to whether the Stock is vested. Any stock dividends declared on shares of Stock subject to a Restricted Stock Award, shall be subject to the same restrictions and shall vest at the same time as the shares of Restricted Stock from which said dividends were derived.

(ii) Voting Rights. Unless the Committee determines otherwise with respect to any Restricted Stock Award and specifies such determination in the relevant Award Agreement, voting rights appurtenant to the shares of Restricted Stock shall be exercised by the Participant in his or her discretion.

(iii) Tender Offers and Merger Elections. Each Participant to whom a Restricted Stock Award is granted shall have the right to respond, or to direct the response, with respect to the related shares of Restricted Stock, to any tender offer, exchange offer, cash/stock merger consideration election or other offer made to, or elections made by, the holders of shares of Stock. Such a direction for any such shares of Restricted Stock shall be given by proxy or ballot (if the Participant is the beneficial owner of the shares of Restricted Stock for voting purposes) or by completing and filing, with the inspector of elections, the trustee or such other person who shall be independent of the Company as the Committee shall designate in the direction (if the Participant is not such a beneficial owner), a written direction in the form and manner prescribed by the Committee. If no such direction is given, then the shares of Restricted Stock shall not be tendered.

Section 2.3 Performance-Based Compensation. The vesting of any Restricted Stock Award under the Plan that is intended to be "performance-based compensation" within the meaning of Code Section 162(m) shall be conditioned on the achievement of one or more objective performance measures, to the extent required by Code Section 162(m), as may be determined by the Committee. The grant of any Award and the establishment of performance measures that are intended to be performance-based compensation shall be made during the period required under Code Section 162(m) and shall comply with all applicable requirements of Code Section 162(m).

(a) Performance Measures. Such performance measures may be based on any one or more of the following:

(i) basic earnings per share;

(ii) basic cash earnings per share;

(iii) diluted earnings per share;

(iv) core earnings per share;

(v) diluted cash earnings per share;

(vi) net income or net income before taxes;

(vii) cash earnings;

(viii) net interest income;

(ix) non-interest income;

(x) general and administrative expense to average assets ratio;

(xi) cash general and administrative expense to average assets ratio;

(xii) efficiency ratio;

(xiii) cash efficiency ratio;

(xiv) return on average assets;

(xv) core return on average assets;

(xvi) cash return on average assets;

(xvii) core return on equity;

(xviii) return on average stockholders' equity;

(xix) cash return on average stockholders' equity;

(xx) return on average tangible stockholders' equity;

(xxi) cash return on average tangible stockholders' equity;

(xxii) core earnings;

(xxiii) operating income;

(xxiv) operating efficiency ratio;

(xxv) net interest margin;

(xxvi) net interest rate margin or net interest rate spread;

(xxvii) growth in assets, loans, or deposits;

(xxviii) loan production volume;

(xxix) net charge-offs;

(xxx) non-performing loans;

(xxxi) classified loans;

(xxxii) cash flow;

(xxxiii) capital preservation (core or risk-based);

(xxxiv) interest rate risk exposure-net portfolio value;

(xxxv) interest rate risk-sensitivity;

(xxxvi) strategic business objectives, consisting of one or more objectives based upon meeting specified financial targets, business expansion goals, and goals relating to acquisitions or divestitures, or goals relating to capital raising and capital management;

(xxxvii) stock price (including, but not limited to, growth measures and total stockholder return);

(xxxviii) operating expense as a percentage of average assets;

(xxxix) core deposits as a percentage of total deposits;

(xl) net charge-off percentage;

(xli) average percentage past due;

(xlii) classified assets to total assets; or

(xliii) any combination of the foregoing.

Performance measures may be based on the performance of the Company as a whole or on any one or more Subsidiaries or business units of the Company or a Subsidiary and may be measured relative to a peer group, an index or a business plan and may be considered as absolute measures or changes in measures. In establishing any performance measures, the Committee may provide for the exclusion of the effects of the following items, to the extent identified in the audited financial statements of the Company, including footnotes, or in the Management's Discussion and Analysis section of the Company's annual report or in the Compensation Discussion and Analysis Section, if any, of the Company's annual proxy statement: (i) extraordinary, unusual, and/or nonrecurring items of gain or loss; (ii) gains or losses on the disposition of a business; (iii) changes in tax or accounting principles, regulations or laws; or (iv) mergers or acquisitions. To the extent not specifically excluded, such effects shall be included in any applicable performance measure.

(b) Adjustments. Pursuant to this Section 2.3, in certain circumstances the Committee may adjust performance measures; provided, however, no adjustment may be made with respect to an Award that is intended to be performance-based compensation within the meaning of Code Section 162(m), except to the extent the Committee exercises such negative discretion as is permitted under applicable law for purposes of an exception under Code Section 162(m). If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or its Subsidiaries conducts its business or other events or circumstances render current performance measures to be unsuitable, the Committee may modify such performance measures, in whole or in part, as the Committee deems appropriate. If a Participant is

promoted, demoted or transferred to a different business unit during a performance period, the Committee may determine that the selected performance measures or applicable performance period are no longer appropriate, in which case, the Committee, in its sole discretion, may: (i) adjust, change or eliminate the performance measures or change the applicable performance period; or (ii) cause to be made a cash payment to the Participant in an amount determined by the Committee.

(c) Treatment on Retirement. Notwithstanding anything herein to the contrary, no Restricted Stock Award that is intended to be considered performance-based compensation under Code Section 162(m) shall be granted under terms that will permit its accelerated vesting upon Retirement or other termination of Service (other than death or Disability). Notwithstanding anything to the contrary herein, in the sole discretion of the Committee exercised at the time of grant of an Award under this Section 2.3, in the event of Retirement of a Participant during the performance period, the Award Agreement may provide for the vesting of all or a portion of such Award, so long as the vesting is not accelerated but shall occur at the end of the performance period, and will be prorated, based on the period of the Participant's active employment and the level of achievement of the performance measures during the period of the Participant's active employment.

Section 2.4 Vesting of Awards. (a) The Committee shall specify the vesting schedule or conditions of each Award. If the right to become vested in an Award under the Plan is conditioned on the completion of a specified period of Service with the Company or its Subsidiaries, without achievement of performance measures or other performance objectives being required as a condition of vesting, and without it being granted in lieu of, or in exchange for, other compensation, then the required period of Service for full vesting shall be determined by the Committee and evidenced in the Award Agreement (subject to acceleration of vesting, to the extent permitted by the Committee, including in the event of the Participant's death, Disability, Retirement or Involuntary Termination of Employment following a Change in Control). Unless otherwise provided by the Committee, Service as a director emeritus or advisory director shall constitute Service for purposes of vesting.

(b) Notwithstanding Section 2.6 and Article 4 hereof, other than with respect to Restricted Stock subject to performance-based vesting conditions of Section 2.3, the Committee may determine that all Restricted Stock Awards described in Section 2.2(a) shall be fully earned and vested immediately.

Section 2.5 Deferred Compensation. If any Award would be considered "deferred compensation" as defined under Code Section 409A ("Deferred Compensation"), the Committee reserves the absolute right (including the right to delegate such right) to unilaterally amend the Plan or the Award Agreement, without the consent of the Participant, to maintain exemption from, or to comply with, Code Section 409A. Any amendment by the Committee to the Plan or an Award Agreement pursuant to this Section 2.5 shall maintain, to the extent practicable, the original intent of the applicable provision without violating Code Section 409A. A Participant's acceptance of any Award under the Plan constitutes acknowledgement and consent to such rights of the Committee, without further consideration or action. Any discretionary authority retained by the Committee pursuant to the terms of this Plan or pursuant to an Award Agreement shall not be applicable to an Award which is determined to constitute Deferred Compensation, if such discretionary authority would contravene Code Section 409A.

Section 2.6 Effect of Termination of Service on Awards. The Committee shall establish the effect of a Termination of Service on the continuation of rights and benefits available under an Award or the Plan and, in so doing, may make distinctions based upon, among other things, the cause of Termination of Service and type of Award. Unless otherwise specified by the Committee and set forth in an Award Agreement between the Company and the Participant or as set forth in an employment agreement entered into by and between the Company and/or the Bank and an Employee, the following provisions shall apply to each Award granted under this Plan:

(a) Upon a Participant's Termination of Service for any reason other than Disability or death, any Restricted Stock that has not vested as of the date of Termination of Service shall expire and be forfeited.

(b) In the event of a Termination of Service for Cause, all Restricted Stock granted to a Participant that has not vested shall expire and be forfeited.

(c) Upon Termination of Service because of Disability or death, and if specifically provided by the Committee, upon Retirement (except in the case of Restricted Stock Awards subject to Section 2.3 hereof), all

Restricted Stock shall vest as to all shares subject to an outstanding Award, whether or not otherwise immediately vested, at the date of Termination of Service.

(d) Notwithstanding the provisions of this Section 2.6, the effect of a Change in Control on the vesting of Restricted Stock is as set forth in Article 4.

ARTICLE 3 - SHARES SUBJECT TO PLAN

Section 3.1 Available Shares. The shares of Stock with respect to which Awards may be made under the Plan shall be shares currently authorized but unissued, currently held or, to the extent permitted by applicable law, subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions.

Section 3.2 Share Limitations.

(a) Share Reserve. Subject to the following provisions of this Section 3.2, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be equal to five hundred thousand (500,000) shares of Stock.

(b) Computation of Shares Available. For purposes of this Section 3.2 and in connection with the granting of Restricted Stock, the number of shares of Stock available for the granting of additional Restricted Stock shall be reduced by the number of shares of Stock in respect of which the Restricted Stock is granted or denominated. To the extent any shares of Stock covered by an Award under the Plan are not delivered to a Participant or beneficiary for any reason, including because the Award is forfeited or canceled, then such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan. To the extent shares of Stock are withheld to satisfy withholding taxes upon exercise or vesting of an Award granted hereunder, the number of shares of Stock available shall be reduced by the gross number of, rather than by the net number of, shares of Stock issued.

Section 3.3 Corporate Transactions. In the event any recapitalization, forward or reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or exchange of shares of Stock or other securities, stock dividend or other special and nonrecurring dividend or distribution (whether in the form of cash, securities or other property), liquidation, dissolution, or other similar corporate transaction or event, affects the shares of Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan and/or under any Award granted under the Plan, then the Committee shall, in an equitable manner, adjust any or all of (i) the number and kind of securities deemed to be available thereafter for grants of Restricted Stock in the aggregate to all Participants and individually to any one Participant and (ii) the number and kind of securities that may be delivered or deliverable in respect of outstanding Restricted Stock. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Restricted Stock (including, without limitation, cancellation of Restricted Stock in exchange for the Fair Market Value, if any, or substitution or exchange of Restricted Stock using stock of a successor or other entity) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any parent or Subsidiary or the financial statements of the Company or any parent or Subsidiary, or in response to changes in applicable laws, regulations, or accounting principles. Unless otherwise determined by the Committee, any such adjustment to an Award intended to qualify as "performance-based compensation" shall conform to the requirements of Code Section 162(m) and the regulations thereunder then in effect.

Section 3.4 Delivery of Shares. Delivery of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Compliance with Applicable Laws. Notwithstanding any other provision of the Plan, the Company shall have no obligation to deliver any shares of Stock or make any other distribution of benefits under the Plan unless such delivery or distribution complies with all applicable laws (including, the requirements of the Securities Act), and the applicable requirements of any securities exchange or similar entity.

(b) Certificates. To the extent that the Plan provides for the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

ARTICLE 4 - CHANGE IN CONTROL

Section 4.1 Consequence of a Change in Control. Subject to the provisions of Section 2.4 (relating to vesting and acceleration) and Section 3.3 (relating to the adjustment of shares), and except as otherwise provided in the Plan or as determined by the Committee and set forth in the terms of any Award Agreement or as set forth in an employment agreement entered into by and between the Company and/or the Bank and an Employee:

(a) At the time of an Involuntary Termination of Employment (as defined in Section 8.1) (or, as to a Director, Termination of Service as a Director) following a Change in Control, all Awards of Restricted Stock described in Section 2.2 shall be fully earned and vested immediately. Notwithstanding the above, any Awards the vesting of which are based on satisfaction of performance-based conditions will be vested as specified in subsection (b) hereof.

(b) In the event of a Change in Control, any performance measure attached to an Award under the Plan shall be deemed satisfied as of the date of the Change in Control.

Section 4.2 Definition of Change in Control. For purposes of the Plan, unless otherwise provided in an Award Agreement, a "Change in Control" shall be deemed to have occurred upon the earliest to occur of the following:

(a) Merger: The Company or the Bank merges into or consolidates with another entity, or merges another bank or corporation into the Company or the Bank, and as a result, less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were stockholders of the Company or the Bank immediately before the merger or consolidation;

(b) Acquisition of Significant Share Ownership: There is filed, or is required to be filed, a report on Schedule 13D or another form or schedule (other than Schedule 13G) required under Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended, if the schedule discloses that the filing person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Company's or the Bank's voting securities; provided, however, this clause (b) shall not apply to beneficial ownership of the Company's or the Bank's voting shares held in a fiduciary capacity by an entity of which the Company directly or indirectly beneficially owns 50% or more of its outstanding voting securities;

(c) Change in Board Composition: During any period of two consecutive years, individuals who constitute the Company's or the Bank's Board of Directors at the beginning of the two-year period cease for any reason to constitute at least a majority of the Company's or the Bank's Board of Directors; provided, however, that for purposes of this clause (c), each director who is first elected by the board (or first nominated by the board for election by the stockholders) by a vote of at least two-thirds (2/3) of the directors who were directors at the beginning of the two-year period shall be deemed to have also been a director at the beginning of such period; or

(d) Sale of Assets: The Company or the Bank sells to a third party all or substantially all of its assets.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired beneficial ownership of more than the permitted amount of the then outstanding common stock or Voting Securities as a result of a change in the number of shares of Stock or Voting Securities then outstanding, which thereby increases the proportional number of shares beneficially owned by the Subject Person; provided, however, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Stock or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the beneficial owner of any additional Stock or Voting Securities which increases the percentage of the then outstanding Stock or Voting Securities beneficially owned by the Subject Person, then a Change in Control shall occur. In the event that an Award constitutes Deferred Compensation, and

the settlement of, or distribution of benefits under, such Award is to be triggered solely by a Change in Control, then with respect to such Award, a Change in Control shall be defined as required under Code Section 409A, as in effect at the time of such transaction.

ARTICLE 5 - COMMITTEE

Section 5.1 Administration. The Plan shall be administered by the members of the Compensation Committee of the Company who are Disinterested Board Members. If the Committee consists of fewer than three Disinterested Board Members, then the Board shall appoint to the Committee such additional Disinterested Board Members as shall be necessary to provide for a Committee consisting of at least three Disinterested Board Members. Any members of the Committee who do not qualify as Disinterested Board Members shall abstain from participating in any discussion to make or administer Awards that are made to Participants who at the time of consideration for such Award: (i) are persons subject to the short-swing profit rules of Section 16 of the Exchange Act, or (ii) are reasonably anticipated to be Covered Employees during the term of the Award. The Board (or those members of the Board who are "independent directors" under the corporate governance statutes or rules of any national securities exchange on which the Company lists its securities) may, in its discretion, take any action and exercise any power, privilege or discretion conferred on the Committee under the Plan with the same force and effect under the Plan as if done or exercised by the Committee.

Section 5.2 Powers of Committee. The administration of the Plan by the Committee shall be subject to the following:

(a) the Committee will have the authority and discretion to select from among the Company's and its Subsidiaries' Employees and Directors those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions (including without limitation, provisions relating to non-competition, non-solicitation and confidentiality), and other provisions of such Awards (subject to the restrictions imposed by Article 6) to cancel or suspend Awards and to reduce, eliminate or accelerate any restrictions or vesting requirements applicable to an Award at any time after the grant of the Award.

(b) The Committee will have the authority and discretion to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(c) The Committee will have the authority to define terms not otherwise defined herein.

(d) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(e) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the charter and bylaws of the Company and applicable corporate law.

Section 5.3 Delegation by Committee. Except to the extent prohibited by applicable law, the applicable rules of a stock exchange or the Plan, or as necessary to comply with the exemptive provisions of Rule 16b-3 promulgated under the Exchange Act or Code Section 162(m), the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it, including: (a) delegating to a committee of one or more members of the Board who are not "outside directors" within the meaning of Code Section 162(m), the authority to grant Awards under the Plan to eligible persons who are not persons with respect to whom the Company wishes to comply with Code Section 162(m); and/or (b) delegating to a committee of one or more members of the Board who are not "non-employee directors," within the meaning of Rule 16b-3, the authority to grant Awards under the Plan to eligible persons who are not then subject to Section 16 of the Exchange Act. The acts of such delegates shall be treated hereunder as acts of the Committee and such delegates shall report regularly to the Committee regarding the delegated duties and responsibilities and any Awards so granted. Any such allocation or delegation may be revoked by the Committee at any time.

Section 5.4 Information to be Furnished to Committee. As may be permitted by applicable law, the Company and its Subsidiaries shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and its Subsidiaries as to a Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined by the Committee to be manifestly incorrect. Subject to applicable law, Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

Section 5.5 Committee Action. The Committee shall hold such meetings, and may make such administrative rules and regulations, as it may deem proper. A majority of the members of the Committee shall constitute a quorum, and the action of a majority of the members of the Committee present at a meeting at which a quorum is present, as well as actions taken pursuant to the unanimous written consent of all of the members of the Committee without holding a meeting, shall be deemed to be actions of the Committee. Subject to Section 5.1, all actions of the Committee shall be final and conclusive and shall be binding upon the Company, Participants and all other interested parties. Any person dealing with the Committee shall be fully protected in relying upon any written notice, instruction, direction or other communication signed by a member of the Committee or by a representative of the Committee authorized to sign the same in its behalf.

ARTICLE 6 - AMENDMENT AND TERMINATION

Section 6.1 General. The Board may, as permitted by law, at any time, amend or terminate the Plan, and may amend any Award Agreement, provided that no amendment or termination (except as provided in Section 2.5, Section 3.3 and Section 6.2) may cause the Award to violate Code Section 409A, or, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely impair the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board; provided, however, that, no amendment may (a) materially increase the benefits accruing to Participants under the Plan, (b) materially increase the aggregate number of securities which may be issued under the Plan, other than pursuant to Section 3.4, or (c) materially modify the requirements for participation in the Plan, unless the amendment under (a), (b) or (c) above is approved by the Company's stockholders.

Section 6.2 Amendment to Conform to Law and Accounting Changes. Notwithstanding any provision in this Plan or any Award Agreement to the contrary, the Committee may amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of (i) conforming the Plan or the Award Agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Code Section 409A), or (ii) avoiding an accounting treatment resulting from an accounting pronouncement or interpretation thereof issued by the Securities and Exchange Commission or Financial Accounting Standards Board subsequent to the adoption of the Plan or the making of the Award affected thereby, which, in the sole discretion of the Committee, may materially and adversely affect the financial condition or results of operations of the Company. By accepting an Award under this Plan, each Participant agrees and consents to any amendment made pursuant to this Section 6.2 or Section 2.5 to any Award granted under the Plan without further consideration or action.

ARTICLE 7 - GENERAL TERMS

Section 7.1 No Implied Rights.

(a) No Rights to Specific Assets. Neither a Participant nor any other person shall by reason of participation in the Plan acquire any right in or title to any assets, funds or property of the Company or any Subsidiary whatsoever, including any specific funds, assets, or other property which the Company or any Subsidiary, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the shares of Stock or amounts, if any, payable or distributable under the Plan, unsecured by any assets of the Company or any Subsidiary, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company or any Subsidiary shall be sufficient to pay any benefits to any person.

(b) No Contractual Right to Employment or Future Awards. The Plan does not constitute a contract of employment, and selection as a Participant will not give any participating Employee the right to be retained in the employ of the Company or any Subsidiary or any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. No individual shall have the right to be selected to receive an Award under the Plan, or, having been so selected, to receive a future Award under the Plan.

Section 7.2 Transferability. Awards of Restricted Stock shall not be transferable prior to the time that such Awards vest in the Participant.

Section 7.3 Designation of Beneficiaries. A Participant hereunder may file with the Company a written designation of a beneficiary or beneficiaries under this Plan and may from time to time revoke or amend any such designation ("Beneficiary Designation"). Any designation of beneficiary under this Plan shall be controlling over any other disposition, testamentary or otherwise (unless such disposition is pursuant to a domestic relations order); provided, however, that if the Committee is in doubt as to the entitlement of any such beneficiary to any Award, the Committee may determine to recognize only the legal representative of the Participant, in which case the Company, the Committee and the members thereof shall not be under any further liability to anyone.

Section 7.4 Non-Exclusivity. Neither the adoption of this Plan by the Board nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including, without limitation, the granting of Restricted Stock otherwise than under the Plan or an arrangement that is or is not intended to qualify under Code Section 162(m), and such arrangements may be either generally applicable or applicable only in specific cases.

Section 7.5 Award Agreement. Each Award granted under the Plan shall be evidenced by an Award Agreement signed by the Participant. A copy of the Award Agreement, in any medium chosen by the Committee, shall be provided (or made available electronically) to the Participant.

Section 7.6 Form and Time of Elections/Notification Under Section 83(b). Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be filed with the Company at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require. Notwithstanding anything herein to the contrary, the Committee may, on the date of grant or at a later date, as applicable, prohibit an individual from making an election under Code Section 83(b). If the Committee has not prohibited an individual from making this election, an individual who makes this election shall notify the Committee of the election within ten (10) days of filing notice of the election with the Internal Revenue Service. This requirement is in addition to any filing and notification required under the regulations issued under the authority of Code Section 83(b).

Section 7.7 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information upon which the person is acting considers pertinent and reliable, and signed, made or presented by the proper party or parties.

Section 7.8 Tax Withholding. Where a Participant is entitled to receive shares of Stock upon the vesting or exercise of an Award, the Company shall have the right to require such Participant to pay to the Company the amount of any tax that the Company is required to withhold with respect to such vesting or exercise, or, in lieu thereof, to retain, or to sell without notice, a sufficient number of shares of Stock to cover the minimum amount required to be withheld. To the extent determined by the Committee and specified in an Award Agreement, a Participant shall have the right to direct the Company to satisfy the minimum required federal, state and local tax withholding by withholding a number of shares (based on the Fair Market Value on the vesting date) otherwise vesting that would satisfy the minimum amount of required tax withholding. Provided there are no adverse accounting consequences to the Company (a requirement to have liability classification of an award under Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 718 (formerly, FAS 123R) is an adverse consequence), a Participant who is not required to have taxes withheld may require the Company to withhold in accordance with the preceding sentence as if the Award were subject to minimum tax withholding requirements.

Section 7.9 Action by Company or Subsidiary. Any action required or permitted to be taken by the Company or any Subsidiary shall be by resolution of its board of directors, or by action of one or more members of the Board (including a committee of the Board) who are duly authorized to act for the Board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of the Company or such Subsidiary.

Section 7.10 Successors. All obligations of the Company under the Plan shall be binding upon and inure to the benefit of any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business, stock, and/or assets of the Company.

Section 7.11 Indemnification. To the fullest extent permitted by law and the Company's governing documents, each person who is or shall have been a member of the Committee, or of the Board, or an officer of the Company to whom authority was delegated in accordance with Section 5.3, or an Employee of the Company, shall be indemnified and held harmless by the Company against and from any loss (including amounts paid in settlement), cost, liability or expense (including reasonable attorneys' fees) that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of his or her own willful misconduct or except as expressly provided by statute or regulation. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's charter or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Section 7.12 No Fractional Shares. Unless otherwise permitted by the Committee, no fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash or other property shall be issued or paid in lieu of fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

Section 7.13 Governing Law. The Plan, all Awards granted hereunder, and all actions taken in connection herewith shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without reference to principles of conflict of laws, except as superseded by applicable federal law. The federal and state courts located in the Commonwealth of Massachusetts, shall have exclusive jurisdiction over any claim, action, complaint or lawsuit brought under the terms of the Plan. By accepting any award under this Plan, each Participant and any other person claiming any rights under the Plan agrees to submit himself and any legal action that the Participant brings under the Plan, to the sole jurisdiction of such courts for the adjudication and resolution of any such disputes.

Section 7.14 Benefits Under Other Plans. Except as otherwise provided by the Committee or as set forth in a Qualified Retirement Plan, Awards to a Participant (including the grant and the receipt of benefits) under the Plan shall be disregarded for purposes of determining the Participant's benefits under, or contributions to, any Qualified Retirement Plan, non-qualified plan and any other benefit plans maintained by the Participant's employer. The term "Qualified Retirement Plan" means any plan of the Company or a Subsidiary that is intended to be qualified under Code Section 401(a).

Section 7.15 Validity. If any provision of this Plan is determined to be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision has never been included herein.

Section 7.16 Notice. Unless otherwise provided in an Award Agreement, all written notices and all other written communications to the Company provided for in the Plan or in any Award Agreement, shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid (provided that international mail shall be sent via overnight or two-day delivery), or sent by facsimile, email or prepaid overnight

courier to the Company at its principal executive office. Such notices, demands, claims and other communications shall be deemed given:

(a) in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery;

(b) in the case of certified or registered U.S. mail, five (5) days after deposit in the U.S. mail; or

(c) in the case of facsimile or email, the date upon which the transmitting party received confirmation of receipt; provided, however, that in no event shall any such communications be deemed to be given later than the date they are actually received, provided they are actually received.

In the event a communication is not received, it shall only be deemed received upon the showing of an original of the applicable receipt, registration or confirmation from the applicable delivery service. Communications that are to be delivered by U.S. mail or by overnight service to the Company shall be directed to the attention of the Company's Chief Operating Officer and to the Corporate Secretary.

Section 7.17 Forfeiture Events.

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events include, but are not limited to, termination of employment for cause, termination of the Participant's provisions of Services to the Company or any Subsidiary, violation of material Company or Subsidiary policies, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct of the Participant that is detrimental to the business or reputation of the Company or any Subsidiary.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the federal securities laws, any Participant who is subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 shall reimburse the Company the amount of any payment in settlement of an Award earned (or the Company shall reverse the corresponding accrual) during the twelve (12) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement.

In addition, in the event of an accounting restatement, the Committee, in its sole and exclusive discretion, may require that any Participant reimburse the Company for all or any part of the amount of any payment in settlement of any Award granted hereunder.

ARTICLE 8 - DEFINED TERMS; CONSTRUCTION

Section 8.1 In addition to the other definitions contained herein, unless otherwise specifically provided in an Award Agreement, the following definitions shall apply:

(a) "10% Stockholder" means an individual who, at the time of grant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company.

(b) "Award" means any Restricted Stock, including performance-based shares under Section 2.3, granted to a Participant under the Plan.

(c) "Award Agreement" means the document (in whatever medium prescribed by the Committee) which evidences the terms and conditions of an Award under the Plan. Such document is referred to as an agreement, regardless of whether a Participant's signature is required.

(d) "Board" means the Board of Directors of the Company.

(e) If the Participant is subject to a written employment agreement (or other similar written agreement) with the Company or a Subsidiary that provides a definition of termination for "Cause," then, for purposes of this Plan, the term "Cause" shall have meaning set forth in such agreement. In the absence of such a definition, "Cause" means (i) the conviction of the Participant of a felony or of any lesser criminal offense involving moral turpitude; (ii) the willful commission by the Participant of a criminal or other act that, in the judgment of the Board, will likely cause substantial economic damage to the Company or any Subsidiary or substantial injury to the business reputation of the Company or any Subsidiary; (iii) the commission by the Participant of an act of fraud in the performance of his duties on behalf of the Company or any Subsidiary; (iv) the continuing willful failure of the Participant to perform his duties to the Company or any Subsidiary (other than any such failure resulting from the Participant's incapacity due to physical or mental illness) after written notice thereof; or (v) an order of a federal or state regulatory agency or a court of competent jurisdiction requiring the termination of the Participant's Service with the Company.

(f) "Change in Control" has the meaning ascribed to it in Section 4.2.

(g) "Code" means the Internal Revenue Code of 1986, as amended, and any rules, regulations and guidance promulgated thereunder, as modified from time to time.

(h) "Code Section 409A" means the provisions of Section 409A of the Code and any rules, regulations and guidance promulgated thereunder, as modified from time to time.

(i) "Committee" means the Committee acting under Article 5.

(j) "Covered Employee" has the meaning given the term in Code Section 162(m), and shall also include any other Employee who may become a Covered Employee before an Award vests, as the Committee may determine in its sole discretion.

(k) "Director" means a member of the Board of Directors of the Company or a Subsidiary.

(l) If the Participant is subject to a written employment agreement (or other similar written agreement) with the Company or a Subsidiary that provides a definition of "Disability" or "Disabled," then, for purposes of this Plan, the terms "Disability" or "Disabled" shall have meaning set forth in such agreement. In the absence of such a definition, "Disability" shall be defined in accordance with the Bank's long-term disability plan. To the extent that an Award hereunder is subject to Code Section 409A, "Disability" or "Disabled" shall mean that a Participant: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering the Company's Employees. Except to the extent prohibited under Code Section 409A, if applicable, the Committee shall have discretion to determine if a termination due to Disability has occurred.

(m) "Disinterested Board Member" means a member of the Board who: (a) is not a current Employee of the Company or a Subsidiary; (b) is not a former employee of the Company who receives compensation for prior Services (other than benefits under a tax-qualified retirement plan) during the taxable year; (c) has not been an officer of the Company; (d) does not receive remuneration from the Company or a Subsidiary, either directly or indirectly, in any capacity other than as a Director except in an amount for which disclosure would not be required pursuant to Item 404 of SEC Regulation S-K in accordance with the proxy solicitation rules of the SEC, as amended or any successor provision thereto; and (e) does not possess an interest in any other transaction, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(a) of SEC Regulation S-K under the proxy solicitation rules of the SEC, as amended or any successor provision thereto. The term Disinterested Board Member shall be interpreted in such manner as shall be necessary to conform to the

requirements of section 162(m) of the Code, Rule 16b-3 promulgated under the Exchange Act and the corporate governance standards imposed on compensation committees under the listing requirements imposed by any national securities exchange on which the Company lists or seeks to list its securities.

(n) "Employee" means any person employed by the Company or any Subsidiary. Directors who are also employed by the Company or a Subsidiary shall be considered Employees under the Plan.

(o) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(p) "Excluded Transaction" means a plan of reorganization, merger, consolidation or similar transaction that would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving corporation or any parent thereof) at least 50% of the combined voting power of the Voting Securities of the entity surviving the plan of reorganization, merger, consolidation or similar transaction (or the parent of such surviving entity) immediately after such plan of reorganization, merger, consolidation or similar transaction.

(r) "Fair Market Value" means, with respect to a share of Stock on a specified date:

(i) the final reported sales price on the date in question (or if there is no reported sale on such date, on the last preceding date on which any reported sale occurred) as reported in the principal consolidated reporting system with respect to securities listed or admitted to trading on the principal United States securities exchange on which the shares of Stock are listed or admitted to trading, as of the close of the market in New York City and without regard to after-hours trading activity; or

(ii) if the shares of Stock are not listed or admitted to trading on any such exchange, the closing bid quotation with respect to a share of Stock on such date, as of the close of the market in New York City and without regard to after-hours trading activity, or, if no such quotation is provided, on another similar system, selected by the Committee, then in use.

(s) A termination of employment by an Employee Participant shall be deemed a termination of employment for "Good Reason" as a result of the Participant's resignation from the employ of the Company or any Subsidiary upon the occurrence of any of the following events following a Change in Control: (a) the failure of the Company or Subsidiary to appoint or re-appoint or elect or re-elect the Employee Participant to the position(s) with the Company or Subsidiary held immediately prior to the Change in Control; (b) a material change in the functions, duties or responsibilities of the Employee Participant compared to those functions, duties or responsibilities in effect immediately prior to the Change in Control; (c) any reduction of the rate of the Employee Participant's base salary in effect immediately prior to the Change in Control; (d) any failure (other than due to reasonable administrative error that is cured promptly upon notice) to pay any portion of the Employee Participant's compensation as and when due; (e) any change in the terms and conditions of any compensation or benefit program in which the Employee Participant participated immediately prior to the Change in Control which, either individually or together with other changes, has a material adverse effect on the aggregate value of his total compensation package; or (f) a change in the Employee Participant's principal place of employment, without his consent, to a place that is at least thirty (30) miles further away from the Employee Participant's principal residence prior to the Change in Control.

(t) "Immediate Family Member" means with respect to any Participant: (a) any of the Participant's children, stepchildren, grandchildren, parents, stepparents, grandparents, spouses, former spouses, siblings, nieces, nephews, mothers-in-law, fathers-in-law, sons-in-law, daughters-in-law, brothers-in-law or sisters-in-law, including relationships created by adoption; (b) any natural person sharing the Participant's household (other than as a tenant or employee, directly or indirectly, of the Participant); (c) a trust in which any combination of the Participant and persons described in section (a) and (b) above own more than fifty percent (50%) of the beneficial interests; (d) a foundation in which any combination of the Participant and persons described in sections (a) and (b) above control management of the assets; or (e) any other corporation, partnership, limited liability company or other entity in which any combination of the Participant and persons described in sections (a) and (b) above control more than fifty percent (50%) of the voting interests.

(u) "Incumbent Directors" means:

(i) the individuals who, on the date hereof, constitute the Board; and

(ii) any new Director whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended: (a) by the vote of at least two-thirds (2/3) of the Whole Board, with at least two-thirds of the Incumbent Directors then in office voting in favor of such approval or recommendation; or (b) by a Nominating Committee of the Board whose members were appointed by the vote of at least two-thirds (2/3) of the Whole Board, with at least two-thirds of the Incumbent Directors then in office voting in favor of such appointments.

(v) "Involuntary Termination of Employment" means the Termination of Service by the Company or Subsidiary (other than a termination for Cause) or termination of employment by a Participant Employee for Good Reason.

(w) "Participant" means any individual who has received, and currently holds, an outstanding Award under the Plan.

(x) "Restricted Stock" has the meaning ascribed to it in Section 2.2.

(y) "Retirement" means, unless otherwise specified in an Award Agreement, retirement from employment as an Employee on or after the attainment of age 65, or Termination of Service as a Director on or after the attainment of age 70, provided, however, that unless otherwise specified in an Award Agreement, an Employee who is also a Director shall not be deemed to have terminated due to Retirement until both Service as an Employee and Service as a Director has ceased. A non-Employee Director will be deemed to have terminated due to Retirement under the provisions of this Plan only if the non-Employee Director has terminated Service on the Board(s) of Directors of the Company and any Subsidiary or affiliate in accordance with applicable Company policy, following the provision of written notice to such Board(s) of Directors of the non-Employee Director's intention to retire.

(z) "SEC" means the United States Securities and Exchange Commission.

(aa) "Securities Act" means the Securities Act of 1933, as amended from time to time.

(bb) "Service" means service as an Employee, service provider, or non-employee Director of the Company or a Subsidiary, as the case may be, and shall include service as a director emeritus or advisory director.

(cc) "Stock" means the common stock of the Company, $0.01 par value per share.

(dd) "Subsidiary" means any corporation, affiliate, bank or other entity which would be a subsidiary corporation with respect to the Company as defined in Code Section 424(f) and, other than with respect to an ISO, shall also mean any partnership or joint venture in which the Company and/or other Subsidiary owns more than fifty percent (50%) of the capital or profits interests.

(ee) "Termination of Service" means the first day occurring on or after a grant date on which the Participant ceases to be an Employee or Director of, or service provider to, the Company or any Subsidiary, regardless of the reason for such cessation, subject to the following:

(i) The Participant's cessation as an Employee or service provider shall not be deemed to occur by reason of the transfer of the Participant between the Company and a Subsidiary or between two Subsidiaries.

(ii) The Participant's cessation as an Employee or service provider shall not be deemed to occur by reason of the Participant's being on a bona fide leave of absence from the Company or a Subsidiary approved by the Company or Subsidiary otherwise receiving the Participant's Services,

provided such leave of absence does not exceed six months, or if longer, so long as the Employee retains a right to reemployment with the Company or Subsidiary under an applicable statute or by contract. For these purposes, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Employee will return to perform Services for the Company or Subsidiary. If the period of leave exceeds six months and the Employee does not retain a right to reemployment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first day immediately following such six month period. For purposes of this sub-section (ii), to the extent applicable, an Employee's leave of absence shall be interpreted by the Committee in a manner consistent with Treasury Regulation Section 1.409A-1(h)(1).

(iii) If, as a result of a sale or other transaction, the Subsidiary for whom Participant is employed (or to whom the Participant is providing Services) ceases to be a Subsidiary, and the Participant is not, following the transaction, an Employee of the Company or an entity that is then a Subsidiary, then the occurrence of such transaction shall be treated as the Participant's Termination of Service caused by the Participant being discharged by the entity for whom the Participant is employed or to whom the Participant is providing Services.

(iv) A service provider whose Services to the Company or a Subsidiary are governed by a written agreement with the service provider will cease to be a service provider at the time the term of such written agreement ends (without renewal); and a service provider whose Services to the Company or a Subsidiary are not governed by a written agreement with the service provider will cease to be a service provider on the date that is ninety (90) days after the date the service provider last provides Services requested by the Company or any Subsidiary (as determined by the Committee).

(v) Except to the extent Section 409A of the Code may be applicable to an Award, and subject to the foregoing paragraphs of this sub-section (ee), the Committee shall have discretion to determine if a Termination of Service has occurred and the date on which it occurred. In the event that any Award under the Plan constitutes Deferred Compensation (as defined in Section 2.5 hereof), the term Termination of Service shall be interpreted by the Committee in a manner consistent with the definition of "Separation from Service" as defined under Code Section 409A and under Treasury Regulation Section 1.409A-1(h)(ii). For purposes of this Plan, a "Separation from Service" shall have occurred if the Bank and Participant reasonably anticipate that no further Services will be performed by the Participant after the date of the Termination of Service (whether as an employee or as an independent contractor) or the level of further Services performed will be less than 50% of the average level of bona fide Services in the 36 months immediately preceding the Termination of Service. If a Participant is a "Specified Employee," as defined in Code Section 409A and any payment to be made hereunder shall be determined to be subject to Code Section 409A, then if required by Code Section 409A, such payment or a portion of such payment (to the minimum extent possible) shall be delayed and shall be paid on the first day of the seventh month following Participant's Separation from Service.

(vi) With respect to a Participant who is a director, cessation as a Director will not be deemed to have occurred if the Participant continues as a director emeritus or advisory director. With respect to a Participant who is both an Employee and a Director, termination of employment shall not constitute Termination of Service so long as the Participant continued to serve as a Director.

(ff) "Voting Securities" means any securities which ordinarily possess the power to vote in the election of directors without the happening of any pre-condition or contingency.

(gg) "Whole Board" means the total number of Directors that the Company would have if there were no vacancies on the Board at the time the relevant action or matter is presented to the Board for approval.

Section 8.2 In this Plan, unless otherwise stated or the context otherwise requires, the following uses apply:

(a) actions permitted under this Plan may be taken at any time and from time to time in the actor's reasonable discretion;

(b) references to a statute shall refer to the statute and any successor statute, and to all regulations promulgated under or implementing the statute or its successor, as in effect at the relevant time;

(c) in computing periods from a specified date to a later specified date, the words "from" and "commencing on" (and the like) mean "from and including," and the words "to," "until" and "ending on" (and the like) mean "to, but excluding";

(d) references to a governmental or quasi-governmental agency, authority or instrumentality shall also refer to a regulatory body that succeeds to the functions of the agency, authority or instrumentality;

(e) indications of time of day mean Massachusetts time;

(f) "including" means "including, but not limited to";

(g) all references to sections, schedules and exhibits are to sections, schedules and exhibits in or to this Plan unless otherwise specified;

(h) all words used in this Plan will be construed to be of such gender or number as the circumstances and context require;

(i) the captions and headings of articles, sections, schedules and exhibits appearing in or attached to this Plan have been inserted solely for convenience of reference and shall not be considered a part of this Plan nor shall any of them affect the meaning or interpretation of this Plan or any of its provisions;

(j) any reference to a document or set of documents in this Plan, and the rights and obligations of the parties under any such documents, shall mean such document or documents as amended from time to time, and any and all modifications, extensions, renewals, substitutions or replacements thereof; and

(k) all accounting terms not specifically defined herein shall be construed in accordance with GAAP.

RESTRICTED STOCK AWARD AGREEMENT
UNDER THE BROOKLINE BANCORP, INC.
2014 EQUITY INCENTIVE PLAN

Name of Grantee: ________________

No. of Shares: ________________

Grant Date: ________________

Pursuant to the Brookline Bancorp, Inc. 2014 Equity Incentive Plan (the "Plan") as amended through the date hereof, Brookline Bancorp, Inc. (the "Company") hereby grants a Restricted Stock Award (an "Award") to the Grantee named above. Upon acceptance of this Award, the Grantee shall receive the number of shares of Common Stock, par value $0.01 per share (the "Stock") of the Company specified above, subject to the restrictions and conditions set forth herein and in the Plan. The Company acknowledges the receipt from the Grantee of consideration with respect to the par value of the Stock in the form of cash, past or future services rendered to the Company by the Grantee or such other form of consideration as is acceptable to the Administrator.

1. Award. The shares of Restricted Stock awarded hereunder shall be issued and held by the Company's transfer agent in book entry form, and the Grantee's name shall be entered as the stockholder of record on the books of the Company. Thereupon, the Grantee shall have all the rights of a stockholder with respect to such shares, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below. The Grantee shall (i) sign and deliver to the Company a copy of this Award Agreement and (ii) deliver to the Company a stock power endorsed in blank.

2. Restrictions and Conditions.

(a) Any book entries for the shares of Restricted Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) Shares of Restricted Stock granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to vesting.

(c) Except as provided in Section 20 of the Plan after a Change in Control (as defined in the Plan), if the Grantee's employment with the Company and its Subsidiaries is voluntarily or involuntarily terminated for any reason prior to the vesting of shares of Restricted Stock granted herein, all shares of Restricted Stock shall immediately and automatically be forfeited and returned to the Company.

3. Vesting of Restricted Stock.

[The restrictions and conditions in Paragraph 2 of this Agreement shall lapse on the Vesting Date specified in the following schedule so long as the Grantee remains a [director][employee] of the Company or a Subsidiary on such Date. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 2 shall lapse only with respect to the number of shares of Restricted Stock specified as vested on such date.

Incremental Number of Shares Vested	Vesting Date
________	__________][1]

[The shares of Restricted Stock awarded hereunder shall vest on the third anniversary of the Grant Date, based on the Company's achievement of identified performance-based measures. [Measures to be described.]][2]

Subsequent to such Vesting Date or Dates, the shares of Stock on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 3.

4. Dividends.

Any dividends or distributions declared with respect to the Stock shall [be held by the Company until the Stock subject to the Award has vested. Upon the vesting of the Stock, the dividends held by the Stock shall be distributed to the Grantee by the Company. In the event that the Grantee forfeits the Stock, the dividends declared on such shares shall also be forfeited by the Grantee][3][shall accrue and shall not be paid to the Grantee until and to the extent the performance goals are met with respect to the Award][4].

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Award shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

7. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the

[1] For use in restricted stock awards to non-employee directors and time-based restricted stock awards to employees.

[2] For use in performance-based restricted stock awards to employees.

[3] For use in restricted stock awards to non-employee directors and time-based restricted stock awards to employees.

[4] For use in performance-based restricted stock awards to employees.

Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. Except in the case where an election is made pursuant to Paragraph 8 below, the Company shall have the authority to cause the required minimum tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued or released by the transfer agent a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum withholding amount due.

8. Election Under Section 83(b). The Grantee and the Company hereby agree that the Grantee may, within 30 days following the Grant Date of this Award, file with the Internal Revenue Service and the Company an election under Section 83(b) of the Internal Revenue Code. In the event the Grantee makes such an election, he or she agrees to provide a copy of the election to the Company. The Grantee acknowledges that he or she is responsible for obtaining the advice of his or her tax advisors with regard to the Section 83(b) election and that he or she is relying solely on such advisors and not on any statements or representations of the Company or any of its agents with regard to such election.

9. No Obligation to Continue Employment. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the employment of the Grantee at any time.

10. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

11. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

12. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file

with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

BROOKLINE BANCORP, INC.

By: ________________________________
Name:
Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated: ________________________ ________________________________
Grantee's Signature

Grantee's name and address:

____

____

____

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, 2020, with respect to the consolidated balance sheets of Brookline Bancorp, Inc. and subsidiaries as of December 31, 2019 and 2018, 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, 2019, and the related notes (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10-K of Brookline Bancorp, Inc.

/s/ KPMG LLP

Boston, Massachusetts
February 28, 2020

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, 2020

/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, 2020

/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, 2019 (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, 2020

/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, 2019 (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, 2020

/s/ CARL M. CARLSON

Carl M. Carlson

Chief Financial Officer

(Principal Financial Officer)