BROOKLINE BANCORP INC
Form 10-Q
August 08, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

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	02117-9179
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

At August 8, 2014, the number of shares of common stock, par value $0.01 per share, outstanding was 70,015,431.

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

	At June 30, 2014	At December 31, 2013
ASSETS	(In Thousands Except Share Data)	
Cash and due from banks	$58,962	$37,148
Short-term investments	20,771	55,357
Total cash and cash equivalents	79,733	92,505
Investment securities available-for-sale	528,586	492,428
Investment securities held-to-maturity (fair value of $500)	500	500
Total investment securities	529,086	492,928
Loans and leases held-for-sale	13,890	13,372
Loans and leases:		
Commercial real estate loans	2,314,585	2,203,623
Commercial loans and leases	1,076,953	965,610
Indirect automobile loans	376,314	400,531
Consumer loans	836,061	792,701
Total loans and leases	4,603,913	4,362,465
Allowance for loan and lease losses	(51,686)	(48,473)
Net loans and leases	4,552,227	4,313,992
Restricted equity securities	71,446	66,559
Premises and equipment, net of accumulated depreciation of $41,067 and $44,420, respectively	82,166	80,505
Deferred tax asset	27,799	31,710
Goodwill	137,890	137,890
Identified intangible assets, net of accumulated amortization of $24,583 and $22,895, respectively	15,199	16,887
Other real estate owned and repossessed assets	1,246	1,578
Other assets	76,804	77,180
Total assets	$5,587,486	$5,325,106
LIABILITIES AND EQUITY		
Deposits:		
Non-interest-bearing deposits:		
Demand checking accounts	$716,883	$707,023
Interest-bearing deposits:		
NOW accounts	209,682	210,602
Savings accounts	518,343	494,734
Money market accounts	1,516,023	1,487,979
Certificate of deposit accounts	900,216	934,668
Total interest-bearing deposits	3,144,264	3,127,983
Total deposits	3,861,147	3,835,006
Borrowed funds:		
Advances from the FHLBB	1,005,644	768,773
Other borrowed funds	35,360	43,782
Total borrowed funds	1,041,004	812,555

Mortgagors’ escrow accounts	8,359	7,889
Accrued expenses and other liabilities	45,411	51,485
Total liabilities	4,955,921	4,706,935
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Brookline Bancorp, Inc. stockholders’ equity:		
Common stock, $0.01 par value; 200,000,000 shares authorized; 75,744,445 shares issued	757	757
Additional paid-in capital	617,709	617,538
Retained earnings, partially restricted	73,373	64,903
Accumulated other comprehensive loss	(3,209)	(7,915)
Treasury stock, at cost; 5,144,807 shares and 5,171,985 shares, respectively	(59,487)	(59,826)
Unallocated common stock held by ESOP; 271,524 shares and 291,666 shares, respectively	(1,480)	(1,590)
Total Brookline Bancorp, Inc. stockholders’ equity	627,663	613,867
Noncontrolling interest in subsidiary	3,902	4,304
Total stockholders' equity	631,565	618,171
Total liabilities and stockholders' equity	$5,587,486	$5,325,106

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In Thousands Except Share Data)		(In Thousands Except Share Data)	
Interest and dividend income:				
Loans and leases	$ 50,433	$ 50,644	$ 102,375	$ 100,063
Debt securities	2,360	1,934	4,619	3,786
Marketable and restricted equity securities	539	303	988	612
Short-term investments	14	19	58	50
Total interest and dividend income	53,346	52,900	108,040	104,511
Interest expense:				
Deposits	4,201	4,743	8,492	9,578
Borrowed funds	2,711	2,794	5,380	5,903
Total interest expense	6,912	7,537	13,872	15,481
Net interest income	46,434	45,363	94,168	89,030
Provision for credit losses	2,276	2,439	4,719	4,294
Net interest income after provision for credit losses	44,158	42,924	89,449	84,736
Non-interest income:				
Deposit fees	2,204	1,929	4,163	3,995
Loan fees	124	386	560	807
Loss from investments in affordable housing projects	(539)	(624)	(1,043)	(936)
Loss on sales of securities, net	(13)	—	(13)	—
Gain on sales of loans and leases held-for-sale	54	183	656	481
(Loss)/Gain on sale/disposals of premises and equipment, net	(6)	(21)	1,504	(21)
Other	1,466	1,286	2,587	2,140
Total non-interest income	3,290	3,139	8,414	6,466
Non-interest expense:				
Compensation and employee benefits	17,295	16,697	35,327	32,994
Occupancy	3,154	2,865	7,559	5,948
Equipment and data processing	4,348	4,262	8,725	8,362
Professional services	1,487	1,513	3,214	3,014
FDIC insurance	847	936	1,707	1,870
Advertising and marketing	776	768	1,441	1,438
Amortization of identified intangible assets	827	1,177	1,688	2,342
Other	2,488	2,598	5,137	5,617
Total non-interest expense	31,222	30,816	64,798	61,585
Income before provision for income taxes	16,226	15,247	33,065	29,617
Provision for income taxes	5,774	5,382	11,769	10,511
Net income before noncontrolling interest in subsidiary	10,452	9,865	21,296	19,106

Less net income attributable to noncontrolling interest in subsidiary	476	375	898	802
Net income attributable to Brookline Bancorp, Inc.	$ 9,976	$ 9,490	$ 20,398	$ 18,304
Earnings per common share:				
Basic	$ 0.14	$ 0.14	$ 0.29	$ 0.26
Diluted	0.14	0.14	0.29	0.26
Weighted average common shares outstanding during the period:				
Basic	69,886,576	69,774,703	69,881,055	69,768,777
Diluted	70,012,377	69,833,541	69,998,219	69,823,615
Dividends declared per common share	$ 0.085	$ 0.085	$ 0.170	$ 0.170

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In Thousands)			
Net income before noncontrolling interest in subsidiary	$10,452	$9,865	$21,296	$19,106
Other comprehensive income (loss), net of taxes:				
Investment securities available-for-sale:				
Unrealized securities holding gains (losses)	4,350	(10,773)	7,643	(12,791)
Income tax (expense) benefit	(1,631)	4,093	(2,893)	4,861
Net unrealized securities holding gains (losses) before reclassification adjustments	2,719	(6,680)	4,750	(7,930)
Less reclassification adjustments for securities losses included in net income:				
Loss on sales of securities, net	(13)	—	(13)	—
Income tax benefit	5	—	5	—
Net reclassification adjustments for securities losses included in net income	(8)	—	(8)	—
Net securities holding gains (losses)	2,727	(6,680)	4,758	(7,930)
Postretirement benefits:				
Adjustment of accumulated obligation for postretirement benefits	—	8	(85)	8
Income tax (expense) benefit	—	(2)	33	(2)
Net adjustment of accumulated obligation for postretirement benefits	—	6	(52)	6
Other comprehensive income (loss), net of taxes	2,727	(6,674)	4,706	(7,924)
Comprehensive income	13,179	3,191	26,002	11,182
Net income attributable to noncontrolling interest in subsidiary	476	375	898	802
Comprehensive income attributable to Brookline Bancorp, Inc.	$12,703	$2,816	$25,104	$10,380

See accompanying notes to the unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Changes in Equity
Six Months Ended June 30, 2014 and 2013

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity	Noncontrolling Interest in Subsidiary	Total Equity
	(In Thousands Except Share Data)								
Balance at December 31, 2013	$757	$617,538	$64,903	$ (7,915)	$(59,826)	$ (1,590)	$ 613,867	$ 4,304	$618,171
Net income attributable to Brookline Bancorp, Inc.	—	—	20,398	—	—	—	20,398	—	20,398
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	898	898
Issuance of noncontrolling units	—	—	—	—	—	—	—	60	60
Other comprehensive income	—	—	—	4,706	—	—	4,706	—	4,706
Common stock dividends of $0.17 per share	—	—	(11,928)	—	—	—	(11,928)	—	(11,928)
Dividend to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,360)	(1,360)
Compensation under recognition and retention plan	—	96	—	—	339	—	435	—	435
Common stock held by ESOP committed to be released (20,142 shares)	—	75	—	—	—	110	185	—	185

Balance at June 30, 2014	$757	$617,709	$73,373	$ (3,209)	$(59,487)	$ (1,480)	$ 627,663	$ 3,902	$631,565

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Changes in Equity (Continued)
Six Months Ended June 30, 2014 and 2013

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity	Noncontrolling Interest in Subsidiary	Total Equity
	(In Thousands Except Share Data)								
Balance at December 31, 2012	$757	$618,426	$53,358	$ 3,483	$(62,107)	$ (1,820)	$ 612,097	$ 3,712	$615,809
Net income attributable to Brookline Bancorp, Inc.	—	—	18,304	—	—	—	18,304	—	18,304
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	802	802
Other comprehensive loss	—	—	—	(7,924)	—	—	(7,924)	—	(7,924)
Common stock dividends of $0.17 per share	—	—	(11,915)	—	—	—	(11,915)	—	(11,915)
Dividend to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(927)	(927)
Compensation under recognition and retention plan	—	536	—	—	—	—	536	—	536
Common stock held by ESOP committed to be released (21,126 shares)	—	71	—	—	—	115	186	—	186
Balance at June 30, 2013	$757	$619,033	$59,747	$ (4,441)	$(62,107)	$ (1,705)	$ 611,284	$ 3,587	$614,871

See accompanying notes to the unaudited consolidated financial statements.

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

	Six Months Ended June 30, 2014	2013
	(In Thousands)	
Cash flows from operating activities:		
Net income attributable to Brookline Bancorp, Inc.	$20,398	$18,304
Adjustments to reconcile net income to net cash provided from operating activities:		
Net income attributable to noncontrolling interest in subsidiary	898	802
Provision for credit losses	4,719	4,294
Origination of loans and leases to be sold	(15,784)	(23,378)
Proceeds from loans and leases sold	15,922	22,871
Proceeds from sales of other real estate owned and repossessed assets	6,795	5,495
Deferred income tax expense	1,046	(676)
Depreciation of premises and equipment	3,416	2,822
Amortization of investment securities premiums and discounts, net	1,448	1,809
Amortization of deferred loan and lease origination costs, net	4,991	5,160
Amortization of identified intangible assets	1,688	2,342
Accretion of acquisition fair value adjustments, net	(6,884)	(4,008)
Gain on sales of loans and leases held-for-sale	(656)	(481)
Loss on sales of investment securities, net	13	—
Gain on sales of other real estate owned and repossessed assets	(27)	(24)
Write-down of other real estate owned and repossessed assets	189	178
(Gain)/loss on sale/disposals of premises and equipment, net	(1,504)	21
Compensation under recognition and retention plans	435	536
Loss from investments in affordable housing projects	1,043	936
ESOP shares committed to be released	185	186
Net change in:		
Cash surrender value of bank-owned life insurance	(519)	(551)
Other assets	(148)	11,627
Accrued expenses and other liabilities	(6,279)	(13,559)
Net cash provided from operating activities	31,385	34,706
Cash flows from investing activities:		
Proceeds from sales of investment securities available-for-sale	5,083	—
Proceeds from maturities, calls and principal repayments of investment securities available-for-sale	34,062	69,826
Purchases of investment securities available-for-sale	(69,108)	(82,283)
Proceeds from maturities, calls, and principal repayments of investment securities held-to-maturity	500	—
Purchases of investment securities held-to-maturity	(500)	—
Proceeds from redemption of restricted equity securities	—	2,108
Purchases of restricted equity securities	(4,887)	(74)
Net increase in loans and leases	(248,738)	(38,673)
Proceeds from sales of premises and equipment	1,972	81
Purchase of premises and equipment, net	(5,635)	(9,072)
Net cash used for investing activities	(287,251)	(58,087)

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

	Six Months Ended June 30,	
	2014	2013
	(In Thousands)	
Cash flows from financing activities:		
Increase in demand checking, NOW, savings and money market accounts	60,593	79,161
Decrease in certificates of deposit	(34,584)	(38,717)
Proceeds from FHLBB advances	1,606,764	1,767,800
Repayment of FHLBB advances	(1,368,461)	(1,771,275)
Repayment of subordinated debt	—	(18,567)
Decrease in other borrowed funds, net	(8,460)	—
Increase in mortgagors’ escrow accounts	470	519
Payment of dividends on common stock	(11,928)	(11,915)
Proceeds from issuance of noncontrolling units	60	—
Payment of dividends to owners of noncontrolling interest in subsidiary	(1,360)	(927)
Net cash provided from financing activities	243,094	6,079
Net decrease in cash and cash equivalents	(12,772)	(17,302)
Cash and cash equivalents at beginning of period	92,505	117,097
Cash and cash equivalents at end of period	$79,733	$99,795
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest on deposits, borrowed funds and subordinated debt	$15,438	$17,884
Income taxes	8,490	11,301
Non-cash investing activities:		
Transfer from loans to other real estate owned	$6,625	$5,650

See accompanying notes to the unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
At and for the Six Months Ended June 30, 2014 and 2013

(1) Basis of Presentation

Overview

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

Brookline Bank, which includes its wholly-owned subsidiaries BBS Investment Corp. and Longwood Securities Corp., and its 84.7%-owned subsidiary, Eastern Funding LLC (“Eastern Funding”), operates 23 full-service banking offices in the greater Boston metropolitan area. BankRI, which includes its wholly-owned subsidiaries BRI Investment Corp., Macrolease Corporation (“Macrolease”), Acorn Insurance Agency and BRI Realty Corp., operates 19 full-service banking offices in the greater Providence area. First Ipswich, which includes its wholly-owned subsidiaries First Ipswich Securities II Corp. and First Ipswich Insurance Agency, operates 6 full-service banking offices on the north shore of eastern Massachusetts and in the Boston metropolitan 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 Massachusetts and Rhode Island, origination of commercial loans and leases to small- and mid-sized businesses, origination of indirect automobile loans, 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, and Macrolease, which is based in Plainview, New York.

The Company and the Banks are supervised, examined and regulated by the Board of Governors of the Federal Reserve System ("FRB"). As Massachusetts-chartered member banks, Brookline Bank and First Ipswich are also subject to regulation under the laws of the Commonwealth of Massachusetts and the jurisdiction of the Massachusetts Division of Banks. 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 three Banks. As FDIC-insured depository institutions, all three Banks are also secondarily subject to supervision, examination and regulation by the FDIC. Additionally, as a Massachusetts-chartered savings bank, Brookline Bank is also insured by the Depositors Insurance Fund (“DIF”), a private industry-sponsored insurance company. The DIF insures savings bank deposits in excess of the FDIC insurance limits. As such, Brookline Bank offers 100% insurance on all deposits as a result of a combination of insurance from the FDIC and the DIF. Brookline Bank is required to file reports with the DIF.

Basis of Financial Statement Presentation

The unaudited consolidated financial statements of the Company presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles ("GAAP"). In the opinion of management, all adjustments (consisting of normal recurring adjustments) and disclosures considered necessary for the fair presentation of the accompanying consolidated financial statements have been included. Interim results are not necessarily reflective of the results of the entire year. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

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

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
At and for the Six Months Ended June 30, 2014 and 2013

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

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

Reclassification

Certain previously reported amounts have been reclassified to conform to the current year’s presentation. These reclassifications did not change stockholders' equity and net income reported.

(2) Recent Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. This ASU eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement. In addition, the ASU requires a new disclosure for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. The ASU is effective for annual periods beginning after December 15, 2014 and interim periods beginning after December 15, 2015; early application is not permitted. The Company is currently assessing the applicability of this ASU and has not determined the impact, if any, as of June 30, 2014.

In May 2014, the FASB issued ASU 2014-09, Revenue From Contracts with Customers. This ASU provides a single principles-based, five-step model to be applied to all contracts with customers. The ASU applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. The ASU is effective for annual periods (including interim reporting periods within those periods) beginning after December 15, 2016; early application is not permitted. The Company is currently assessing the applicability of this ASU and has not determined the impact, if any, as of June 30, 2014.

In January 2014, the FASB issued ASU 2014-04, Receivables-Troubled Debt Restructurings by Creditors. This ASU provides clarification on when an in substance repossession or foreclosure occurs resulting in the creditor derecognizing the loan and recognizing the collateral. Currently, there is no definition of in substance repossession or foreclosure and physical possession in the accounting literature. This ASU is applied retrospectively or effective prospectively for all annual periods presented beginning after December 15, 2014; early adoption is permitted. The Company has not chosen to early adopt ASU 2014-04 and is currently assessing the applicability of this ASU and has not determined the impact, if any, as of June 30, 2014.

In January 2014, the FASB issued ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. This ASU provides guidance on accounting for investments by a reporting entity in flow-through limited liability entities. Currently, investments in qualified affordable housing projects are accounted for either by the effective yield, equity or cost method. This ASU allows for reporting entities to make a policy election on how to account for their investments. This ASU is applied retrospectively or effective prospectively for all annual periods presented beginning after December 15, 2014; early adoption is permitted. The Company has not chosen to early adopt ASU 2014-01 and is currently assessing the applicability of this ASU and has not determined the impact, if any, as of June 30, 2014.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
At and for the Six Months Ended June 30, 2014 and 2013

(3) Investment Securities

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

	At June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Debt securities:				
GSEs	$15,968	$21	$11	$15,978
GSE CMOs	254,863	146	7,462	247,547
GSE MBSs	220,848	2,559	1,560	221,847
SBA commercial loan asset-backed securities	227	—	1	226
Corporate debt obligations	39,759	582	11	40,330
Trust preferred securities	1,462	—	163	1,299
Total debt securities	533,127	3,308	9,208	527,227
Marketable equity securities	1,264	96	1	1,359
Total investment securities available-for-sale	$534,391	$3,404	$9,209	$528,586
Investment securities held-to-maturity	$500	$—	$—	$500

	At December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Debt securities:				
GSEs	$12,138	$42	$—	$12,180
GSE CMOs	254,331	86	10,773	243,644
GSE MBSs	202,478	1,852	4,929	199,401
Private-label CMOs	3,258	115	18	3,355
SBA commercial loan asset-backed securities	245	—	2	243
Auction-rate municipal obligations	1,900	—	125	1,775
Municipal obligations	1,068	18	—	1,086
Corporate debt obligations	27,751	506	33	28,224
Trust preferred securities	1,461	—	251	1,210
Total debt securities	504,630	2,619	16,131	491,118
Marketable equity securities	1,259	61	10	1,310
Total investment securities available-for-sale	$505,889	$2,680	$16,141	$492,428
Investment securities held-to-maturity	$500	$—	$—	$500

At June 30, 2014, the fair value of all securities available-for-sale was $528.6 million, with net unrealized losses of $5.8 million, compared to a fair value of $492.4 million and net unrealized losses of $13.5 million at December 31, 2013. At June 30, 2014, $344.5 million, or 65.2%, of the portfolio, had gross unrealized losses, compared to $383.3

million, or 77.8%, at December 31, 2013. The total gross unrealized loss at June 30, 2014 was $9.2 million, as compared to $16.1 million at December 31, 2013.

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Investment Securities as Collateral

At June 30, 2014 and December 31, 2013, respectively, $392.9 million and $402.5 million of investment securities available-for-sale were pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits; swap agreements; and Federal Home Loan Bank of Boston (“FHLBB”) borrowings.

Other-Than-Temporary Impairment (“OTTI”)

Investment securities at June 30, 2014 and December 31, 2013 that have been in a continuous unrealized loss position for less than twelve months or twelve months or longer are as follows:

	At June 30, 2014					
	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)					
Debt securities:						
GSEs	$1,963	$11	$—	$—	$1,963	$11
GSE CMOs	38,406	839	196,095	6,623	234,501	7,462
GSE MBSs	12,323	51	89,592	1,509	101,915	1,560
SBA commercial loan asset-backed securities	31	—	176	1	207	1
Corporate debt obligations	4,067	11	—	—	4,067	11
Trust preferred securities	—	—	1,299	163	1,299	163
Temporarily impaired debt securities	56,790	912	287,162	8,296	343,952	9,208
Marketable equity securities	511	1	—	—	511	1
Total temporarily impaired investment securities	$57,301	$913	$287,162	$8,296	$344,463	$9,209

	At December 31, 2013					
	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)					
Debt securities:						
GSE CMOs	$221,317	$9,861	$16,257	$912	$237,574	$10,773
GSE MBSs	121,836	3,746	13,516	1,183	135,352	4,929
Private-label CMOs	639	18	—	—	639	18
SBA commercial loan asset-backed securities	32	—	192	2	224	2
Auction-rate municipal obligations	—	—	1,775	125	1,775	125
Corporate debt obligations	5,988	33	—	—	5,988	33
Trust preferred securities	—	—	1,210	251	1,210	251

Temporarily impaired debt securities	349,812	13,658	32,950	2,473	382,762	16,131
Marketable equity securities	501	10	—	—	501	10
Total temporarily impaired investment securities	$350,313	$13,668	$32,950	$2,473	$383,263	$16,141

The Company performs regular analysis on the available-for-sale investment securities portfolio to determine whether a decline in fair value indicates that an investment 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 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 security before recovery of its amortized cost, the credit portion of the impairment loss is recognized in earnings 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 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 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 earnings.

At June 30, 2014, it is more likely than not that the Company will not sell or be required to sell the securities before recovery of its amortized cost. The Company's ability and intent to hold these 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 securities are not OTTI at June 30, 2014. If market conditions for securities worsen or the creditworthiness of the underlying issuers deteriorates, it is possible that the Company may recognize additional OTTI in future periods.

Debt Securities

U.S. Government-Sponsored Enterprises

The Company invests in securities issued by U.S. Government-sponsored enterprises (“GSEs”), including GSE debt securities, mortgage-backed securities (“MBSs”), and collateralized mortgage obligations (“CMOs”). GSE securities include obligations issued by the Federal National Mortgage Association (“FNMA”), the Federal Home Loan Mortgage Corporation (“FHLMC"), the Government National Mortgage Association (“GNMA”), the Federal Home Loan Banks ("FHLB") and the Federal Farm Credit Bank. At June 30, 2014, only GNMA MBSs and CMOs, and Small Business Administration (“SBA”) commercial loan asset-backed securities with an estimated fair value of $25.4 million were backed explicitly by the full faith and credit of the U.S. Government, compared to $18.9 million at December 31, 2013.

At June 30, 2014, the Company held GSE debentures with a total fair value of $16.0 million and a net unrealized gain of $10.0 thousand. At December 31, 2013, the Company held GSE debentures with a total fair value of $12.2 million and a net unrealized gain of $42.0 thousand. At June 30, 2014, one of the six securities in this portfolio were in unrealized loss positions. At December 31, 2013, none of the five securities in this portfolio was in unrealized loss positions. All securities are performing and backed by the implicit (FHLB / FNMA / FHLMC) or explicit (GNMA / SBA) guarantee of the U.S. Government. During the six months ended June 30, 2014, the Company purchased $2.0 million in GSE debentures. The Company did not purchase any GSE debentures in the same period in 2013.

At June 30, 2014, the Company held GSE mortgage-related securities with a total fair value of $469.4 million and a net unrealized loss of $6.3 million. This compares to a total fair value of $443.0 million and a net unrealized loss of

$13.8 million at December 31, 2013. At June 30, 2014, 96 of the 241 securities in this portfolio were in unrealized loss positions, compared to 86 of the 232 securities at December 31, 2013. All securities are performing and backed by the implicit (FHLB / FNMA / FHLMC) or explicit (GNMA) guarantee of the U.S. Government. During the six months ended June 30, 2014, the Company purchased $55.1 million in GSE CMOs and GSE MBSs to reinvest cash from matured securities. This compares to a total of $82.3 million during the same period in 2013.

SBA Commercial Loan Asset-Backed

At both June 30, 2014 and December 31, 2013, the Company held nine SBA securities with a total fair value of $0.2 million which approximated amortized cost. At both June 30, 2014 and December 31, 2013, seven of the nine securities in this portfolio were in unrealized loss positions. All securities are performing and backed by the explicit (SBA) guarantee of the U.S. Government.

Private-Label CMOs

At June 30, 2014, the Company held no private-issuer CMO-related securities. All private-label CMOs were sold during the second quarter of 2014. At December 31, 2013, the Company held private-issuer CMO-related securities with a total fair value of $3.4 million and a net unrealized gain of $0.1 million. At December 31, 2013, two of the eleven securities in this portfolio were in unrealized loss positions.

Auction-Rate Municipal Obligations and Municipal Obligations

The auction-rate obligations owned by the Company were rated “AAA” at the time of acquisition due, in part, to the guarantee of third-party insurers who would have to pay the obligations if the issuers failed to pay the obligations when they become due. During the financial crisis, certain third-party insurers experienced financial difficulties and were not able to meet their contractual obligations. As a result, auctions failed to attract a sufficient number of investors and created a liquidity problem for those investors who were relying on the obligations to be redeemed at auction. Since then, there has not been an active market for auction-rate municipal obligations.

At June 30, 2014, the Company held no auction-rate municipal obligations. All auction-rate municipal obligations were sold during the second quarter of 2014. This compares to an estimated fair value of $1.8 million, with a corresponding net unrealized loss of $0.1 million at December 31, 2013. At December 31, 2013, all of the securities in this portfolio were in unrealized loss positions.

The Company owns no municipal obligations at June 30, 2014. All municipal obligations were sold during the second quarter of 2014. This compares to a total fair value of $1.1 million which also approximated amortized cost at December 31, 2013. At December 31, 2013, none of the securities in this portfolio was in unrealized loss position.

Corporate Obligations

From time to time, the Company will invest in high-quality corporate obligations to provide portfolio diversification and improve the overall yield on the portfolio. The Company owned thirteen corporate obligation securities with a total fair value of $40.3 million and total net unrealized gains of $0.6 million at June 30, 2014. This compares to eleven corporate obligation securities with a total fair value of $28.2 million and total net unrealized gains of $0.5 million at December 31, 2013. At June 30, 2014, one of the thirteen securities in this portfolio were in unrealized loss positions. At December 31, 2013, two of the eleven securities in this portfolio are in unrealized loss positions. Full collection of the obligations is expected because the financial condition of the issuers is sound, none of the issuers has defaulted on scheduled payments, the obligations are rated investment grade and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost. During the six months ended June 30, 2014, the Company purchased $12.0 million in corporate obligations. The Company did not purchase any corporate obligations in the same period in 2013.

Trust Preferred Securities

Trust preferred securities represent subordinated debt issued by financial institutions. At June 30, 2014, the Company owned two trust preferred securities with a total fair value of $1.3 million and total net unrealized loss of $0.2 million. This compares to two trust preferred securities with a total fair value of $1.2 million and a total net unrealized loss of $0.3 million at December 31, 2013. At June 30, 2014 and December 31, 2013, both of the securities in this portfolio were in unrealized loss positions. Full collection of the obligations is expected because the financial condition of the issuers is sound, none of the issuers has defaulted on scheduled payments, the obligations are rated investment grade and the Company has the ability and intent to hold the obligations for a period of time to recover the amortized cost.

Marketable Equity Securities

At June 30, 2014, the Company owned marketable equity securities with a fair value of $1.4 million, including net unrealized gains of $0.1 million. This compares to a fair value of $1.3 million and net unrealized gains of $0.1 million at December 31, 2013. At both June 30, 2014 and December 31, 2013, one out of the four securities in this portfolio was in an unrealized loss position.

Investment Securities Held-to-Maturity

At June 30, 2014, the Company owned a held-to-maturity investment security with a carrying value of $0.5 million and a fair value of $0.5 million. This security matures in March 2016 and carries an interest rate payable of 1.3%.

Portfolio Maturities

The maturities of the investments in debt securities are as follows at the dates indicated:

	At June 30, 2014				At December 31, 2013			
	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	$12,343	$12,370	0.67	%	$13,012	$13,062	0.82	%
After 1 year through 5 years	52,908	54,177	2.64	%	40,204	41,187	2.90	%
After 5 years through 10 years	85,907	87,009	1.97	%	66,447	67,075	2.23	%
Over 10 years	381,969	373,671	1.91	%	384,967	369,794	1.90	%
	$533,127	$527,227	1.96	%	$504,630	$491,118	2.00	%
Investment securities held-to-maturity:								
Within 1 year	$—	$—	—	%	$500	$500	1.99	%
After 1 year through 5 years	500	500	1.30	%	—	—	—	%
After 5 years through 10 years	—	—	—	%	—	—	—	%
Over 10 years	—	—	—	%	—	—	—	%
	$500	$500	1.30	%	$500	$500	1.99	%

Actual maturities of debt securities may differ from those presented above since certain obligations provide the issuer the right to call or prepay the obligation prior to scheduled maturity without penalty. At June 30, 2014, issuers of debt securities with an estimated fair value of $5.2 million had the right to call or prepay the obligations. Of the $5.2 million, $2.0 million matures in 1 - 5 years, $1.9 million matures in 6 - 10 years and $1.3 million matures after ten years. At December 31, 2013, issuers of debt securities with an estimated fair value of $3.7 million had the right to call or prepay the obligations. Of the $3.7 million $0.7 million matures in less than one year and $3.0 million matures after ten years. MBSs and CMOs are included above based on their contractual maturities; the remaining lives, however, are expected to be shorter due to anticipated prepayments.

Security Sales

When securities are sold, the adjusted cost of the specific security sold is used to compute the gain or loss on the sale. The following table shows the gross realized gains and losses on available for sale securities for the periods indicated:

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014

	(In Thousands)	
Sales of debt securities	$5,083	$5,083
Gross gains from sales	302	302
Gross losses from sales	315	315
Loss on sales of securities, net	$(13)	$(13)

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There were no security sales during the three and six-month periods ended June 30, 2013.

(4) Loans and Leases

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

	At June 30, 2014								
	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 mortgage	$1,229,783	4.29	%	$315,700	4.38	%	$1,545,483	4.31	%
Multi-family mortgage	562,072	4.12	%	69,299	4.54	%	631,371	4.17	%
Construction	125,940	3.87	%	11,791	4.43	%	137,731	3.92	%
Total commercial real estate loans	1,917,795	4.21	%	396,790	4.41	%	2,314,585	4.25	%
Commercial loans and leases:									
Commercial	370,813	3.70	%	108,043	4.39	%	478,856	3.86	%
Equipment financing	534,261	6.97	%	18,228	6.35	%	552,489	6.95	%
Condominium association	45,608	4.68	%	—	—	%	45,608	4.68	%
Total commercial loans and leases	950,682	5.58	%	126,271	4.67	%	1,076,953	5.48	%
Indirect automobile loans	376,314	4.62	%	—	—	%	376,314	4.62	%
Consumer loans:									
Residential mortgage	442,551	3.62	%	108,263	3.86	%	550,814	3.67	%
Home equity	155,122	3.39	%	115,081					