Section 1: 10-Q (10-Q)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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: March 31, 2018

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

For the transition period from to

Commission File Number: 001-15781

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

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

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

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

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 ☒ 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 an emerging growth company. See the definitions of "large accelerated filers," "accelerated filers," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

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

BERKSHIRE HILLS BANCORP, INC.
FORM 10-Q

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PART I

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

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

(continued)

Shareholders' equity

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

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

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)	Three Months Ended March 31, 2018	2017
Interest and dividend income		
Loans	$ 92,835	$ 68,943
Securities and other	14,405	11,766
Total interest and dividend income	107,240	80,709
Interest expense		
Deposits	15,325	9,098
Borrowings	6,445	4,725
Total interest expense	21,770	13,823
Net interest income	85,470	66,886
Non-interest income		
Mortgage banking originations	10,147	12,678
Loan related income	5,438	4,179
Deposit related fees	8,066	6,204
Insurance commissions and fees	3,025	3,136
Wealth management fees	2,597	2,526
Total fee income	29,273	28,723
Other, net	1,268	93
(Loss)/gain on securities, net	(1,502)	12,570
Gain on sale of business operations and other assets, net	481	—
Loss on termination of hedges	—	(6,629)
Total non-interest income	29,520	34,757
Total net revenue	114,990	101,643
Provision for loan losses	5,575	5,095
Non-interest expense		
Compensation and benefits	42,184	36,119
Occupancy and equipment	10,082	9,026
Technology and communications	6,830	6,087
Marketing and promotion	2,612	1,999
Professional services	2,053	2,451
FDIC premiums and assessments	1,195	1,298
Other real estate owned and foreclosures	67	28
Amortization of intangible assets	1,268	801
Acquisition, restructuring, and other expenses	5,093	11,682
Other	5,485	4,835
Total non-interest expense	76,869	74,326
Income before income taxes	32,546	22,222
Income tax expense	7,298	6,762
Net income	$ 25,248	$ 15,460
Preferred stock dividend	230	—
Income available to common shareholders	25,018	15,460
Earnings per share:		
Basic	$ 0.55	$ 0.44
Diluted	$ 0.55	$ 0.44
Weighted average shares outstanding:		
Basic	45,966	35,280

Diluted	46,200	35,452

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

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

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

	Preferred stock		Common stock		Additional paid-in	Unearned	Retained	Accumulated other comprehensive	Treasury	
(In thousands)	Shares	Amount	Shares	Amount	capital	compensation	earnings	income/(loss)	stock	Total
Balance at December 31, 2016	—	—	35,673	$ 366	$ 898,989	$ (6,374)	$ 217,494	$ 9,766	$ (26,943)	$ 1,093,298
Comprehensive income:										
Net income	—	—	—	—	—	—	15,460	—	—	15,460
Other comprehensive loss	—	—	—	—	—	—	—	(1,908)	—	(1,908)
Total comprehensive income	—	—	—	—	—	—	15,460	(1,908)	—	13,552
Cash dividends declared ($0.21 per share)	—	—	—	—	—	—	(7,506)	—	—	(7,506)
Forfeited shares	—	—	(2)	—	20	60	—	—	(80)	—
Exercise of stock options	—	—	6	—	—	—	(71)	—	152	81
Restricted stock grants	—	—	81	—	807	(2,859)	—	—	2,052	—
Stock-based compensation	—	—	—	—	—	1,202	—	—	—	1,202
Other, net	—	—	(29)	—	15	—	(70)	—	(1,019)	(1,074)
Balance at March 31, 2017	—	—	35,729	$ 366	$ 899,831	$ (7,971)	$ 225,307	$ 7,858	$ (25,838)	$ 1,099,553
Balance at December 31, 2017	522	$ 40,633	45,290	$ 460	$ 1,242,487	$ (6,531)	$ 239,179	$ 4,161	$ (24,125)	$ 1,496,264
Comprehensive income:										
Net income	—	—	—	—	—	—	25,248	—	—	25,248
Other comprehensive loss	—	—	—	—	—	—	—	(14,231)	—	(14,231)
Total comprehensive income	—	—	—	—	—	—	25,248	(14,231)	—	11,017
Adoption of ASU No 2016-01, Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Liabilities	—	—	—	—	—	—	6,253	(6,253)	—	—
Adoption of ASU No 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	—	—	—	—	—	—	(896)	896	—	—
Cash dividends declared on common shares ($0.22 per share)	—	—	—	—	—	—	(9,982)	—	—	(9,982)
Cash dividends declared on preferred shares ($0.44 per share)	—	—	—	—	—	—	(230)	—	—	(230)
Forfeited shares	—	—	(4)	—	31	125	—	—	(156)	—
Exercise of stock options	—	—	5	—	—	—	(73)	—	149	76
Restricted stock grants	—	—	92	—	1,056	(3,452)	—	—	2,396	—
Stock-based compensation	—	—	—	—	—	1,382	—	—	—	1,382
Other, net	—	—	(23)	—	16	—	—	—	(886)	(870)
Balance at March 31, 2018	522	$ 40,633	45,360	$ 460	$ 1,243,590	$ (8,476)	$ 259,499	$ (15,427)	$ (22,622)	$ 1,497,657

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

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
(In thousands)	**2018**	**2017**
Cash flows from operating activities:		
Net income	$ 25,248	$ 15,460
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	5,575	5,095
Net amortization of securities	743	626
Change in unamortized net loan costs and premiums	577	1,227
Premises and equipment depreciation and amortization expense	2,556	2,467
Stock-based compensation expense	1,382	1,202
Accretion of purchase accounting entries, net	(3,838)	(4,597)
Amortization of other intangibles	1,268	801
Income from cash surrender value of bank-owned life insurance policies	(1,158)	(967)
Securities losses (gains), net	1,502	(12,570)
Originations of loans held for sale	(479,692)	(429,181)
Proceeds from sale of loans held for sale	545,019	472,791
Net gain on sale of loans and other mortgage banking income	(10,147)	(12,678)
Loss on disposition of assets	—	662
Loss on sale of real estate	—	13
Amortization of interest in tax-advantaged projects	506	1,329
Net change in other	(3,908)	6,965
Net cash provided by operating activities	85,633	48,645
Cash flows from investing activities:		
Net decrease in trading security	165	157
Proceeds from sales of securities available for sale	—	26,085
Proceeds from maturities, calls, and prepayments of securities available for sale	44,069	44,794
Purchases of securities available for sale and other	(116,423)	(151,731)
Purchases of marketable equity securities	(12,688)	—
Proceeds from sales of marketable equity securities	26,096	—
Proceeds from maturities, calls, and prepayments of securities held to maturity	2,885	3,791
Purchases of securities held to maturity	(1,618)	(1,037)
Net change in loans	(149,774)	(82,329)
Proceeds from surrender of bank-owned life insurance	—	310
Proceeds from sale of Federal Home Loan Bank stock	16,661	1,636
Purchase of Federal Home Loan Bank stock	(17,614)	(6,931)
Net investment in limited partnership tax credits	—	(354)
Purchase of premises and equipment, net	(4,376)	(5,070)
Payment to terminate cash flow hedges	—	6,573
Proceeds from sale of other real estate	—	102
Net cash (used) by investing activities	(212,617)	(164,004)

(continued)

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

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

NOTE 1. BASIS OF PRESENTATION

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

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

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

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

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

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

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

Recently Adopted Accounting Principles
Effective January 1, 2018, the following new accounting guidance was adopted by the Company:
- ASU No. 2014-09, Revenue from Contracts with Customers (additional information is disclosed in Note 14 - Revenue of the Consolidated Financial Statements);
- ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities

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

In February 2018, the FASB issued ASU No. 2018-02, “Income statement - Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income” which will allow a reclassification from accumulated other comprehensive income (“AOCI”) to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. These amendments are effective for all entities for fiscal years beginning after December 15, 2018. For interim periods within those fiscal years, early adoption of the amendment is permitted including public business entities for reporting periods for which financial statements have not yet been issued. The Company elected to early adopt ASU 2018-02 during the first quarter of 2018, and elected to reclassify the income tax effects of the Tax Cuts and Jobs Act of 2017 from AOCI to retained earnings. The reclassification increased AOCI and decreased retained earnings by $896 thousand, with no net effect on total shareholders' equity.

Future Application of Accounting Pronouncements

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

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

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This ASU improves financial reporting by requiring timelier recording of credit losses on loans and other financial instruments. The ASU requires companies to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Forward-looking information will now be used in credit loss estimates. The ASU requires enhanced disclosures to provide better understanding surrounding significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a company's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. Most debt instruments will require a cumulative-effect adjustment to retained earnings on the statement of financial position as of the beginning of the first reporting period in which the guidance is adopted (modified retrospective approach). However, there is instrument-specific transition guidance. ASU No. 2016-13 is effective for interim and annual periods beginning after December 15, 2019. Early application will be permitted for interim and annual periods beginning after December 15, 2018. The Company is evaluating the provisions of ASU No. 2016-13, and will closely monitor developments and additional guidance to determine the potential impact on the Company's consolidated financial statements. The Company expects the primary changes to be the application of the expected credit loss model to the financial statements. In addition, the Company expects the guidance to change the presentation of credit losses within the available-for-sale fixed maturities portfolio through an allowance method rather than as a direct write-down. The expected credit loss model will require a financial asset to be presented at the net amount expected to be collected. The allowance method for available-for-sale debt securities will allow the Company to record reversals of credit losses if the estimate of credit losses declines. The Company is in the process of identifying and implementing required changes to loan loss estimation models and processes and evaluating the impact of this new accounting guidance, which at the date of adoption is expected to increase the allowance for credit losses with a resulting negative adjustment to retained earnings.

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

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

NOTE 2. TRADING SECURITY

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

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

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

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

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

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

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

	Available for sale		Held to maturity	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ 387	$ 388	$ 15,013	$ 15,336
Over 1 year to 5 years	33,130	33,297	13,189	13,174
Over 5 years to 10 years	75,568	76,746	7,999	8,079
Over 10 years	125,505	127,376	267,752	267,793
Total bonds and obligations	234,590	237,807	303,953	304,382
Mortgage-backed securities	1,191,810	1,163,592	91,384	89,914
Total	$ 1,426,400	$ 1,401,399	$ 395,337	$ 394,296

Securities with unrealized losses, segregated by the duration of their continuous unrealized loss positions, are summarized as follows:

	Less Than Twelve Months		Over Twelve Months		Total	
(In thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
March 31, 2018						
Securities available for sale						
Debt securities:						
Municipal bonds and obligations	$ 128	$ 4,399	$ 593	$ 8,582	$ 721	$ 12,981
Agency collateralized mortgage obligations	16,667	816,169	3,149	78,858	19,816	895,027
Agency mortgage-backed securities	2,715	123,776	2,808	62,093	5,523	185,869
Agency commercial mortgage-backed securities	268	13,647	2,735	46,911	3,003	60,558
Corporate bonds	32	7,544	—	—	32	7,544
Other bonds and obligations	18	1,084	27	1,997	45	3,081
Total securities available for sale	19,828	966,619	9,312	198,441	29,140	1,165,060
Securities held to maturity						
Municipal bonds and obligations	2,779	112,585	201	1,915	2,980	114,500
Agency collateralized mortgage obligations	444	32,112	634	12,317	1,078	44,429
Agency mortgage-backed securities	—	—	316	7,397	316	7,397
Agency commercial mortgage-backed securities	—	—	509	9,956	509	9,956
Tax advantaged economic development bonds	1,203	15,712	—	—	1,203	15,712
Total securities held to maturity	4,426	160,409	1,660	31,585	6,086	191,994
Total	$ 24,254	$ 1,127,028	$ 10,972	$ 230,026	$ 35,226	$ 1,357,054
December 31, 2017						
Securities available for sale						
Debt securities:						
Municipal bonds and obligations	$ —	$ —	$ 206	$ 8,985	$ 206	$ 8,985
Agency collateralized mortgage obligations	6,849	655,479	2,095	80,401	8,944	735,880
Agency mortgage-backed securities	765	95,800	1,500	65,323	2,265	161,123
Agency commercial mortgage-backed securities	334	17,379	1,427	39,268	1,761	56,647
Corporate bonds	1	328	236	15,769	237	16,097
Trust preferred securities	—	—	—	—	—	—
Other bonds and obligations	11	1,096	20	2,004	31	3,100
Total securities available for sale	7,960	770,082	5,484	211,750	13,444	981,832
Securities held to maturity						
Municipal bonds and obligations	35	10,213	55	2,059	90	12,272
Agency collateralized mortgage obligations	—	—	486	12,946	486	12,946
Agency mortgage-backed securities	—	—	164	7,728	164	7,728
Agency commercial mortgage-backed securities	—	—	268	10,213	268	10,213
Tax advantaged economic development bonds	1,135	7,305	—	—	1,135	7,305
Total securities held to maturity	1,170	17,518	973	32,946	2,143	50,464
Total	$ 9,130	$ 787,600	$ 6,457	$ 244,696	$ 15,587	$ 1,032,296

Debt Securities

The Company expects to recover its amortized cost basis on all debt securities in its AFS and HTM portfolios. Furthermore, the Company does not intend to sell nor does it anticipate that it will be required to sell any of its securities in an unrealized loss position as of March 31, 2018, prior to this recovery. 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.

The following summarizes, by investment security type, the basis for the conclusion that the debt securities in an unrealized loss position within the Company's AFS and HTM portfolios were not other-than-temporarily impaired at March 31, 2018:

AFS municipal bonds and obligations

At March 31, 2018, 13 of the total 258 securities in the Company's portfolio of AFS municipal bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 5.3% of the amortized cost of securities in unrealized loss positions. The Company continually monitors the municipal bond sector of the market carefully and periodically evaluates the appropriate level of exposure to the market. At this time, the Company feels the bonds in this portfolio carry minimal risk of default and the Company is appropriately compensated for that risk. There were no material underlying credit downgrades during the quarter. All securities are performing.

AFS collateralized mortgage obligations

At March 31, 2018, 229 out of the total 243 securities in the Company's portfolio of AFS collateralized mortgage obligations were in unrealized loss positions. Aggregate unrealized losses represented 2.2% of the amortized cost of securities in unrealized loss positions. The Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), and Government National Mortgage Association ("GNMA") guarantee the contractual cash flows of all of the Company's collateralized mortgage obligations. The securities are investment grade rated and there were no material underlying credit downgrades during the quarter. All securities are performing.

AFS commercial and residential mortgage-backed securities

At March 31, 2018, 73 out of the total 101 securities in the Company's portfolio of AFS mortgage-backed securities were in unrealized loss positions. Aggregate unrealized losses represented 3.3% of the amortized cost of securities in unrealized loss positions. The FNMA, FHLMC, and GNMA guarantee the contractual cash flows of all of the Company's mortgage-backed securities. The securities are investment grade rated and there were no material underlying credit downgrades during the quarter. All securities are performing.

AFS corporate bonds

At March 31, 2018, 4 out of the total 20 securities in the Company's portfolio of AFS corporate bonds were in an unrealized loss position. The aggregate unrealized loss represents 0.2% of the amortized cost of bonds in unrealized loss positions. The Company reviews the financial strength of all of these bonds and has concluded that the amortized cost remains supported by the expected future cash flows of these securities.

AFS other bonds and obligations

At March 31, 2018, 6 out of the total 9 securities in the Company's portfolio of other bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 1.5% of the amortized cost of securities in unrealized loss positions. The securities are all investment grade rated, and there were no material underlying credit downgrades during the quarter. All securities are performing.

HTM Municipal bonds and obligations

At March 31, 2018, 73 of the 227 securities in the Company’s portfolio of municipal bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 2.5% of the amortized cost of securities in unrealized loss positions. The Company continually monitors the municipal bond sector of the market carefully and periodically evaluates the appropriate level of exposure to the market. At this time, the Company feels the bonds in this portfolio carry minimal risk of default and the Company is appropriately compensated for that risk. There were no material underlying credit downgrades during the quarter. All securities are performing.

HTM collateralized mortgage obligations

At March 31, 2018, 4 of the 9 securities in the Company’s portfolio of HTM collateralized mortgage obligations were in unrealized loss positions. Aggregate unrealized losses represented 4.1% of the amortized cost of securities in unrealized loss positions. The FNMA, FHLMC, and GNMA guarantee the contractual cash flows of all of the Company's collateralized residential mortgage obligations. The securities are investment grade rated, and there were no material underlying credit downgrades during the quarter. All securities are performing.

HTM commercial and residential mortgage-backed securities

At March 31, 2018, 2 out of a total of 2 securities in the Company’s portfolio of HTM mortgage-backed securities were in unrealized loss positions. Aggregate unrealized losses represented 4.5% of the amortized cost of securities in unrealized loss positions. The FNMA, FHLMC, and GNMA guarantee the contractual cash flows of the Company’s residential mortgage-backed securities. The securities are investment grade rated and there were no material underlying credit downgrades during the quarter. All securities are performing.

HTM tax-advantaged economic development bonds

At March 31, 2018, 3 out of the total 7 securities in the Company’s portfolio of tax advantaged economic development bonds were in an unrealized loss position. Aggregate unrealized losses represented 7.1% of the amortized cost of the security in an unrealized loss position. One of the above mentioned tax advantaged economic bond was downgraded to special mention during 2017. The Company believes that more likely than not all the principal outstanding will be collected. All securities are performing.

NOTE 4. LOANS

The Company’s loan portfolio is segregated into the following segments: commercial real estate, commercial and industrial, residential mortgage, and consumer. Commercial real estate loans include construction, single and multi-family, and other commercial real estate classes. Residential mortgage loans include classes for 1-4 family owner occupied and construction loans. Consumer loans include home equity, direct and indirect auto, and other. These portfolio segments each have unique risk characteristics that are considered when determining the appropriate level for the allowance for loan losses. A substantial portion of the loan portfolio is secured by real estate in Massachusetts, southern Vermont, northeastern New York, New Jersey and in the Bank’s other New England lending areas. The ability of many of the Bank’s borrowers to honor their contracts is dependent, among other things, on the specific economy and real estate markets of these areas.

Total loans include business activity loans and acquired loans. Acquired loans are those loans acquired from Commerce Bank and Trust Company, First Choice Bank, Parke Bank, Firestone Financial Corp., Hampden Bancorp, Inc., the New York branch acquisition, Beacon Federal Bancorp, Inc., The Connecticut Bank and Trust Company, Legacy Bancorp, Inc., and Rome Bancorp, Inc. Acquired loans that are refinanced are transferred to business activity loans. Business activity and acquired loans are serviced, managed, and accounted for under the Company's same control environment. The following is a summary of total loans:

	March 31, 2018			December 31, 2017		
(In thousands)	**Business Activities Loans**	**Acquired Loans**	**Total**	**Business Activities Loans**	**Acquired Loans**	**Total**
Commercial real estate:						
Construction	$ 255,835	$ 91,468	$ 347,303	$ 269,206	$ 84,965	$ 354,171
Single and multi-family	345,180	197,040	542,220	217,083	206,082	423,165
Other commercial real estate	1,680,488	696,726	2,377,214	1,731,418	755,988	2,487,406
Total commercial real estate	2,281,503	985,234	3,266,737	2,217,707	1,047,035	3,264,742
Commercial and industrial loans:	1,195,642	623,332	1,818,974	1,182,569	621,370	1,803,939
Total commercial loans	3,477,145	1,608,566	5,085,711	3,400,276	1,668,405	5,068,681
Residential mortgages:						
1-4 family	1,900,592	274,890	2,175,482	1,808,024	289,373	2,097,397
Construction	6,121	204	6,325	5,177	233	5,410
Total residential mortgages	1,906,713	275,094	2,181,807	1,813,201	289,606	2,102,807
Consumer loans:						
Home equity	291,094	109,019	400,113	294,954	115,227	410,181
Auto and other	607,726	101,060	708,786	603,767	113,902	717,669
Total consumer loans	898,820	210,079	1,108,899	898,721	229,129	1,127,850
Total loans	$ 6,282,678	$ 2,093,739	$ 8,376,417	$ 6,112,198	$ 2,187,140	$ 8,299,338

The carrying amount of the acquired loans at March 31, 2018 totaled $2.1 billion. A subset of these loans was determined to have evidence of credit deterioration at acquisition date, which is accounted for in accordance with ASC 310-30. These purchased credit-impaired loans presently maintain a carrying value of $93.6 million (and a note balance of $202.8 million). These loans are evaluated for impairment through the periodic reforecasting of expected cash flows. Loans considered not credit-impaired at acquisition date had a carrying amount of $2.0 billion.

At December 31, 2017, acquired loans maintained a carrying value of $2.2 billion and purchased credit-impaired loans totaled $97.3 million (note balance of $208.7 million). Loans considered not credit-impaired at acquisition date had a carrying amount of $2.1 billion.

The following table summarizes activity in the accretable yield for the acquired loan portfolio that falls under the purview of ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*:

	Three Months Ended March 31,	
(In thousands)	**2018**	**2017**
Balance at beginning of period	$ 11,561	$ 8,738
Reclassification from nonaccretable difference for loans with improved cash flows	1,742	418
Change in cash flows that do not affect nonaccretable difference	(188)	(747)
Accretion	(2,723)	(1,046)
Balance at end of period	$ 10,392	$ 7,363

The following is a summary of past due loans at March 31, 2018 and December 31, 2017:

Business Activities Loans

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans	Past Due > 90 days and Accruing
March 31, 2018							
Commercial real estate:							
Construction	$ —	$ —	$ —	$ —	$ 255,835	$ 255,835	$ —
Single and multi-family	—	—	443	443	344,737	345,180	10
Other commercial real estate	1,673	15,305	5,580	22,558	1,657,930	1,680,488	64
Total	1,673	15,305	6,023	23,001	2,258,502	2,281,503	74
Commercial and industrial loans:							
Total	1,492	1,275	5,876	8,643	1,186,999	1,195,642	4
Residential mortgages:							
1-4 family	861	543	2,465	3,869	1,896,723	1,900,592	425
Construction	—	—	—	—	6,121	6,121	—
Total	861	543	2,465	3,869	1,902,844	1,906,713	425
Consumer loans:							
Home equity	161	99	2,695	2,955	288,139	291,094	97
Auto and other	2,174	695	1,774	4,643	603,083	607,726	112
Total	2,335	794	4,469	7,598	891,222	898,820	209
Total	$ 6,361	$ 17,917	$ 18,833	$ 43,111	$ 6,239,567	$ 6,282,678	$ 712

Business Activities Loans

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans	Past Due > 90 days and Accruing
December 31, 2017							
Commercial real estate:							
Construction	$ —	$ —	$ —	$ —	$ 269,206	$ 269,206	$ —
Single and multi-family	—	—	451	451	216,632	217,083	—
Other commercial real estate	1,925	48	5,023	6,996	1,724,422	1,731,418	457
Total	1,925	48	5,474	7,447	2,210,260	2,217,707	457
Commercial and industrial loans:							
Total	4,031	1,912	6,023	11,966	1,170,603	1,182,569	128
Residential mortgages:							
1-4 family	2,412	242	2,186	4,840	1,803,184	1,808,024	520
Construction	—	—	—	—	5,177	5,177	—
Total	2,412	242	2,186	4,840	1,808,361	1,813,201	520
Consumer loans:							
Home equity	444	1,235	1,747	3,426	291,528	294,954	120
Auto and other	3,389	599	1,597	5,585	598,182	603,767	143
Total	3,833	1,834	3,344	9,011	889,710	898,721	263
Total	$ 12,201	$ 4,036	$ 17,027	$ 33,264	$ 6,078,934	$ 6,112,198	$ 1,368

Acquired Loans

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Acquired Credit Impaired	Total Loans	Past Due > 90 days and Accruing
March 31, 2018							
Commercial real estate:							
Construction	$ —	$ —	$ —	$ —	$ 7,651	$ 91,468	$ —
Single and multi-family	185	—	228	413	2,530	197,040	—
Other commercial real estate	225	—	4,958	5,183	37,704	696,726	1,050
Total	410	—	5,186	5,596	47,885	985,234	1,050
Commercial and industrial loans:							
Total	822	107	1,906	2,835	36,461	623,332	348
Residential mortgages:							
1-4 family	434	396	3,736	4,566	6,903	274,890	—
Construction	—	—	—	—	—	204	—
Total	434	396	3,736	4,566	6,903	275,094	—
Consumer loans:							
Home equity	216	81	1,251	1,548	1,965	109,019	—
Auto and other	277	57	500	834	431	101,060	15
Total	493	138	1,751	2,382	2,396	210,079	15
Total	$ 2,159	$ 641	$ 12,579	$ 15,379	$ 93,645	$ 2,093,739	$ 1,413

Acquired Loans

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Acquired Credit Impaired	Total Loans	Past Due > 90 days and Accruing
December 31, 2017							
Commercial real estate:							
Construction	$ —	$ —	$ —	$ —	$ 7,655	$ 84,965	$ —
Single and multi-family	671	—	203	874	2,846	206,082	—
Other commercial real estate	816	1,875	2,156	4,847	42,801	755,988	109
Total	1,487	1,875	2,359	5,721	53,302	1,047,035	109
Commercial and industrial loans:							
Total	1,252	268	1,439	2,959	34,629	621,370	23
Residential mortgages:							
1-4 family	957	2,581	1,247	4,785	6,974	289,373	30
Construction	—	—	—	—	—	233	—
Total	957	2,581	1,247	4,785	6,974	289,606	30
Consumer loans:							
Home equity	286	40	1,965	2,291	1,956	115,227	—
Auto and other	346	135	430	911	483	113,902	38
Total	632	175	2,395	3,202	2,439	229,129	38
Total	$ 4,328	$ 4,899	$ 7,440	$ 16,667	$ 97,344	$ 2,187,140	$ 200

The following is summary information pertaining to non-accrual loans at March 31, 2018 and December 31, 2017:

	March 31, 2018			December 31, 2017		
(In thousands)	Business Activities Loans	Acquired Loans (1)	Total	Business Activities Loans	Acquired Loans (2)	Total
Commercial real estate:						
Construction	$ —	$ —	$ —	$ —	$ —	$ —
Single and multi-family	433	228	661	451	203	654
Other commercial real estate	5,516	3,908	9,424	4,566	2,047	6,613
Total	5,949	4,136	10,085	5,017	2,250	7,267
Commercial and industrial loans:						
Total	5,872	1,558	7,430	5,895	1,333	7,228
Residential mortgages:						
1-4 family	2,040	3,736	5,776	1,666	1,217	2,883
Construction	—	—	—	—	—	—
Total	2,040	3,736	5,776	1,666	1,217	2,883
Consumer loans:						
Home equity	2,598	1,251	3,849	1,627	1,965	3,592
Auto and other	1,662	485	2,147	1,454	392	1,846
Total	4,260	1,736	5,996	3,081	2,357	5,438
Total non-accrual loans	$ 18,121	$ 11,166	$ 29,287	$ 15,659	$ 7,157	$ 22,816

(1) At quarter end March 31, 2018, there were no acquired credit impaired loans greater than 90 days past due.

(2) At December 31, 2017, acquired credit impaired loans accounted for $83 thousand of loans greater than 90 days past due that are not presented in the above table.

Loans evaluated for impairment as of March 31, 2018 and December 31, 2017 were as follows:

Business Activities Loans

(In thousands)	Commercial real estate	Commercial and industrial loans	Residential mortgages	Consumer	Total
March 31, 2018					
Loans receivable:					
Balance at end of period					
Individually evaluated for impairment	$ 33,094	$ 6,913	$ 2,466	$ 1,845	$ 44,318
Collectively evaluated for impairment	2,248,409	1,188,729	1,904,247	896,975	6,238,360
Total	$ 2,281,503	$ 1,195,642	$ 1,906,713	$ 898,820	$ 6,282,678

Business Activities Loans

(In thousands)	Commercial real estate	Commercial and industrial loans	Residential mortgages	Consumer	Total
December 31, 2017					
Loans receivable:					
Balance at end of year					
Individually evaluated for impairment	$ 33,732	$ 5,761	$ 3,872	$ —	$ 43,365
Collectively evaluated for impairment	2,183,975	1,176,808	1,809,329	898,721	6,068,833
Total	$ 2,217,707	$ 1,182,569	$ 1,813,201	$ 898,721	$ 6,112,198

Acquired Loans

(In thousands)	Commercial real estate	Commercial and industrial loans	Residential mortgages	Consumer	Total
March 31, 2018					
Loans receivable:					
Balance at end of Period					
Individually evaluated for impairment	$ 5,424	$ 745	$ 2,695	$ 1,094	$ 9,958
Purchased credit-impaired loans	47,885	36,461	6,903	2,396	93,645
Collectively evaluated for impairment	931,925	586,126	265,496	206,589	1,990,136
Total	$ 985,234	$ 623,332	$ 275,094	$ 210,079	$ 2,093,739

Acquired Loans

(In thousands)	Commercial real estate	Commercial and industrial loans	Residential mortgages	Consumer	Total
December 31, 2017					
Loans receivable:					
Balance at end of year					
Individually evaluated for impairment	$ 4,244	$ 421	$ 2,617	$ 27	$ 7,309
Purchased credit-impaired loans	53,302	34,629	6,974	2,439	97,344
Collectively evaluated for impairment	989,489	586,320	280,015	226,663	2,082,487
Total	$ 1,047,035	$ 621,370	$ 289,606	$ 229,129	$ 2,187,140

The following is a summary of impaired loans at March 31, 2018 and December 31, 2017:

Business Activities Loans

	March 31, 2018		
(In thousands)	Recorded Investment (1)	Unpaid Principal Balance (2)	Related Allowance
With no related allowance:			
Commercial real estate - single and multifamily	$ —	$ —	$ —
Other commercial real estate loans	20,286	23,042	—
Commercial and industrial loans	3,091	3,846	—
Residential mortgages - 1-4 family	1,011	1,433	—
Consumer - home equity	1,784	2,415	—
Consumer - other	—	—	—
With an allowance recorded:			
Commercial real estate - single and multifamily	$ 309	$ 323	$ 1
Other commercial real estate loans	12,835	15,762	173
Commercial and industrial loans	3,915	4,494	296
Residential mortgages - 1-4 family	1,478	1,580	137
Consumer - home equity	45	53	1
Consumer - other	16	16	1
Total			
Commercial real estate	$ 33,430	$ 39,127	$ 174
Commercial and industrial loans	7,006	8,340	296
Residential mortgages	2,489	3,013	137
Consumer	1,845	2,484	2
Total impaired loans	$ 44,770	$ 52,964	$ 609

(1) The Recorded Investment represents the face amount of the loan increased or decreased by applicable accrued interest, net deferred loan fees and costs, and unamortized premium or discount, and reflects direct charge-offs. This amount is a component of total loans on the Consolidated Balance Sheet.

(2) The Unpaid Principal Balance represents the customer's legal obligation to the Company.

Business Activities Loans

	December 31, 2017		
(In thousands)	Recorded Investment (1)	Unpaid Principal Balance (2)	Related Allowance
With no related allowance:			
Commercial real estate - single and multifamily	$ 1,077	$ 3,607	$ —
Other commercial real estate loans	18,285	18,611	—
Commercial and industrial loans	2,060	2,629	—
Residential mortgages - 1-4 family	660	1,075	—
Consumer - home equity	867	1,504	—
With an allowance recorded:			
Commercial real estate - construction	$ 159	$ 159	$ 1
Commercial real estate - single and multifamily	159	171	1
Other commercial real estate loans	14,321	15,235	227
Commercial and industrial loans	3,716	4,249	66
Residential mortgages - 1-4 family	1,344	1,446	130
Consumer - home equity	1,014	999	34
Consumer - other	17	17	1
Total			
Commercial real estate	$ 34,001	$ 37,783	$ 229
Commercial and industrial loans	5,776	6,878	66
Residential mortgages	2,004	2,521	130
Consumer	1,898	2,520	35
Total impaired loans	$ 43,679	$ 49,702	$ 460

(1) The Recorded Investment represents the face amount of the loan increased or decreased by applicable accrued interest, net deferred loan fees and costs, and unamortized premium or discount, and reflects direct charge-offs. This amount is a component of total loans on the Consolidated Balance Sheet.

(2) The Unpaid Principal Balance represents the customer's legal obligation to the Company.

Acquired Loans

	March 31, 2018		
(In thousands)	**Recorded Investment (1)**	**Unpaid Principal Balance (2)**	**Related Allowance**
With no related allowance:			
Commercial real estate - single and multifamily	$ 185	$ 276	$ —
Other commercial real estate loans	2,400	5,192	—
Commercial and industrial loans	574	1,618	—
Residential mortgages - 1-4 family	697	709	—
Consumer - home equity	754	1,303	—
Consumer - other	17	18	—
With an allowance recorded:			
Commercial real estate - single and multifamily	$ 766	$ 763	$ 12
Other commercial real estate loans	2,082	2,093	29
Commercial and industrial loans	178	176	3
Residential mortgages - 1-4 family	2,004	2,385	506
Consumer - home equity	323	362	30
Total			
Commercial real estate	$ 5,433	$ 8,324	$ 41
Commercial and industrial loans	752	1,794	3
Residential mortgages	2,701	3,094	506
Consumer	1,094	1,683	30
Total impaired loans	$ 9,980	$ 14,895	$ 580

(1) The Recorded Investment represents the face amount of the loan increased or decreased by applicable accrued interest, net deferred loan fees and costs, and unamortized premium or discount, and reflects direct charge-offs. This amount is a component of total loans on the Consolidated Balance Sheet.

(2) The Unpaid Principal Balance represents the customer's legal obligation to the Company.

Acquired Loans

	December 31, 2017		
(In thousands)	Recorded Investment (1)	Unpaid Principal Balance (2)	Related Allowance
With no related allowance:			
Commercial real estate - single and multifamily	$ 204	$ 290	$ —
Other commercial real estate loans	1,123	2,794	—
Other commercial and industrial loans	255	310	—
Residential mortgages - 1-4 family	658	671	—
Consumer - home equity	1,374	1,654	—
Consumer - other	27	27	—
With an allowance recorded:			
Commercial real estate - single and multifamily	$ 887	$ 880	$ 18
Other commercial real estate loans	2,043	1,661	38
Commercial and industrial loans	165	166	1
Residential mortgages - 1-4 family	166	185	9
Consumer - home equity	433	540	45
Total			
Commercial real estate	$ 4,257	$ 5,625	$ 56
Commercial and industrial loans	420	476	1
Residential mortgages	824	856	9
Consumer	1,834	2,221	45
Total impaired loans	$ 7,335	$ 9,178	$ 111

(1) The Recorded Investment represents the face amount of the loan increased or decreased by applicable accrued interest, net deferred loan fees and costs, and unamortized premium or discount, and reflects direct charge-offs. This amount is a component of total loans on the Consolidated Balance Sheet.

(2) The Unpaid Principal Balance represents the customer's legal obligation to the Company.

The following is a summary of the average recorded investment and interest income recognized on impaired loans as of March 31, 2018 and 2017:

Business Activities Loans

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
(In thousands)	Average Recorded Investment	Cash Basis Interest Income Recognized	Average Recorded Investment	Cash Basis Interest Income Recognized
With no related allowance:				
Commercial real estate - single and multifamily	$ —	$ —	$ 153	$ —
Other commercial real estate loans	20,272	91	20,756	217
Commercial and industrial loans	2,625	62	1,350	5
Residential mortgages - 1-4 family	807	14	2,025	18
Consumer - home equity	1,730	2	1,574	19
Consumer - other	—	—	—	—
With an allowance recorded:				
Commercial real estate - single and multifamily	$ 311	$ 2	$ 181	$ —
Other commercial real estate loans	12,887	167	7,011	71
Commercial and industrial loans	3,933	64	5,876	143
Residential mortgages - 1-4 family	1,484	17	939	14
Consumer - home equity	46	1	1,149	8
Consumer - other	17	—	—	—
Total				
Commercial real estate	$ 33,470	$ 260	$ 28,101	$ 288
Commercial and industrial loans	6,558	126	7,226	148
Residential mortgages	2,291	31	2,964	32
Consumer loans	1,793	3	2,723	27
Total impaired loans	$ 44,112	$ 420	$ 41,014	$ 495

Acquired Loans

(In thousands)	Three Months Ended March 31, 2018 Average Recorded Investment	Three Months Ended March 31, 2018 Cash Basis Interest Income Recognized	Three Months Ended March 31, 2017 Average Recorded Investment	Three Months Ended March 31, 2017 Cash Basis Interest Income Recognized
With no related allowance:				
Commercial real estate - single and multifamily	$ 191	$ 5	$ 721	$ 31
Other commercial real estate loans	2,157	41	1,272	21
Commercial and industrial loans	425	9	403	—
Residential mortgages - 1-4 family	700	4	409	6
Consumer - home equity	953	—	—	—
Consumer - other	19	1	—	—
With an allowance recorded:				
Commercial real estate - single and multifamily	$ 769	$ 10	$ 915	$ 12
Other commercial real estate loans	2,107	27	1,494	19
Commercial and industrial loans	61	2	362	13
Residential mortgages - 1-4 family	1,520	1	98	1
Consumer - home equity	324	4	743	4
Consumer - other	—	—	—	—
Total				
Other commercial real estate loans	$ 5,224	$ 83	$ 4,402	$ 83
Commercial and industrial loans	486	11	765	13
Residential mortgages	2,220	5	507	7
Consumer loans	1,296	5	743	4
Total impaired loans	$ 9,226	$ 104	$ 6,417	$ 107

Troubled Debt Restructuring Loans

The Company's loan portfolio also includes certain loans that have been modified in a Troubled Debt Restructuring (TDR), where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Company's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance, or other actions. Certain TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months. TDRs are evaluated individually for impairment and may result in a specific allowance amount allocated to an individual loan.

The following tables include the recorded investment and number of modifications identified during the three months ended March 31, 2018 and March 31, 2017. The table includes the recorded investment in the loans prior to a modification and also the recorded investment in the loans after the loans were restructured. The modifications for the three months ended March 31, 2018 and 2017 were attributable to interest rate concessions, principal concessions, maturity date extensions, modified payment terms, reamortization, and accelerated maturity.

	Three Months Ended March 31, 2018		
(Dollars in thousands)	**Number of Modifications**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**
Troubled Debt Restructurings			
Commercial and industrial	4	$ 1,995	$ 1,924
Residential - 1-4 Family	1	118	118
Consumer - Home Equity	—	—	—
Total	5	$ 2,113	$ 2,042

	Three Months Ended March 31, 2017		
(Dollars in thousands)	**Number of Modifications**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**
Troubled Debt Restructurings			
Commercial - Other	6	$ 2,832	$ 2,333
Commercial and industrial - Other	1	24	24
Residential - 1-4 Family	2	205	188
Consumer Home Equity	1	53	53
Total	10	$ 3,114	$ 2,598

The following table discloses the recorded investments and numbers of modifications for TDRs where a concession has been made within the previous 12 months, that then defaulted in the respective reporting period. For the three months ended March 31, 2018, there were no loans that were restructured that had subsequently defaulted during the period. For the three months ended March 31, 2017, there were two loans that were restructured that had subsequently defaulted during the period.

	Modifications that Subsequently Defaulted Three Months Ended March 31, 2017	
(Dollars in thousands)	**Number of Contracts**	**Recorded Investment**
Troubled Debt Restructurings		
Commercial - Other	1	$ 113
Commercial and industrial	1	$ 101

The following table presents the Company's TDR activity for the three months ended March 31, 2018 and 2017:

(In thousands)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Balance at beginning of the period	$ 41,990	$ 33,829
Principal payments	(639)	(888)
TDR status change (1)	—	—
Other reductions/increases (2)	(288)	(840)
Newly identified TDRs	2,042	2,598
Balance at end of the period	$ 43,105	$ 34,699

(1) TDR status change classification represents TDR loans with a specified interest rate equal to or greater than the rate that the Company was willing to accept at the time of the restructuring for a new loan with comparable risk and the loan was on current payment status and not impaired based on the terms specified by the restructuring agreement.

(2) Other reductions classification consists of transfer to other real estate owned and charge-offs and advances to loans.

The evaluation of certain loans individually for specific impairment includes loans that were previously classified as TDRs or continue to be classified as TDRs.

As of March 31, 2018, the Company maintained no foreclosed residential real estate property. Additionally, residential mortgage loans collateralized by real estate property that are in the process of foreclosure as of March 31, 2018 and December 31, 2017 totaled $7.2 million and $4.9 million, respectively.

NOTE 5. LOAN LOSS ALLOWANCE

Activity in the allowance for loan losses for the three months ended March 31, 2018 and 2017 was as follows:

	At or for the three months ended March 31, 2018				
Business Activities Loans (In thousands)	**Commercial real estate**	**Commercial and industrial loans**	**Residential mortgages**	**Consumer**	**Total**
Balance at beginning of period	$ 16,843	$ 13,850	$ 9,420	$ 5,807	$ 45,920
Charged-off loans	106	890	—	940	1,936
Recoveries on charged-off loans	23	44	—	74	141
Provision/(releases) for loan losses	1,081	225	(822)	2,668	3,152
Balance at end of period	$ 17,841	$ 13,229	$ 8,598	$ 7,609	$ 47,277

	At or for the three months ended March 31, 2017				
Business Activities Loans (In thousands)	**Commercial real estate**	**Commercial and industrial loans**	**Residential mortgages**	**Consumer**	**Total**
Balance at beginning of period	$ 16,498	$ 9,447	$ 7,805	$ 5,479	$ 39,229
Charged-off loans	124	1,270	235	687	2,316
Recoveries on charged-off loans	58	16	15	86	175
Provision/(releases) for loan losses	(152)	3,657	278	592	4,375
Balance at end of period	$ 16,280	$ 11,850	$ 7,863	$ 5,470	$ 41,463

	At or for the three months ended March 31, 2018				
Acquired Loans (In thousands)	**Commercial real estate**	**Commercial and industrial loans**	**Residential mortgages**	**Consumer**	**Total**
Balance at beginning of period	$ 3,856	$ 1,125	$ 598	$ 335	$ 5,914
Charged-off loans	740	155	431	529	1,855
Recoveries on charged-off loans	6	29	25	40	100
Provision for loan losses	873	244	854	452	2,423
Balance at end of period	$ 3,995	$ 1,243	$ 1,046	$ 298	$ 6,582

	At or for the three months ended March 31, 2017				
Acquired Loans (In thousands)	**Commercial real estate**	**Commercial and industrial loans**	**Residential mortgages**	**Consumer**	**Total**
Balance at beginning of period	$ 2,303	$ 1,164	$ 766	$ 536	$ 4,769
Charged-off loans	577	436	143	151	1,307
Recoveries on charged-off loans	10	55	39	55	159
Provision for loan losses	392	271	44	13	720
Balance at end of period	$ 2,128	$ 1,054	$ 706	$ 453	$ 4,341

The following tables present a summary of the allowance for loan losses as of March 31, 2018 and December 31, 2017:

Business Activities Loans (In thousands)	At March 31, 2018 Commercial real estate	Commercial and industrial loans	Residential mortgages	Consumer	Total
Individually evaluated for impairment	174	296	137	2	609
Collectively evaluated for impairment	17,667	12,933	8,461	7,607	46,668
Total	$ 17,841	$ 13,229	$ 8,598	$ 7,609	$ 47,277

Business Activities Loans (In thousands)	At December 31, 2017 Commercial real estate	Commercial and industrial loans	Residential mortgages	Consumer	Total
Individually evaluated for impairment	229	66	130	35	460
Collectively evaluated for impairment	16,614	13,784	9,290	5,772	45,460
Total	16,843	13,850	9,420	5,807	45,920

Acquired Loans (In thousands)	At March 31, 2018 Commercial real estate	Commercial and industrial loans	Residential mortgages	Consumer	Total
Individually evaluated for impairment	41	3	506	30	580
Collectively evaluated for impairment	3,954	1,240	540	268	6,002
Total	$ 3,995	$ 1,243	$ 1,046	$ 298	$ 6,582

Acquired Loans (In thousands)	At December 31, 2017 Commercial real estate	Commercial and industrial loans	Residential mortgages	Consumer	Total
Individually evaluated for impairment	56	1	9	45	111
Collectively evaluated for impairment	3,800	1,124	589	290	5,803
Total	3,856	1,125	598	335	5,914

Credit Quality Information

Business Activities Loans Credit Quality Analysis

The Company monitors the credit quality of its portfolio by using internal risk ratings that are based on regulatory guidance. Loans that are given a Pass rating are not considered a problem credit. Loans that are classified as Special Mention loans are considered to have potential credit problems and are evaluated closely by management. Substandard and non-accruing loans are loans for which a definitive weakness has been identified and which may make full collection of contractual cash flows questionable. Doubtful loans are those with identified weaknesses that make full collection of contractual cash flows, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

For commercial credits, the Company assigns an internal risk rating at origination and reviews the rating annually, semiannually or quarterly depending on the risk rating. The rating is also reassessed at any point in time when management becomes aware of information that may affect the borrower's ability to fulfill their obligations.

The Company risk rates its residential mortgages, including 1-4 family and residential construction loans, based on a three rating system: Pass, Special Mention and Substandard. Loans that are current within 59 days are rated Pass. Residential mortgages that are 60-89 days delinquent are rated Special Mention. Loans delinquent for 90 days or greater are rated Substandard and generally placed on non-accrual status. Home equity loans are risk rated based on the same rating system as the Company's residential mortgages.

Ratings for other consumer loans, including auto loans, are based on a two rating system. Loans that are current within 119 days are rated Performing while loans delinquent for 120 days or more are rated Non-performing. Other consumer loans are placed on non-accrual at such time as they become Non-performing.

Acquired Loans Credit Quality Analysis

Upon acquiring a loan portfolio, the Company's internal loan review function assigns risk ratings to the acquired loans, utilizing the same methodology as it does with business activities loans. This may differ from the risk rating policy of the predecessor bank. Loans which are rated Substandard or worse according to the rating process outlined below are deemed to be credit impaired loans accounted for under ASC 310-30, regardless of whether they are classified as performing or non-performing.

The Bank utilizes an eleven grade internal loan rating system for each of its acquired commercial real estate, construction and commercial loans as outlined in the Credit Quality Information section of this Note. The ratings system is similar to loans originated through business activities.

The Company subjects loans that do not meet the ASC 310-30 criteria to ASC 450-20 (*Loss Contingencies*) by collectively evaluating these loans for an allowance for loan loss. The Company applies a methodology similar to the methodology prescribed for business activities loans, which includes the application of environmental factors to each category of loans. The methodology to collectively evaluate the acquired loans outside the scope of ASC 310-30 includes the application of a number of environmental factors that reflect management’s best estimate of the level of incremental credit losses that might be recognized given current conditions. This is reviewed as part of the allowance for loan loss adequacy analysis. As the loan portfolio matures and environmental factors change, the loan portfolio will be reassessed each quarter to determine an appropriate reserve allowance.

Additionally, the Company considers the need for a reserve for acquired loans accounted for outside of the scope of ASC 310-30 under ASC 310-20. At acquisition date, the Bank determined a fair value mark with credit and interest rate components. Under the Company’s model, the impairment evaluation process involves comparing the carrying value of acquired loans, including the entire unamortized premium or discount, to the calculated reserve allowance. If necessary, the Company books a reserve to account for shortfalls identified through this calculation. Fair value marks are not bifurcated when evaluating for impairment.

A decrease in the expected cash flows in subsequent periods requires the establishment of an allowance for loan losses at that time for ASC 310-30 loans. At March 31, 2018, the allowance for loan losses related to acquired loans under ASC 310-30 and ASC 310-20 was $6.6 million using the above mentioned criteria.

The following tables present the Company's loans by risk rating at March 31, 2018 and December 31, 2017:

Business Activities Loans

Commercial Real Estate

Credit Risk Profile by Creditworthiness Category

	Construction		Single and multi-family		Real Estate		Total commercial real estate	
(In thousands)	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Grade:								
Pass	$ 255,835	$ 269,206	$ 342,683	$ 214,289	$ 1,627,063	$ 1,687,256	$ 2,225,581	$ 2,170,751
Special mention	—	—	2,064	504	47,909	12,999	49,973	13,503
Substandard	—	—	433	2,290	5,516	31,163	5,949	33,453
Total	$ 255,835	$ 269,206	$ 345,180	$ 217,083	$ 1,680,488	$ 1,731,418	$ 2,281,503	$ 2,217,707

Commercial and Industrial Loans

Credit Risk Profile by Creditworthiness Category

	Total comm. and industrial loans	
(In thousands)	March 31, 2018	December 31, 2017
Grade:		
Pass	$ 1,168,102	$ 1,156,240
Special mention	21,668	12,806
Substandard	3,517	11,123
Doubtful	2,355	2,400
Total	$ 1,195,642	$ 1,182,569

Residential Mortgages

Credit Risk Profile by Internally Assigned Grade

	1-4 family		Construction		Total residential mortgages	
(In thousands)	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Grade:						
Pass	$ 1,897,584	$ 1,805,596	$ 6,121	$ 5,177	$ 1,903,705	$ 1,810,773
Special mention	968	242	—	—	968	242
Substandard	2,040	2,186	—	—	2,040	2,186
Total	$ 1,900,592	$ 1,808,024	$ 6,121	$ 5,177	$ 1,906,713	$ 1,813,201

Consumer Loans

Credit Risk Profile Based on Payment Activity

	Home equity		Auto and other		Total consumer loans	
(In thousands)	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Performing	$ 288,496	$ 293,327	$ 606,064	$ 602,313	$ 894,560	$ 895,640
Nonperforming	2,598	1,627	1,662	1,454	4,260	3,081
Total	$ 291,094	$ 294,954	$ 607,726	$ 603,767	$ 898,820	$ 898,721

Acquired Loans

Commercial Real Estate

Credit Risk Profile by Creditworthiness Category

	Construction		Single and multi-family		Real Estate		Total commercial real estate	
(In thousands)	**March 31,2018**	**December 31, 2017**	**March 31,2018**	**December 31, 2017**	**March 31,2018**	**December 31, 2017**	**March 31,2018**	**December 31, 2017**
Grade:								
Pass	$ 83,117	$ 76,611	$ 191,691	$ 203,624	$ 628,186	$ 684,846	$ 902,994	$ 965,081
Special mention	8,351	—	5,121	603	64,632	22,070	78,104	22,673
Substandard	—	8,354	228	1,855	3,908	49,072	4,136	59,281
Total	$ 91,468	$ 84,965	$ 197,040	$ 206,082	$ 696,726	$ 755,988	$ 985,234	$ 1,047,035

Commercial and Industrial Loans

Credit Risk Profile by Creditworthiness Category

	Total comm. and industrial loans	
(In thousands)	**March 31, 2018**	**December 31, 2017**
Grade:		
Pass	$ 604,890	$ 606,922
Special mention	16,884	1,241
Substandard	1,558	13,207
Total	$ 623,332	$ 621,370

Residential Mortgages

Credit Risk Profile by Internally Assigned Grade

	1-4 family		Construction		Total residential mortgages	
(In thousands)	**March 31, 2018**	**December 31, 2017**	**March 31, 2018**	**December 31, 2017**	**March 31, 2018**	**December 31, 2017**
Grade:						
Pass	$ 266,514	$ 281,160	$ 204	$ 233	$ 266,718	$ 281,393
Special mention	4,640	2,704	—	—	4,640	2,704
Substandard	3,736	5,509	—	—	3,736	5,509
Total	$ 274,890	$ 289,373	$ 204	$ 233	$ 275,094	$ 289,606

Consumer Loans

Credit Risk Profile Based on Payment Activity

	Home equity		Auto and other		Total consumer loans	
(In thousands)	**March 31, 2018**	**December 31, 2017**	**March 31, 2018**	**December 31, 2017**	**March 31, 2018**	**December 31, 2017**
Performing	$ 107,768	$ 113,262	$ 100,575	$ 113,510	$ 208,343	$ 226,772
Nonperforming	1,251	1,965	485	392	1,736	2,357
Total	$ 109,019	$ 115,227	$ 101,060	$ 113,902	$ 210,079	$ 229,129

The following table summarizes information about total loans rated Special Mention or lower as of March 31, 2018 and December 31, 2017. The table below includes consumer loans that are special mention and substandard accruing that are classified in the above table as performing based on payment activity.

	March 31, 2018			December 31, 2017		
(In thousands)	**Business Activities Loans**	**Acquired Loans**	**Total**	**Business Activities Loans**	**Acquired Loans**	**Total**
Non-Accrual	$ 18,121	$ 11,166	$ 29,287	$ 15,659	$ 7,240	$ 22,899
Substandard Accruing	39,344	81,849	121,193	36,846	73,412	110,258
Total Classified	57,465	93,015	150,480	52,505	80,652	133,157
Special Mention	34,267	18,210	52,477	28,387	26,802	55,189
Total Criticized	$ 91,732	$ 111,225	$ 202,957	$ 80,892	$ 107,454	$ 188,346

NOTE 6. DEPOSITS

A summary of time deposits is as follows:

(In thousands)	March 31, 2018	December 31, 2017
Time less than $100,000	$ 718,470	$ 733,785
Time $100,000 through $250,000	1,734,402	1,717,050
Time more than $250,000	433,097	439,370
Total time deposits	$ 2,885,969	$ 2,890,205

Included in total deposits are brokered deposits of $1.3 billion and $1.2 billion at March 31, 2018 and December 31, 2017, respectively. Included in total brokered deposits are reciprocal deposits of $102.7 million and $99.8 million at March 31, 2018 and December 31, 2017, respectively.

NOTE 7. BORROWED FUNDS

Borrowed funds at March 31, 2018 and December 31, 2017 are summarized, as follows:

	March 31, 2018		December 31, 2017	
(Dollars in thousands)	Principal	Weighted Average Rate	Principal	Weighted Average Rate
Short-term borrowings:				
Advances from the FHLB	$ 835,891	1.93%	$ 667,300	1.48%
Total short-term borrowings:	835,891	1.93	667,300	1.48
Long-term borrowings:				
Advances from the FHLB and other borrowings	289,969	1.66	380,436	1.54
Subordinated borrowings	73,920	7.00	73,875	7.00
Junior subordinated borrowings	15,464	3.77	15,464	3.30
Total long-term borrowings:	379,353	2.79	469,775	2.46
Total	$ 1,215,244	2.19%	$ 1,137,075	1.88%

Short-term debt includes Federal Home Loan Bank (“FHLB”) advances with an original maturity of less than one year and a short-term line-of-credit drawdown through a correspondent bank. The Bank also maintains a $3.0 million secured line of credit with the FHLB that bears a daily adjustable rate calculated by the FHLB. There was no outstanding balance on the FHLB line of credit for the periods ended March 31, 2018 and December 31, 2017.

The Bank is approved to borrow on a short-term basis from the Federal Reserve Bank of Boston as a non-member bank. The Bank has pledged certain loans and securities to the Federal Reserve Bank to support this arrangement. No borrowings with the Federal Reserve Bank took place for the periods ended March 31, 2018 and December 31, 2017.

Long-term FHLB advances consist of advances with an original maturity of more than one year. The advances outstanding at March 31, 2018 include no callable advances and amortizing advances totaling $1.4 million. The advances outstanding at December 31, 2017 include no callable advances and amortizing advances totaling $1.4 million. All FHLB borrowings, including the line of credit, are secured by a blanket security agreement on certain qualified collateral, principally all residential first mortgage loans and certain securities.

A summary of maturities of FHLB advances as of March 31, 2018 is as follows:

	March 31, 2018	
(In thousands, except rates)	**Principal**	**Weighted Average Rate**
Fixed rate advances maturing:		
2018	$ 914,874	1.88%
2019	150,080	1.64
2020	53,737	2.04
2021	216	2.96
2022 and beyond	6,953	2.64
Total FHLB advances	$ 1,125,860	1.86%

The Company did not have variable-rate FHLB advances for the periods ended March 31, 2018 and December 31, 2017.

In September 2012, the Company issued fifteen year subordinated notes in the amount of $75.0 million at a discount of 1.15%. The interest rate is fixed at 6.875% for the first ten years. After ten years, the notes become callable and convert to an interest rate of three-month LIBOR rate plus 5.113%. The subordinated note includes reduction to the note principal balance of $553 thousand and $583 thousand for unamortized debt issuance costs as of March 31, 2018 and December 31 2017, respectively.

The Company holds 100% of the common stock of Berkshire Hills Capital Trust I ("Trust I") which is included in other assets with a cost of $0.5 million. The sole asset of Trust I is $15.5 million of the Company's junior subordinated debentures due in 2035. These debentures bear interest at a variable rate equal to LIBOR plus 1.85% and had a rate of 3.77% and 3.30% at March 31, 2018 and December 31, 2017, respectively. The Company has the right to defer payments of interest for up to five years on the debentures at any time, or from time to time, with certain limitations, including a restriction on the payment of dividends to shareholders while such interest payments on the debentures have been deferred. The Company has not exercised this right to defer payments. The Company has the right to redeem the debentures at par value. Trust I is considered a variable interest entity for which the Company is not the primary beneficiary. Accordingly, Trust I is not consolidated into the Company's financial statements.

NOTE 8. CAPITAL RATIOS AND SHAREHOLDERS' EQUITY

The actual and required capital ratios were as follows:

	March 31, 2018	Regulatory Minimum to be Well Capitalized	December 31, 2017	Regulatory Minimum to be Well Capitalized
Company (consolidated)				
Total capital to risk weighted assets	12.8%	N/A	12.4%	N/A
Common equity tier 1 capital to risk weighted assets	11.3	N/A	11.0	N/A
Tier 1 capital to risk weighted assets	11.5	N/A	11.2	N/A
Tier 1 capital to average assets	9.0	N/A	9.0	N/A
Bank				
Total capital to risk weighted assets	12.0%	8.0%	11.2%	8.0%
Common equity tier 1 capital to risk weighted assets	11.1	4.5	10.3	4.5
Tier 1 capital to risk weighted assets	11.1	6.0	10.3	6.0
Tier 1 capital to average assets	8.7	4.0	8.3	4.0

At each date shown, the Bank met the conditions to be classified as “well capitalized” under the relevant regulatory framework. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table above.

Effective January 1, 2015, the Company and the Bank became subject to the Basel III rule that requires the Company and the Bank to assess their Common equity Tier 1 capital to risk weighted assets. The Bank's Common equity Tier 1 capital to risk weighted assets exceeds the minimum to be well capitalized. In addition, the final capital rules added a requirement to maintain a minimum conservation buffer, composed of Common equity Tier 1 capital, of 2.5% of risk-weighted assets, to be phased in over three years and applied to the Common equity Tier 1 risk-based capital ratio, the Tier 1 risk-based capital ratio, and the Total risk-based capital ratio. Accordingly, banking organizations, on a fully phased in basis no later than January 1, 2019, must maintain a minimum Common equity Tier 1 risk-based capital ratio of 7.0%, a minimum Tier 1 risk-based capital ratio of 8.5%, and a minimum Total risk-based capital ratio of 10.5%.

The required minimum conservation buffer began to be phased in incrementally, starting at 0.625% on January 1, 2016, increased to 1.25% on January 1, 2017, increased to 1.875% on January 1, 2018 and will increase to 2.5% on January 1, 2019. The final capital rules impose restrictions on capital distributions and certain discretionary cash bonus payments if the minimum capital conservation buffer is not met.

At March 31, 2018, the capital levels of both the Company and the Bank exceeded all regulatory capital requirements and the Bank's regulatory capital ratios were above the minimum levels required to be considered well capitalized for regulatory purposes. The capital levels of both the Company and the Bank at March 31, 2018 also exceeded the minimum capital requirements including the currently applicable capital conservation buffer of 1.875%.

Accumulated other comprehensive income (loss)

Components of accumulated other comprehensive income is as follows:

(In thousands)	March 31, 2018	December 31, 2017
Other accumulated comprehensive income, before tax:		
Net unrealized holding loss on AFS securities	$ (17,507)	$ 10,034
Net unrealized holding loss on pension plans	(3,048)	(3,048)
Income taxes related to items of accumulated other comprehensive income:		
Net unrealized holding gain on AFS securities	4,325	(4,026)
Net unrealized holding loss on pension plans	803	1,201
Accumulated other comprehensive (loss)/income	$ (15,427)	$ 4,161

The following table presents the components of other comprehensive income for the three months ended March 31, 2018 and 2017:

(In thousands)	Before Tax	Tax Effect	Net of Tax
Three Months Ended March 31, 2018			
Net unrealized holding (loss) on AFS securities:			
Net unrealized (losses) arising during the period	$ (19,162)	$ 4,931	$ (14,231)
Less: reclassification adjustment for losses realized in net income	—	—	—
Net unrealized holding (loss) on AFS securities	(19,162)	4,931	(14,231)
Other comprehensive (loss)	$ (19,162)	$ 4,931	$ (14,231)
Less: reclassification related to adoption of ASU 2016-01	8,379	(2,126)	6,253
Less: reclassification related to adoption of ASU 2018-02	—	(896)	(896)
Total change to accumulated other comprehensive (loss)	(27,541)	7,953	(19,588)
Three Months Ended March 31, 2017			
Net unrealized holding gain on AFS securities:			
Net unrealized gains arising during the period	$ 3,137	$ (1,173)	$ 1,964
Less: reclassification adjustment for gains realized in net income	12,570	(4,713)	7,857
Net unrealized holding (loss) on AFS securities	(9,433)	3,540	(5,893)
Net unrealized loss on cash flow hedging derivatives:			
Net unrealized (loss) arising during the period	(449)	180	(269)
Less: reclassification adjustment for (losses) realized in net income	(7,022)	2,768	(4,254)
Net unrealized gain on cash flow hedging derivatives	6,573	(2,588)	3,985
Other comprehensive (loss)	$ (2,860)	$ 952	$ (1,908)

The following table presents the changes in each component of accumulated other comprehensive income (loss), for the three months ended March 31, 2018 and 2017:

(In thousands)	Net unrealized holding gain on AFS Securities	Net loss on effective cash flow hedging derivatives	Net unrealized holding loss on pension plans	Total
Three Months Ended March 31, 2018				
Balance at Beginning of Period	$ 6,008	$ —	$ (1,847)	$ 4,161
Other comprehensive loss before reclassifications	(14,231)	—	—	(14,231)
Less: amounts reclassified from accumulated other comprehensive income (loss)	—	—	—	—
Total other comprehensive loss	(14,231)	—	—	(14,231)
Less: amounts reclassified from accumulated other comprehensive income (loss) related to adoption of ASU 2016-01 and ASU 2018-02	$ 4,959	$ —	$ 398	$ 5,357
Balance at End of Period	$ (13,182)	$ —	$ (2,245)	$ (15,427)
Three Months Ended March 31, 2017				
Balance at Beginning of Period	$ 15,541	$ (3,985)	$ (1,790)	$ 9,766
Other comprehensive (loss) gain before reclassifications	1,964	(269)	—	1,695
Less: amounts reclassified from accumulated other comprehensive income (loss)	7,857	(4,254)	—	3,603
Total other comprehensive (loss) income	(5,893)	3,985	—	(1,908)
Balance at End of Period	$ 9,648	$ —	$ (1,790)	$ 7,858

The following table presents the amounts reclassified out of each component of accumulated other comprehensive income (loss) for the three months ended March 31, 2018 and 2017:

(In thousands)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Affected Line Item in the Statement where Net Income is Presented
Realized gains on AFS securities:			
	$ —	$ 12,570	Non-interest income
	—	(4,713)	Tax expense
	—	7,857	Net of tax
Realized (losses) on cash flow hedging derivatives:			
	—	(393)	Interest expense
	—	(6,629)	Non-interest expense
	—	2,768	Tax benefit
	—	(4,254)	Net of tax
Realized gains on pension plans:			
	—	—	Non-interest income
	—	—	Tax expense
	—	—	Net of tax
Total reclassifications for the period	$ —	$ 3,603	Net of tax

NOTE 9. EARNINGS PER SHARE

Earnings per share have been computed based on the following (average diluted shares outstanding are calculated using the treasury stock method):

	Three Months Ended March 31,	
(In thousands, except per share data)	**2018**	**2017**
Net income	$ 25,248	$ 15,460
Average number of common shares issued	46,212	36,732
Less: average number of treasury shares	869	1,020
Less: average number of unvested stock award shares	420	432
Plus: average participating preferred shares	1,043	—
Average number of basic shares outstanding	45,966	35,280
Plus: dilutive effect of unvested stock award shares	202	126
Plus: dilutive effect of stock options outstanding	32	46
Average number of diluted shares outstanding	46,200	35,452
Earnings per share:		
Basic	$ 0.55	$ 0.44
Diluted	$ 0.55	$ 0.44

For the three months ended March 31, 2018, 219 thousand shares of restricted stock and 36 thousand options were anti-dilutive and therefore excluded from the earnings per share calculations. For the three months ended March 31, 2017, 306 thousand shares of restricted stock and 55 thousand options were anti-dilutive and therefore excluded from the earnings per share calculations.

NOTE 10. STOCK-BASED COMPENSATION PLANS

A combined summary of activity in the Company's stock award and stock option plans for the three months ended March 31, 2018 is presented in the following table:

	Non-Vested Stock Awards Outstanding		Stock Options Outstanding	
(Shares in thousands)	**Number of Shares**	**Weighted-Average Grant Date Fair Value**	**Number of Shares**	**Weighted-Average Exercise Price**
December 31, 2017	418	$ 29.68	76	$ 13.59
Granted	92	37.67	—	—
Stock options exercised	—	—	(5)	14.27
Stock awards vested	(87)	27.92	—	—
Forfeited	(4)	30.50	—	—
Expired	—	—	(11)	22.61
March 31, 2018	419	$ 32.41	60	$ 10.56
Exercisable options at March 31, 2018			60	$ 10.56

During the three months ended March 31, 2018 and 2017, proceeds from stock option exercises totaled $76 thousand and $81 thousand, respectively. During the three months ended March 31, 2018, there were 87 thousand shares issued in connection with vested stock awards. During the three months ended March 31, 2017, there were 101 thousand shares issued in connection with vested stock awards. All of these shares were issued from available treasury stock. Stock-based compensation expense totaled $1.4 million and $1.2 million during the three months ended March 31, 2018 and 2017, respectively. Stock-based compensation expense is recognized over the requisite service period for all awards.

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

As of March 31, 2018, the Company held derivatives with a total notional amount of $2.8 billion. The Company had economic hedges and non-hedging derivatives totaling $2.5 billion and $0.3 billion, respectively, which are not designated as hedges for accounting purposes with changes in fair value recorded directly through earnings. Economic hedges included interest rate swaps totaling $2.0 billion, risk participation agreements with dealer banks of $0.2 billion, and $0.3 billion in forward commitment contracts.

As part of the Company's risk management strategy, the Company enters into interest rate swap agreements to mitigate the interest rate risk inherent in certain of the Company's assets and liabilities. Interest rate swap agreements involve the risk of dealing with both Bank customers and institutional derivative counterparties and their ability to meet contractual terms. The agreements are entered into with counterparties that meet established credit standards and contain master netting and collateral provisions protecting the at-risk party. The derivatives program is overseen by the Risk Management/Capital Committee of the Company's Board of Directors. Based on adherence to the Company's credit standards and the presence of the netting and collateral provisions, the Company believes that the credit risk inherent in these contracts was not significant at March 31, 2018.

The Company pledged collateral to derivative counterparties in the form of cash totaling $2.6 million and securities with an amortized cost of $14.5 million and a fair value of $14.5 million as of March 31, 2018. The Company does not typically require its commercial customers to post cash or securities as collateral on its program of back-to-back economic hedges. However certain language is written into the International Swaps Dealers Association, Inc. ("ISDA") and loan documents where, in default situations, the Bank is allowed to access collateral supporting the loan relationship to recover any losses suffered on the derivative asset or liability. The Company may need to post additional collateral in the future in proportion to potential increases in unrealized loss positions.

Information about derivative assets and liabilities at March 31, 2018, follows:

	Notional Amount	Weighted Average Maturity	Weighted Average Rate Received	Weighted Average Rate Contract pay rate	Estimated Fair Value Asset (Liability)
	(In thousands)	(In years)			(In thousands)
Cash flow hedges:					
Interest rate swaps on FHLB borrowings	$ —	0	—%	—%	$ —
Total cash flow hedges	—				—
Economic hedges:					
Interest rate swap on tax advantaged economic development bond	10,590	11.7	2.03%	5.09%	(1,338)
Interest rate swaps on loans with commercial loan customers	1,006,921	5.8	3.54%	4.33%	11,474
Reverse interest rate swaps on loans with commercial loan customers	1,006,921	5.8	4.33%	3.54%	(11,228)
Risk participation agreements with dealer banks	167,795	7.0			(10)
Forward sale commitments	309,493	0.2			(909)
Total economic hedges	2,501,720				(2,011)
Non-hedging derivatives:					
Commitments to lend	296,247	0.2			6,531
Total non-hedging derivatives	296,247				6,531
Total	$ 2,797,967				$ 4,520

Information about derivative assets and liabilities at December 31, 2017, follows:

	Notional Amount	Weighted Average Maturity	Weighted Average Rate		Estimated Fair Value Asset (Liability)
			Received	Contract pay rate	
	(In thousands)	(In years)			(In thousands)
Cash flow hedges:					
Interest rate swaps on FHLB borrowings	$ —	0	—%	—%	$ —
Total cash flow hedges	—				—
Economic hedges:					
Interest rate swap on tax advantaged economic development bond	10,755	11.9	1.73%	5.09%	(1,649)
Interest rate swaps on loans with commercial loan customers	943,795	5.9	3.26%	4.25%	(3,195)
Reverse interest rate swaps on loans with commercial loan customers	943,795	5.9	4.25%	3.26%	3,204
Risk participation agreements with dealer banks	142,054	8.4			(26)
Forward sale commitments	276,572	0.2			(123)
Total economic hedges	2,316,971				(1,789)
Non-hedging derivatives:					
Commitments to lend	193,966	0.2			5,259
Total non-hedging derivatives	193,966				5,259
Total	$ 2,510,937				$ 3,470

Cash flow hedges

In the first quarter of 2017, the Company maintained six interest rate swap contracts with an aggregate notional value of $300 million with original durations of three years. This hedge strategy converted one month rolling FHLB borrowings based on the FHLB's one month fixed interest rate to fixed interest rates, thereby protecting the Company from floating interest rate variability.

On February 7, 2017, the Company initiated and subsequently terminated all of its interest rate swaps associated with FHLB advances with 1-month LIBOR based floating interest rates of an aggregate notional amount of $300 million. As of March 31, 2017, the Company no longer held the FHLB advances associated with the interest rate swaps. As a result, the Company reclassified $6.6 million of losses from the effective portion of the unrealized changes in the fair value of the terminated derivatives from other comprehensive income to non-interest income as the forecasted transactions to the related FHLB advances will not occur.

For the periods presented prior to the termination, the effective portion of unrealized changes in the fair value of derivatives accounted for as cash flow hedges was reported in other comprehensive income. Each quarter, the Company assessed the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction. Hedge ineffectiveness on interest rate swaps designated as cash flow hedges was immaterial to the Company's financial statements during the three months ended March 31, 2017.

Amounts included in the Consolidated Statements of Income and in the other comprehensive income section of the Consolidated Statements of Comprehensive Income (related to interest rate derivatives designated as hedges of cash flows), were as follows:

	Three Months Ended March 31,	
(In thousands)	**2018**	**2017**
Interest rate swaps on FHLB borrowings:		
Unrealized (loss) recognized in accumulated other comprehensive loss	$ —	$ (449)
Less: reclassification of unrealized (loss) from accumulated other comprehensive income to interest expense	—	(393)
Less: reclassification of unrealized (loss) from accumulated other comprehensive income to other non-interest expense	—	(6,629)
Net tax (expense) benefit on items recognized in accumulated other comprehensive income	—	(2,589)
Other comprehensive gain (loss) recorded in accumulated other comprehensive income, net of reclassification adjustments and tax effects	$ —	$ 3,984

Economic hedges

As of March 31, 2018, the Company has an interest rate swap with a $10.6 million notional amount to swap out the fixed rate of interest on an economic development bond bearing a fixed rate of 5.09%, currently within the Company's trading portfolio under the fair value option, in exchange for a LIBOR-based floating rate. The intent of the economic hedge is to improve the Company's asset sensitivity to changing interest rates in anticipation of favorable average floating rates of interest over the 21-year life of the bond. The fair value changes of the economic development bond are mostly offset by fair value changes of the related interest rate swap.

The Company also offers certain derivative products directly to qualified commercial borrowers. The Company economically hedges derivative transactions executed with commercial borrowers by entering into mirror-image, offsetting derivatives with third-party financial institutions. The transaction allows the Company's customer to convert a variable-rate loan to a fixed rate loan. Because the Company acts as an intermediary for its customer, changes in the fair value of the underlying derivative contracts mostly offset each other in earnings. Credit valuation adjustments arising from the difference in credit worthiness of the commercial loan and financial institution counterparties totaled $237 thousand as of March 31, 2018. The interest income and expense on these mirror image swaps exactly offset each other.

The Company has risk participation agreements with dealer banks. Risk participation agreements occur when the Company participates on a loan and a swap where another bank is the lead. The Company gets paid a fee to take on the risk associated with having to make the lead bank whole on Berkshire's portion of the pro-rated swap should the borrower default. Changes in fair value are recorded in current period earnings.

The Company utilizes forward sale commitments to hedge interest rate risk and the associated effects on the fair value of interest rate lock commitments and loans originated for sale. The forward sale commitments are accounted for as derivatives with changes in fair value recorded in current period earnings.

The Company uses the following types of forward sale commitments contracts:

- Best efforts loan sales,
- Mandatory delivery loan sales, and
- To Be Announced ("TBA") mortgage-backed securities sales.

A best efforts contract refers to a loan sale agreement where the Company commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. The Company may enter into a best efforts contract once the price is known, which is shortly after the potential borrower's interest rate is locked.

A mandatory delivery contract is a loan sale agreement where the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. Generally, the Company may enter into mandatory delivery contracts shortly after the loan closes with a customer.

The Company may sell TBA mortgage-backed securities to hedge the changes in fair value of interest rate lock commitments and held for sale loans, which do not have corresponding best efforts or mandatory delivery contracts. These security sales transactions are closed once mandatory contracts are written. On the closing date the price of the security is locked-in, and the sale is paired-off with a purchase of the same security. Settlement of the security purchase/sale transaction is done with cash on a net-basis.

Non-hedging derivatives

The Company enters into interest rate lock commitments ("IRLCs") for residential mortgage loans, which commit the Company to lend funds to a potential borrower at a specific interest rate and within a specified period of time. IRLCs that relate to the origination of mortgage loans that will be held for sale are considered derivative financial instruments under applicable accounting guidance. Outstanding IRLCs expose the Company to the risk that the price of the mortgage loans underlying the commitments may decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. The IRLCs are free-standing derivatives which are carried at fair value with changes recorded in noninterest income in the Company's consolidated statements of income. Changes in the fair value of IRLCs subsequent to inception are based on changes in the fair value of the underlying loan resulting from the fulfillment of the commitment and changes in the probability that the loan will fund within the terms of the commitment, which is affected primarily by changes in interest rates and the passage of time.

Amounts included in the Consolidated Statements of Income related to economic hedges and non-hedging derivatives were as follows:

	Three Months Ended March 31,	
(In thousands)	**2018**	**2017**
Economic hedges		
Interest rate swap on industrial revenue bond:		
Unrealized gain recognized in other non-interest income	$ 311	$ 122
Interest rate swaps on loans with commercial loan customers:		
Unrealized gain recognized in other non-interest income	14,669	1,098
Reverse interest rate swaps on loans with commercial loan customers:		
Unrealized gain recognized in other non-interest income	(14,669)	(1,098)
(Unfavorable) Favorable change in credit valuation adjustment recognized in other non-interest income	237	(162)
Risk participation agreements:		
Unrealized gain recognized in other non-interest income	16	(18)
Forward commitments:		
Unrealized gain (loss) recognized in other non-interest income	(909)	(1,251)
Realized gain (loss) in other non-interest income	3,922	(2,906)
Non-hedging derivatives		
Commitments to lend		
Unrealized gain recognized in other non-interest income	$ 6,531	$ 8,061
Realized gain in other non-interest income	603	8,774

Assets and Liabilities Subject to Enforceable Master Netting Arrangements

Interest Rate Swap Agreements (“Swap Agreements”)

The Company enters into swap agreements to facilitate the risk management strategies for commercial banking customers. The Company mitigates this risk by entering into equal and offsetting swap agreements with highly rated third party financial institutions. The swap agreements are free-standing derivatives and are recorded at fair value in the Company’s consolidated statements of condition. The Company is party to master netting arrangements with its financial institution counterparties; however, the Company does not offset assets and liabilities under these arrangements for financial statement presentation purposes. The master netting arrangements provide for a single net settlement of all swap agreements, as well as collateral, in the event of default on, or termination of, any one contract. Collateral generally in the form of marketable securities is received or posted by the counterparty with net liability positions, respectively, in accordance with contract thresholds.

The Company had net asset positions with its financial institution counterparties totaling $12.2 million and $1.1 million as of March 31, 2018 and December 31, 2017, respectively. The Company had net asset positions with its commercial banking counterparties totaling $4.1 million and $8.6 million as of March 31, 2018 and December 31, 2017, respectively. The Company had net liability positions with its financial institution counterparties totaling $2.1 million and $5.9 million as of March 31, 2018 and December 31, 2017, respectively. The Company had net liability positions with its commercial banking counterparties totaling $15.3 million and $5.4 million as of March 31, 2018 and December 31, 2017. The collateral posted by the Company that covered liability positions was $2.1 million and $5.9 million as of March 31, 2018 and December 31, 2017, respectively.

The following table presents the assets and liabilities subject to an enforceable master netting arrangement as of March 31, 2018 and December 31, 2017:

Offsetting of Financial Assets and Derivative Assets

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(In thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statements of Condition	Net Amounts of Assets Presented in the Statements of Condition	Gross Amounts Not Offset in the Statements of Condition: Financial Instruments	Gross Amounts Not Offset in the Statements of Condition: Cash Collateral Received	Net Amount
March 31, 2018						
Interest Rate Swap Agreements:						
Institutional counterparties	$ 14,510	$ (2,286)	$ 12,224	$ —	$ —	$ 12,224
Commercial counterparties	4,067	—	4,067	—	—	4,067
Total	$ 18,577	$ (2,286)				