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: September 30, 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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	☐	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 45,416,443 shares of common stock, par value $0.01 per share, outstanding as of November 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)	September 30, 2018	December 31, 2017
Assets		
Cash and due from banks	$ 93,038	$ 91,122
Short-term investments	42,696	157,641
Total cash and cash equivalents	135,734	248,763
Trading security, at fair value	11,179	12,277
Marketable equity securities, at fair value	59,734	45,185
Securities available for sale, at fair value	1,391,373	1,380,914
Securities held to maturity (fair values of $371,775 and $405,276)	379,404	397,103
Federal Home Loan Bank stock and other restricted securities	76,184	63,085
Total securities	1,917,874	1,898,564
Loans held for sale, at fair value	91,639	153,620
Commercial real estate loans	3,371,773	3,264,742
Commercial and industrial loans	1,902,228	1,803,939
Residential mortgages	2,509,324	2,102,807
Consumer loans	1,121,188	1,127,850
Total loans	8,904,513	8,299,338
Less: Allowance for loan losses	(58,457)	(51,834)
Net loans	8,846,056	8,247,504
Premises and equipment, net	111,130	109,352
Goodwill	518,325	519,287
Other intangible assets	34,620	38,296
Cash surrender value of bank-owned life insurance policies	194,369	191,221
Deferred tax assets, net	56,708	47,061
Other assets	123,604	117,083
Total assets	$ 12,030,059	$ 11,570,751
Liabilities		
Demand deposits	$ 1,563,845	$ 1,606,656
NOW and other deposits	844,210	734,558
Money market deposits	2,447,184	2,776,157
Savings deposits	737,682	741,954
Time deposits	3,173,180	2,890,205
Total deposits	8,766,101	8,749,530
Short-term debt	1,187,944	667,300
Long-term Federal Home Loan Bank advances	262,709	380,436
Subordinated borrowings	89,473	89,339
Total borrowings	1,540,126	1,137,075
Other liabilities	191,517	187,882
Total liabilities	$ 10,497,744	$ 10,074,487

(continued)

	September 30,	December 31,

	2018	2017
Shareholders' equity		
Preferred Stock (Series B non-voting convertible preferred stock - $0.01 par value; 2,000,000 shares authorized, 521,607 shares issued and outstanding in 2018; 1,000,000 shares authorized, 521,607 shares issued and outstanding in 2017	40,633	40,633
Common stock ($.01 par value; 100,000,000 shares authorized and 46,211,894 shares issued and 45,420,478 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	1,244,748	1,242,487
Unearned compensation	(8,661)	(6,531)
Retained earnings	305,259	239,179
Accumulated other comprehensive (loss) income	(28,647)	4,161
Treasury stock, at cost (791,416 shares in 2018 and 921,461 shares in 2017)	(21,477)	(24,125)
Total shareholders' equity	1,532,315	1,496,264
Total liabilities and shareholders' equity	$ 12,030,059	$ 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 September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Interest and dividend income				
Loans	$ 104,273	$ 76,024	$ 298,757	$ 216,950
Securities and other	14,918	13,036	44,553	37,485
Total interest and dividend income	119,191	89,060	343,310	254,435
Interest expense				
Deposits	21,460	10,984	54,553	30,053
Borrowings	8,390	6,078	22,825	15,953
Total interest expense	29,850	17,062	77,378	46,006
Net interest income	89,341	71,998	265,932	208,429
Non-interest income				
Mortgage banking originations	8,971	13,374	29,313	42,333
Loan related income	7,537	6,081	19,524	15,535
Deposit related fees	7,004	6,445	22,675	19,294
Insurance commissions and fees	2,930	2,581	8,504	8,305
Wealth management fees	2,283	2,315	7,160	7,127
Total fee income	28,725	30,796	87,176	92,594
Other, net	468	(2,255)	1,891	(2,438)
Gain/(loss) on securities, net	88	(1)	(696)	12,568
Gain on sale of business operations and other assets, net	—	296	460	296
Loss on termination of hedges	—	—	—	(6,629)
Total non-interest income	29,281	28,836	88,831	96,391
Total net revenue	118,622	100,834	354,763	304,820
Provision for loan losses	6,628	4,900	18,735	14,884
Non-interest expense				
Compensation and benefits	39,923	37,643	123,241	110,759
Occupancy and equipment	10,144	8,267	30,456	25,971
Technology and communications	7,949	6,644	22,138	19,614
Marketing and promotion	1,484	2,128	6,465	7,304
Professional services	1,867	2,247	5,059	6,888
FDIC premiums and assessments	1,640	1,651	4,246	4,537
Other real estate owned and foreclosures	(1)	(23)	67	35
Amortization of intangible assets	1,218	739	3,732	2,310
Acquisition, restructuring, and other expenses	198	1,420	6,138	16,005
Other	6,555	5,104	18,641	16,246
Total non-interest expense	70,977	65,820	220,183	209,669
Income before income taxes	41,017	30,114	115,845	80,267
Income tax expense	8,790	7,211	24,339	22,210
Net income	$ 32,227	$ 22,903	$ 91,506	$ 58,057
Preferred stock dividend	230	—	689	—
Income available to common shareholders	31,997	22,903	90,817	58,057
Earnings per common share:				
Basic	$ 0.70	$ 0.57	$ 1.99	$ 1.55
Diluted	$ 0.70	$ 0.57	$ 1.98	$ 1.54
Weighted average shares outstanding:				
Basic	46,030	39,984	46,009	37,547

Diluted	46,263	40,145	46,226	37,708

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

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2018**	**2017**	**2018**	**2017**
Net income	$ 32,227	$ 22,903	$ 91,506	$ 58,057
Other comprehensive income, before tax:				
Changes in unrealized loss on debt securities available-for-sale	(9,929)	1,461	(36,931)	(4,044)
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	2,548	(605)	9,480	1,481
Changes in unrealized gains on derivative hedges	—	—	—	(2,589)
Total other comprehensive (loss)/income	(7,381)	856	(27,451)	1,421
Total comprehensive income	$ 24,846	$ 23,759	$ 64,055	$ 59,478

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

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

(In thousands)	Preferred stock Shares	Preferred stock Amount	Common stock Shares	Common stock Amount	Additional paid-in capital	Unearned compensation	Retained earnings	Accumulated other comprehensive income/(loss)	Treasury 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	—	—	—	—	—	—	58,057	—	—	58,057
Other comprehensive loss	—	—	—	—	—	—	—	1,421	—	1,421
Total comprehensive income	—	—	—	—	—	—	58,057	1,421	—	59,478
Common stock issued	—	—	4,638	46	152,879	—	—	—	—	152,925
Cash dividends declared ($0.63 per share)	—	—	—	—	—	—	(23,515)	—	—	(23,515)
Forfeited shares	—	—	(10)	—	63	304	—	—	(367)	—
Exercise of stock options	—	—	11	—	—	—	(132)	—	293	161
Restricted stock grants	—	—	156	—	1,582	(5,565)	—	—	3,983	—
Stock-based compensation	—	—	—	—	—	3,865	—	—	—	3,865
Other, net	—	—	(44)	—	(4)	—	(69)	—	(1,612)	(1,685)
Balance at September 30, 2017	—	—	40,424	$ 412	$ 1,053,509	$ (7,770)	$ 251,835	$ 11,187	$ (24,646)	$ 1,284,527
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	—	—	—	—	—	—	91,506	—	—	91,506
Other comprehensive loss	—	—	—	—	—	—	—	(27,451)	—	(27,451)
Total comprehensive income	—	—	—	—	—	—	91,506	(27,451)	—	64,055
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 ($0.66 per share)	—	—	—	—	—	—	(29,972)	—	—	(29,972)
Cash dividends declared on preferred shares ($1.32 per share)	—	—	—	—	—	—	(689)	—	—	(689)
Forfeited shares	—	—	(18)	—	88	600	—	—	(688)	—
Exercise of stock options	—	—	8	—	—	—	(122)	—	224	102
Restricted stock grants	—	—	185	—	2,157	(7,011)	—	—	4,854	—
Stock-based compensation	—	—	—	—	—	4,281	—	—	—	4,281
Other, net	—	—	(45)	—	16	—	—	—	(1,742)	(1,726)
Balance at September 30, 2018	522	$ 40,633	45,420	$ 460	$ 1,244,748	$ (8,661)	$ 305,259	$ (28,647)	$ (21,477)	$ 1,532,315

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

BERKSHIRE HILLS BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities:		
Net income	$ 91,506	$ 58,057
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	18,735	14,884
Net amortization of securities	2,166	2,103
Change in unamortized net loan costs and premiums	(1,963)	1,388
Premises and equipment depreciation and amortization expense	8,047	7,448
Stock-based compensation expense	4,281	3,865
Accretion of purchase accounting entries, net	(15,735)	(11,837)
Amortization of other intangibles	3,732	2,310
Write down of other real estate owned	—	10
Income from cash surrender value of bank-owned life insurance policies	(3,607)	(2,343)
Securities losses (gains), net	696	(12,568)
Originations of loans held for sale	(1,604,993)	(1,769,385)
Proceeds from sale of loans held for sale	1,696,287	1,788,646
Net gain on sale of loans and other mortgage banking income	(29,313)	(42,333)
Loss on disposition of assets	—	912
Gain on sale of real estate	—	(54)
Amortization of interest in tax-advantaged projects	3,212	6,129
Net change in other	8,640	3,602
Net cash provided by operating activities	181,691	50,834
Cash flows from investing activities:		
Net decrease in trading security	495	468
Proceeds from sales of securities available for sale	499	44,446
Proceeds from maturities, calls, and prepayments of securities available for sale	142,314	139,434
Purchases of securities available for sale	(223,337)	(329,385)
Proceeds from sales of marketable equity securities	32,137	44,994
Purchases of marketable equity securities	(18,649)	(20,618)
Proceeds from maturities, calls, and prepayments of securities held to maturity	29,069	8,094
Purchases of securities held to maturity	(12,865)	(70,153)
Net change in loans	(609,637)	(330,869)
Purchases of bank owned life insurance	—	(20,000)
Proceeds from surrender of bank-owned life insurance	459	310
Proceeds from sale of Federal Home Loan Bank stock	49,793	72,642
Purchase of Federal Home Loan Bank stock	(62,892)	(76,646)
Net investment in limited partnership tax credits	(3,815)	(4,742)
Purchase of premises and equipment, net	(9,648)	(9,740)
Payment to terminate cash flow hedges	—	6,573
Proceeds from sale of other real estate	1,600	352
Net cash (used) by investing activities	(684,477)	(544,840)

(In thousands)	Nine Months Ended September 30, 2018	2017
(continued)		
Cash flows from financing activities:		
Net increase in deposits	17,419	170,381
Proceeds from Federal Home Loan Bank advances and other borrowings	3,673,840	5,291,601
Repayments of Federal Home Loan Bank advances and other borrowings	(3,270,943)	(5,116,876)
Exercise of stock options	102	161
Common and preferred stock cash dividends paid	(30,661)	(23,515)
Common stock issued, net	—	152,925
Acquisition contingent consideration paid	—	(1,700)
Net cash provided by financing activities	389,757	472,977
Net change in cash and cash equivalents	(113,029)	(21,029)
Cash and cash equivalents at beginning of period	248,763	113,075
Cash and cash equivalents at end of period	$ 135,734	$ 92,046
Supplemental cash flow information:		
Interest paid on deposits	$ 52,539	$ 29,822
Interest paid on borrowed funds	22,824	15,775
Income taxes paid (refund), net	758	9,467
Other non-cash changes:		
Other net comprehensive income	(27,451)	1,421
Real estate owned acquired in settlement of loans	(1,600)	444

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 adjustments 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.

During the nine months ended September 30, 2018, immaterial adjustments were made to the preliminary valuation of the assets acquired and liabilities assumed. These adjustments affect goodwill, other assets, and deferred tax assets. As of September 30, 2018, the Company finalized its valuation of all assets acquired and liabilities assumed, resulting in no material change to acquisition accounting adjustments. A summary of the fair values of the acquired assets, liabilities assumed, and resulting goodwill follows:

(In thousands)	As Acquired	Fair Value Adjustments	As Recorded by the Company
Consideration Paid:			
Company common stock issued to Commerce common shareholders			$ 188,599
Company preferred stock issued to certain Commerce shareholders			40,633
Cash in lieu paid to Commerce shareholders			1
Total consideration paid			229,233
Recognized amounts of identifiable assets acquired and (liabilities) assumed, at fair value:			
Cash and short-term investments	$ 374,611	—	$ 374,611
Investment securities	115,274	(1,427)	113,847
Loans, net	1,327,256	(86,505)	1,240,751
Premises and equipment	8,931	5,346	14,277
Core deposit intangibles	—	22,400	22,400
Deferred tax assets, net	7,956	27,060	35,016
Goodwill and other intangibles	11,233	(11,233)	—
Other assets	52,709	(3,182)	49,527
Deposits	(1,710,872)	(1,180)	(1,712,052)
Borrowings	(19,542)	—	(19,542)
Other liabilities	(5,086)	265	(4,821)
Total identifiable net assets	$ 162,470	(48,456)	114,014
Goodwill			115,219

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 (Topic 606) (additional information is disclosed in Note 14 - Revenue of the consolidated financial statements);
- ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): 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 immaterial 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 (Topic 842)”. 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, Topic 606. Entities will not be required to reassess transactions previously accounted under then existing guidance.

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. In July 2018, the FASB issued ASU No. 2018-11, “Leases (Topic 842) - Targeted Improvements” to provide entities with relief from the costs of implementing certain aspects of the new leasing standard. Specifically, under the amendments in ASU No. 2018-11 entities may elect not to recast the comparative periods presented when transitioning to the new leasing standard, and lessors may elect not to separate lease and non-lease components when certain conditions are met. As the Company expects to elect the transition option provided in ASU No. 2018-11, the modified retrospective approach will be applied on January 1, 2019 (as opposed to January 1, 2017). The Company also expects to elect certain practical expedients provided under ASU No. 2016-02 whereby we will not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for any existing leases. The Company continues to evaluate 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 is nearing completion of its effort 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 "Financial Instruments - Credit Losses (Topic 326): 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. A cross-functional working group has been formed and is comprised of individuals from various functional areas including credit, risk management, finance and information technology, among others. We are working through our implementation plan which includes assessment and documentation of processes and internal controls; model development and documentation; and system configuration. We are also in the process of implementing a third-party vendor solution to assist us in the application of ASU No. 2016-13. The Company expects the primary changes to be the application of the new expected credit loss model from the incurred model. 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 (Topic 350): 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 (Topic 815): 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 No. 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 do not expect adoption to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.” This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU No. 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted. Entities are also allowed to elect early adoption for the eliminated or modified disclosure requirements and delay adoption of the new disclosure requirements until their effective date. As ASU No. 2018-13 only revises disclosure requirements, it will not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, “Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans.” This ASU amends and modifies the disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. The amendments in this update remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. ASU No. 2018-14 is effective for fiscal years ending after December 15, 2020, with early adoption permitted. As ASU No. 2018-14 only revises disclosure requirements, it will not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” ASU No. 2018-15 clarifies certain aspects of ASU No. 2015-05, “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement,” which was issued in April 2015. Specifically, ASU No. 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU No. 2018-15 does not affect the accounting for the service element of a hosting arrangement that is a service contract. ASU No. 2018-15 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. While the Company continues to assess all potential impacts of the standard, we currently do not expect adoption to have a material 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 $10.3 million and $10.8 million, and a fair value of $11.2 million and $12.3 million, at September 30, 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 September 30, 2018.

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

The Company adopted ASU-2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities" in the first quarter of 2018. 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 marketable equity securities:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2018				
Securities available for sale				
Debt securities:				
Municipal bonds and obligations	$ 109,583	$ 1,447	$ (1,111)	$ 109,919
Agency collateralized mortgage obligations	950,496	4	(31,021)	919,479
Agency mortgage-backed securities	182,301	38	(7,583)	174,756
Agency commercial mortgage-backed securities	62,526	—	(3,862)	58,664
Corporate bonds	108,507	402	(456)	108,453
Trust preferred securities	11,143	283	—	11,426
Other bonds and obligations	8,780	13	(117)	8,676
Total securities available for sale	1,433,336	2,187	(44,150)	1,391,373
Securities held to maturity				
Municipal bonds and obligations	269,076	2,711	(6,254)	265,533
Agency collateralized mortgage obligations	72,195	2	(2,076)	70,121
Agency mortgage-backed securities	7,322	—	(428)	6,894
Agency commercial mortgage-backed securities	10,433	—	(566)	9,867
Tax advantaged economic development bonds	20,078	12	(1,030)	19,060
Other bonds and obligations	300	—	—	300
Total securities held to maturity	379,404	2,725	(10,354)	371,775
Marketable equity securities	55,545	6,069	(1,880)	59,734
Total	$ 1,868,285	$ 10,981	$ (56,384)	$ 1,822,882

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017				
Securities available for sale				
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 securities available for sale	1,387,250	7,108	(13,444)	1,380,914
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
Marketable equity securities	36,483	9,211	(509)	45,185
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 September 30, 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	$ 1,331	$ 1,335	$ 5,625	$ 5,625
Over 1 year to 5 years	32,129	32,099	14,330	14,232
Over 5 years to 10 years	75,661	75,882	12,286	12,319
Over 10 years	128,892	129,158	257,213	252,717
Total bonds and obligations	238,013	238,474	289,454	284,893
Mortgage-backed securities	1,195,323	1,152,899	89,950	86,882
Total	$ 1,433,336	$ 1,391,373	$ 379,404	$ 371,775

Securities available for sale and held to maturity 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**
September 30, 2018						
Securities available for sale						
Debt securities:						
Municipal bonds and obligations	$ 404	$ 18,792	$ 707	$ 8,434	$ 1,111	$ 27,226
Agency collateralized mortgage obligations	12,063	474,842	18,958	434,009	31,021	908,851
Agency mortgage-backed securities	2,244	69,578	5,339	102,865	7,583	172,443
Agency commercial mortgage-backed securities	362	9,107	3,500	49,557	3,862	58,664
Corporate bonds	456	53,366	—	—	456	53,366
Other bonds and obligations	66	3,537	51	3,065	117	6,602
Total securities available for sale	15,595	629,222	28,555	597,930	44,150	1,227,152
Securities held to maturity						
Municipal bonds and obligations	6,037	147,443	217	1,901	6,254	149,344
Agency collateralized mortgage obligations	1,347	58,734	729	11,325	2,076	70,059
Agency mortgage-backed securities	—	—	428	6,894	428	6,894
Agency commercial mortgage-backed securities	—	—	566	9,867	566	9,867
Tax advantaged economic development bonds	1,030	17,165	—	—	1,030	17,165
Total securities held to maturity	8,414	223,342	1,940	29,987	10,354	253,329
Total	$ 24,009	$ 852,564	$ 30,495	$ 627,917	$ 54,504	$ 1,480,481
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
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 September 30, 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 September 30, 2018:

AFS municipal bonds and obligations

At September 30, 2018, 49 out of the total 250 securities in the Company’s portfolio of AFS municipal bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 3.9% 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 September 30, 2018, 243 out of the total 249 securities in the Company’s portfolio of AFS collateralized mortgage obligations were in unrealized loss positions. Aggregate unrealized losses represented 3.3% 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 September 30, 2018, 81 out of the total 98 securities in the Company’s portfolio of AFS mortgage-backed securities were in unrealized loss positions. Aggregate unrealized losses represented 4.7% 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 September 30, 2018, 12 out of the total 21 securities in the Company’s portfolio of AFS corporate bonds were in unrealized loss positions. Aggregate unrealized loss represents 0.9% 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 September 30, 2018, 7 out of the total 8 securities in the Company’s portfolio of other bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 1.7% 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 September 30, 2018, 102 out of the total 224 securities in the Company’s portfolio of municipal bonds and obligations were in unrealized loss positions. Aggregate unrealized losses represented 4.0% 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 September 30, 2018, 6 out of the total 9 securities in the Company’s portfolio of HTM collateralized mortgage obligations were in unrealized loss positions. Aggregate unrealized losses represented 5.9% 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 September 30, 2018, 2 out of the total 2 securities in the Company’s portfolio of HTM mortgage-backed securities were in unrealized loss positions. Aggregate unrealized losses represented 5.6% 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 September 30, 2018, 4 out of the total 6 securities in the Company’s portfolio of tax advantaged economic development bonds were in unrealized loss positions. Aggregate unrealized losses represented 5.7% of the amortized cost of the securities in unrealized loss positions. One of the above mentioned tax advantaged economic bonds 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 and other commercial real estate. 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:

	September 30, 2018			December 31, 2017		
(In thousands)	**Business Activities Loans**	**Acquired Loans**	**Total**	**Business Activities Loans**	**Acquired Loans**	**Total**
Commercial real estate:						
Construction	$ 321,842	$ 52,946	$ 374,788	$ 269,206	$ 84,965	$ 354,171
Other commercial real estate	2,118,039	878,946	2,996,985	1,948,501	962,070	2,910,571
Total commercial real estate	2,439,881	931,892	3,371,773	2,217,707	1,047,035	3,264,742
Commercial and industrial loans:	1,422,857	479,371	1,902,228	1,182,569	621,370	1,803,939
Total commercial loans	3,862,738	1,411,263	5,274,001	3,400,276	1,668,405	5,068,681
Residential mortgages:						
1-4 family	2,250,946	247,092	2,498,038	1,808,024	289,373	2,097,397
Construction	11,101	185	11,286	5,177	233	5,410
Total residential mortgages	2,262,047	247,277	2,509,324	1,813,201	289,606	2,102,807
Consumer loans:						
Home equity	294,261	94,243	388,504	294,954	115,227	410,181
Auto and other	651,429	81,255	732,684	603,767	113,902	717,669
Total consumer loans	945,690	175,498	1,121,188	898,721	229,129	1,127,850
Total loans	$ 7,070,475	$ 1,834,038	$ 8,904,513	$ 6,112,198	$ 2,187,140	$ 8,299,338

The carrying amount of the acquired loans at September 30, 2018 totaled $1.8 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 $63.2 million (and a note balance of $153.9 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 $1.8 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 September 30,	
(In thousands)	**2018**	**2017**
Balance at beginning of period	$ 6,304	$ 5,767
Accretion	(1,702)	(872)
Net reclassifications from (to) nonaccretable difference	564	10
Payments received, net	(543)	(841)
Disposals	—	—
Balance at end of period	$ 4,623	$ 4,064

	Nine Months Ended September 30,	
(In thousands)	**2018**	**2017**
Balance at beginning of period	$ 11,561	$ 8,738
Accretion	(6,620)	(2,923)
Net reclassifications from (to) nonaccretable difference	2,218	343
Payments received, net	(2,455)	(2,094)
Disposals	(81)	—
Balance at end of period	$ 4,623	$ 4,064

The following is a summary of past due loans at September 30, 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
September 30, 2018							
Commercial real estate:							
Construction	$ —	$ —	$ —	$ —	$ 321,842	$ 321,842	$ —
Other commercial real estate	8,222	395	19,872	28,489	2,089,550	2,118,039	723
Total	8,222	395	19,872	28,489	2,411,392	2,439,881	723
Commercial and industrial loans:							
Total	6,843	873	3,472	11,188	1,411,669	1,422,857	10
Residential mortgages:							
1-4 family	1,919	231	1,829	3,979	2,246,967	2,250,946	339
Construction	—	—	—	—	11,101	11,101	—
Total	1,919	231	1,829	3,979	2,258,068	2,262,047	339
Consumer loans:							
Home equity	154	25	1,570	1,749	292,512	294,261	—
Auto and other	2,962	548	1,646	5,156	646,273	651,429	49
Total	3,116	573	3,216	6,905	938,785	945,690	49
Total	$ 20,100	$ 2,072	$ 28,389	$ 50,561	$ 7,019,914	$ 7,070,475	$ 1,121

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	$ —
Other commercial real estate	1,925	48	5,474	7,447	1,941,054	1,948,501	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
September 30, 2018							
Commercial real estate:							
Construction	$ —	$ —	$ —	$ —	$ 7,535	$ 52,946	$ —
Other commercial real estate	1,820	1,690	3,559	7,069	16,875	878,946	70
Total	1,820	1,690	3,559	7,069	24,410	931,892	70
Commercial and industrial loans:							
Total	1,260	243	1,452	2,956	31,372	479,371	—
Residential mortgages:							
1-4 family	781	107	1,192	2,080	5,049	247,092	—
Construction	—	—	—	—	—	185	—
Total	781	107	1,192	2,080	5,049	247,277	—
Consumer loans:							
Home equity	350	5	736	1,091	2,010	94,243	—
Auto and other	245	98	513	856	336	81,255	14
Total	595	103	1,249	1,947	2,346	175,498	14
Total	$ 4,456	$ 2,143	$ 7,452	$ 14,052	$ 63,177	$ 1,834,038	$ 84

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	$ —
Other commercial real estate	1,487	1,875	2,359	5,721	45,647	962,070	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 September 30, 2018 and December 31, 2017:

	September 30, 2018			December 31, 2017		
(In thousands)	Business Activities Loans	Acquired Loans (1)	Total	Business Activities Loans	Acquired Loans (2)	Total
Commercial real estate:						
Construction	$ —	$ —	$ —	$ —	$ —	$ —
Other commercial real estate	19,149	3,415	22,564	5,017	2,250	7,267
Total	19,149	3,415	22,564	5,017	2,250	7,267
Commercial and industrial loans:						
Total	3,462	1,452	4,914	5,895	1,333	7,228
Residential mortgages:						
1-4 family	1,490	1,192	2,682	1,666	1,217	2,883
Construction	—	—	—	—	—	—
Total	1,490	1,192	2,682	1,666	1,217	2,883
Consumer loans:						
Home equity	1,570	736	2,306	1,627	1,965	3,592
Auto and other	1,597	499	2,096	1,454	392	1,846
Total	3,167	1,235	4,402	3,081	2,357	5,438
Total non-accrual loans	$ 27,268	$ 7,294	$ 34,562	$ 15,659	$ 7,157	$ 22,816

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(1) At quarter end September 30, 2018, acquired credit impaired loans accounted for $74 thousand of loans greater than 90 days past due that are not presented in the above table.

(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 September 30, 2018 and December 31, 2017 were as follows:

Business Activities Loans

(In thousands)	Commercial real estate	Commercial and industrial loans	Residential mortgages	Consumer	Total
September 30, 2018					
Loans receivable:					
Balance at end of period					
Individually evaluated for impairment	$ 24,556	$ 2,314	$ 1,921	$ 971	$ 29,762
Collectively evaluated for impairment	2,415,325	1,420,543	2,260,126	944,719	7,040,713
Total	$ 2,439,881	$ 1,422,857	$ 2,262,047	$ 945,690	$ 7,070,475

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
September 30, 2018					
Loans receivable:					
Balance at end of Period					
Individually evaluated for impairment	$ 5,005	$ 823	$ 648	$ 509	$ 6,985
Purchased credit-impaired loans	24,410	31,372	5,049	2,346	63,177
Collectively evaluated for impairment	902,477	447,176	241,580	172,643	1,763,876
Total	$ 931,892	$ 479,371	$ 247,277	$ 175,498	$ 1,834,038

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 September 30, 2018 and December 31, 2017:

Business Activities Loans

	September 30, 2018		
(In thousands)	**Recorded Investment (1)**	**Unpaid Principal Balance (2)**	**Related Allowance**
With no related allowance:			
Other commercial real estate loans	$ 25,225	$ 31,064	$ —
Commercial and industrial loans	1,222	4,947	—
Residential mortgages - 1-4 family	698	810	—
Consumer - home equity	917	1,602	—
Consumer - other	—	—	—
With an allowance recorded:			
Other commercial real estate loans	$ 1,397	$ 1,393	$ 16
Commercial and industrial loans	1,311	1,294	58
Residential mortgages - 1-4 family	1,379	1,424	106
Consumer - home equity	41	50	—
Consumer - other	14	14	1
Total			
Commercial real estate	$ 26,622	$ 32,457	$ 16
Commercial and industrial loans	2,533	6,241	58
Residential mortgages	2,077	2,234	106
Consumer	972	1,666	1
Total impaired loans	$ 32,204	$ 42,598	$ 181

(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. These amounts are components of total loans and other assets 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:			
Other commercial real estate loans	$ 19,362	$ 22,218	$ —
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
Other commercial real estate loans	14,480	15,406	228
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

	September 30, 2018		
(In thousands)	**Recorded Investment (1)**	**Unpaid Principal Balance (2)**	**Related Allowance**
With no related allowance:			
Other commercial real estate loans	$ 4,428	$ 7,361	$ —
Commercial and industrial loans	652	742	—
Residential mortgages - 1-4 family	547	585	—
Consumer - home equity	485	1,172	—
Consumer - other	13	15	—
With an allowance recorded:			
Other commercial real estate loans	$ 1,202	$ 1,219	$ 15
Commercial and industrial loans	326	325	6
Residential mortgages - 1-4 family	106	127	9
Consumer - home equity	146	146	3
Total			
Commercial real estate	$ 5,630	$ 8,580	$ 15
Commercial and industrial loans	978	1,067	6
Residential mortgages	653	712	9
Consumer	644	1,333	3
Total impaired loans	$ 7,905	$ 11,692	$ 33

(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:			
Other commercial real estate loans	$ 1,327	$ 3,084	$ —
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:			
Other commercial real estate loans	$ 2,930	$ 2,541	$ 56
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 September 30, 2018 and 2017:

Business Activities Loans

	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
(In thousands)	**Average Recorded Investment**	**Cash Basis Interest Income Recognized**	**Average Recorded Investment**	**Cash Basis Interest Income Recognized**
With no related allowance:				
Other commercial real estate loans	$ 24,277	$ 277	$ 21,216	$ 934
Commercial and industrial loans	2,451	343	1,825	69
Residential mortgages - 1-4 family	683	22	1,391	29
Consumer - home equity	797	10	1,301	26
Consumer - other	—	—	—	—
With an allowance recorded:				
Other commercial real estate loans	$ 1,415	$ 60	$ 10,725	$ 373
Commercial and industrial loans	1,395	111	6,493	354
Residential mortgages - 1-4 family	1,401	47	1,187	38
Consumer - home equity	44	2	1,094	32
Consumer - other	15	1	—	—
Total				
Commercial real estate	$ 25,692	$ 337	$ 31,941	$ 1,307
Commercial and industrial loans	3,846	454	8,318	423
Residential mortgages	2,084	69	2,578	67
Consumer loans	856	13	2,395	58
Total impaired loans	$ 32,478	$ 873	$ 45,232	$ 1,855

Acquired Loans

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(In thousands)	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	Average Recorded Investment	Cash Basis Interest Income Recognized	Average Recorded Investment	Cash Basis Interest Income Recognized
With no related allowance:				
Other commercial real estate loans	$ 4,354	$ 212	$ 907	$ 152
Commercial and industrial loans	552	40	319	4
Residential mortgages - 1-4 family	572	6	170	7
Consumer - home equity	766	2	567	—
Consumer - other	16	1	—	—
With an allowance recorded:				
Other commercial real estate loans	$ 1,225	$ 53	$ 2,385	$ 92
Commercial and industrial loans	202	32	332	29
Residential mortgages - 1-4 family	80	6	319	12
Consumer - home equity	148	4	387	13
Consumer - other	—	—	—	—
Total				
Other commercial real estate loans	$ 5,579	$ 265	$ 3,292	$ 244
Commercial and industrial loans	754	72	651	33
Residential mortgages	652	12	489	19
Consumer loans	930	7	954	13
Total impaired loans	$			