UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

Commission file number 0-23695

Brookline Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**04-3402944**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
131 Clarendon Street, Boston, MA	**02117-9179**
(Address of principal executive offices)	(Zip Code)

(617) 425-4600

(Registrant s telephone number, including area code)

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

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

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

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

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

At August 9, 2013, the number of shares of common stock, par value $0.01 per share, outstanding was 70,161,645.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

FORM 10-Q

Index

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Unaudited Consolidated Financial Statements

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Balance Sheets

	At June 30, 2013	At December 31, 2012
	(In Thousands Except Share Data)	
ASSETS		
Cash and due from banks	$ 33,008	$ 78,441
Short-term investments	66,787	38,656
Total cash and cash equivalents	99,795	117,097
Investment securities available-for-sale (amortized cost of $486,590 and $475,946, respectively)	479,177	481,323
Investment securities held-to-maturity (fair value of $500 and $502, respectively)	500	500
Total investment securities	479,677	481,823
Loans held-for-sale	4,221	3,233
Loans and leases:		
Commercial real estate loans	2,056,674	2,005,963
Commercial loans and leases	895,090	847,455
Indirect automobile loans	479,782	542,344
Consumer loans	773,469	779,950
Total loans and leases	4,205,015	4,175,712
Allowance for loan and lease losses	(44,281)	(41,152)
Net loans and leases	4,160,734	4,134,560
Restricted equity securities	66,627	68,661
Premises and equipment, net of accumulated depreciation and amortization of $41,514 and $38,985, respectively	76,867	70,791
Deferred tax asset	32,739	27,197
Goodwill, net	137,890	137,890
Identified intangible assets, net of accumulated amortization of $20,615 and $18,272, respectively	19,168	21,510
Other real estate owned and repossessed assets, net	1,493	1,491
Other assets	71,269	83,281
Total assets	$ 5,150,480	$ 5,147,534
LIABILITIES AND EQUITY		
Deposits:		
Non-interest-bearing deposits:		
Demand checking accounts	$ 644,507	$ 623,274
Interest-bearing deposits:		
NOW accounts	196,778	212,858
Savings accounts	503,170	515,367
Money market accounts	1,340,024	1,253,819
Certificate of deposit accounts	972,502	1,010,941
Total interest-bearing deposits	3,012,474	2,992,985
Total deposits	3,656,981	3,616,259
Borrowed funds:		
Advances from the FHLBB	785,565	790,865

Other borrowed funds		44,501		63,104
Total borrowed funds		830,066		853,969
Mortgagors escrow accounts		7,465		6,946
Accrued expenses and other liabilities		41,097		54,551
Total liabilities		4,535,609		4,531,725
Equity:				
Brookline Bancorp, Inc. stockholders equity:				
Common stock, $0.01 par value; 200,000,000 shares authorized; 75,744,445 shares and 75,749,825 shares issued, respectively		754		754
Additional paid-in capital		619,036		618,429
Retained earnings, partially restricted		59,747		53,358
Accumulated other comprehensive (loss) income		(4,441)		3,483
Treasury stock, at cost; 5,373,733 shares		(62,107)		(62,107)
Unallocated common stock held by ESOP; 312,792 shares and 333,918 shares, respectively		(1,705)		(1,820)
Total Brookline Bancorp, Inc. stockholders equity		611,284		612,097
Noncontrolling interest in subsidiary		3,587		3,712
Total equity		614,871		615,809
Total liabilities and equity	$	5,150,480	$	5,147,534

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Income

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(In Thousands Except Share Data)			
Interest and dividend income:				
Loans and leases	$ 50,644	$ 50,135	$ 100,063	$ 99,778
Debt securities	1,934	1,541	3,786	4,770
Short-term investments	19	68	50	95
Marketable and restricted equity securities	303	95	612	187
Total interest and dividend income	52,900	51,839	104,511	104,830
Interest expense:				
Deposits	4,743	5,463	9,578	10,980
Borrowed funds and subordinated debt	2,794	3,617	5,903	7,458
Total interest expense	7,537	9,080	15,481	18,438
Net interest income	45,363	42,759	89,030	86,392
Provision for credit losses	2,439	6,678	4,294	9,925
Net interest income after provision for credit losses	42,924	36,081	84,736	76,467
Non-interest income:				
Fees, charges and other income	3,762	4,168	7,402	7,901
Loss from investments in affordable housing projects	(624)	(244)	(936)	(383)
Gain on sales of securities		797		797
Total non-interest income	3,138	4,721	6,466	8,315
Non-interest expense:				
Compensation and employee benefits	16,697	14,238	32,993	28,926
Occupancy	2,865	2,503	5,948	5,179
Equipment and data processing	4,150	3,632	8,163	7,275
Professional services	1,513	2,554	3,014	9,008
FDIC insurance	936	1,230	1,870	2,150
Advertising and marketing	768	774	1,438	1,476
Amortization of identified intangible assets	1,177	1,271	2,343	2,554
Other	2,709	2,419	5,816	4,501
Total non-interest expense	30,815	28,621	61,585	61,069
Income before provison for income taxes	15,247	12,181	29,617	23,713
Provision for income taxes	5,382	4,398	10,511	9,296
Net income before noncontrolling interest in subsidiary	9,865	7,783	19,106	14,417
Less net income attributable to noncontrolling interest in subsidiary	375	254	802	539
Net income attributable to Brookline Bancorp, Inc.	$ 9,490	$ 7,529	$ 18,304	$ 13,878
Earnings per common share:				
Basic	$ 0.14	$ 0.11	$ 0.26	$ 0.20

Diluted		0.14		0.11		0.26		0.20
Weighted average common shares outstanding during the period:								
Basic		69,774,703		69,677,656		69,768,777		69,671,130
Diluted		69,833,541		69,715,890		69,823,615		69,706,694
Dividends declared per common share	$	0.085	$	0.085	$	0.170	$	0.170

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Comprehensive Income

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(In Thousands)			
Net income before noncontrolling interest in subsidiary	$ 9,865	$ 7,783	$ 19,106	$ 14,417
Other comprehensive income (loss), net of taxes:				
Investment securities available-for-sale:				
Unrealized securities holding (losses) gains excluding non-credit gain on impairment of securities	(10,773)	40	(12,791)	802
Non-credit gain on impairment of securities		32		34
Net unrealized securities holding (losses) gains before income taxes	(10,773)	72	(12,791)	836
Income tax benefit (expense)	4,093	(42)	4,861	(311)
Net unrealized securities holding (losses) gains	(6,680)	30	(7,930)	525
Less reclassification adjustment for securities gains included in net income:				
Gain on sales of securities, net		797		797
Income tax expense		(282)		(282)
Net reclassification adjustments for securities gains included in net income		515		515
Net unrealized securities holding (losses) gains	(6,680)	(485)	(7,930)	10
Postretirement benefits:				
Adjustment of accumulated obligation for postretirement benefits	8	(5)	8	(10)
Income tax benefit	(2)	2	(2)	6
Net adjustment of accumulated obligation for postretirement benefits	6	(3)	6	(4)
Net other comprehensive (loss) income	(6,674)	(488)	(7,924)	6
Comprehensive income	3,191	7,295	11,182	14,423
Net income attributable to noncontrolling interest in subsidiary	375	254	802	539
Comprehensive income attributable to Brookline Bancorp, Inc.	$ 2,816	$ 7,041	$ 10,380	$ 13,884

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Changes in Equity

Six Months Ended June 30, 2013 and 2012

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders Equity	Noncontrolling Interest in Subsidiary	Total Equity
	(In Thousands Except Share Data)								
Balance at December 31, 2012	$ 754	$ 618,429	$ 53,358	$ 3,483	$ (62,107)	$ (1,820)	$ 612,097	$ 3,712	$ 615,809
Net income attributable to Brookline Bancorp, Inc.			18,304				18,304		18,304
Net income attributable to noncontrolling interest in subsidiary								802	802
Other comprehensive loss				(7,924)			(7,924)		(7,924)
Common stock dividends of $0.17 per share			(11,915)				(11,915)		(11,915)
Dividend to owners of noncontrolling interest in subsidiary								(927)	(927)
Compensation under recognition and retention plan		536					536		536
Common stock held by ESOP committed to be released (21,126 shares)		71				115	186		186
Balance at June 30, 2013	$ 754	$ 619,036	$ 59,747	$ (4,441)	$ (62,107)	$ (1,705)	$ 611,284	$ 3,587	$ 614,871

(Continued)

4

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Changes in Equity (Continued)

Six Months Ended June 30, 2013 and 2012

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders Equity	Noncontrolling Interest in Subsidiary	Total Equity
	(In Thousands Except Share Data)								
Balance at December 31, 2011	$ 644	$ 525,171	$ 39,993	$ 1,963	$ (62,107)	$ (2,062)	$ 503,602	$ 3,400	$ 507,002
Net income attributable to Brookline Bancorp, Inc.			13,878				13,878		13,878
Net income attributable to noncontrolling interest in subsidiary								539	539
Issuance of shares of common stock (10,997,840 shares)	110	92,712					92,822		92,822
Other comprehensive income				6			6		6
Common stock dividends of $0.17 per share			(11,865)				(11,865)		(11,865)
Compensation under recognition and retention plan		301					301		301
Common stock held by ESOP committed to be released (22,146 shares)						121	121		121
Balance at June 30, 2012	$ 754	$ 618,184	$ 42,006	$ 1,969	$ (62,107)	$ (1,941)	$ 598,865	$ 3,939	$ 602,804

See accompanying notes to the unaudited consolidated financial statements.

5

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2013	2012
	(In Thousands)	
Cash flows from operating activities:		
Net income attributable to Brookline Bancorp, Inc.	$ 18,304	$ 13,878
Adjustments to reconcile net income to net cash provided from operating activities:		
Net income attributable to noncontrolling interest in subsidiary	802	539
Provision for credit losses	4,294	9,925
Origination of loans and leases to be sold	(23,378)	(52,044)
Proceeds from loans and leases sold	22,888	57,068
Deferred income tax expense	(676)	(199)
Depreciation of premises and equipment	2,822	1,696
Amortization of securities premiums and discounts, net	1,809	2,702
Amortization of deferred loan and lease origination costs, net	5,160	5,171
Amortization of identified intangible assets	2,343	2,554
Accretion of acquisition fair value adjustments, net	(4,008)	(5,820)
Gain on sale of investment securities		(797)
Gains on sale of loans held for sale	(498)	(350)
Gains on sales of other real estate owned and repossessed assets	(25)	43
Write-down of other real estate owned and repossessed assets	178	101
Compensation under recognition and retention plans	536	301
Loss on investments in affordable housing projects	936	383
ESOP shares committed to be released	186	121
Net change in:		
Cash surrender value of bank-owned life insurance	(551)	(590)
Other assets	11,627	(8,683)
Accrued expenses and other liabilities	(13,559)	(4,365)
Net cash provided from operating activities	29,190	21,634
Cash flows from investing activities:		
Proceeds from sales of investment securities available-for-sale		157,225
Proceeds from maturities, calls and principal repayments of investment securities available-for-sale	69,826	116,908
Purchases of investment securities available-for-sale	(82,283)	(130,230)
Proceeds from redemption of restricted equity securities	2,108	
Purchases of restricted equity securities	(74)	(7,990)
Purchases of investment securities held-to-maturity		(500)
Net increase in loans and leases	(38,673)	(163,023)
Acquisitions, net of cash and cash equivalents acquired		(89,258)
Monies in escrow Bancorp Rhode Island, Inc. acquisition		112,983
Purchase of premises and equipment	(9,072)	(12,881)
Sale of premises and equipment	102	32
Redemption of restricted-equity securities		2,003
Proceeds from sales of other real estate owned and repossessed assets	5,495	153
Net cash used for investing activities	(52,571)	(14,578)

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Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Cash Flows (Continued)

	Six Months Ended June 30, 2013	2012
	(In Thousands)	
Cash flows from financing activities:		
Increase in demand checking, NOW, savings and money market accounts	79,161	180,081
Decrease in certificates of deposit	(38,717)	(43,862)
Proceeds from FHLBB advances	1,767,800	1,493,274
Repayment of FHLBB advances	(1,771,275)	(1,536,840)
Repayment of subordinated debt	(18,567)	
Increase in other borrowed funds		22,519
Increase in mortgagors escrow accounts	519	429
Payment of dividends on common stock	(11,915)	(11,865)
Payment of dividends to owners of noncontrolling interest in subsidiary	(927)	
Net cash provided from financing activities	6,079	103,736
Net increase (decrease) in cash and cash equivalents	(17,302)	110,792
Cash and cash equivalents at beginning of period	117,097	106,296
Cash and cash equivalents at end of period	$ 99,795	$ 217,088
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest on deposits, borrowed funds and subordinated debt	$ 17,884	$ 21,111
Income taxes	11,301	9,275
Non-cash investing activities:		
Transfer from loans to other real estate owned	$ 5,650	$ 5
Acquisition of Bancorp Rhode Island, Inc.:		
Assets acquired (excluding cash and cash equivalents)	$	$ 1,571,817
Liabilities assumed		1,481,535

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

(1) Basis of Presentation

Overview

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

Brookline Bank, which includes its wholly-owned subsidiaries BBS Investment Corp. and Longwood Securities Corp., and its 84.8%-owned subsidiary, Eastern Funding LLC (Eastern Funding), operates 23 full-service banking offices in Brookline, Massachusetts, and the greater Boston metropolitan area. BankRI, which includes its wholly-owned subsidiaries BRI Investment Corp., Macrolease Corporation (Macrolease), Acorn Insurance Agency and BRI Realty Corp., operates 18 full-service banking offices in Providence County, Kent County and Washington County, Rhode Island. First Ipswich, which includes its wholly-owned subsidiaries First Ipswich Securities II Corp., First Ipswich Insurance Agency and FNBI Realty, operates six full-service banking offices on the north shore of eastern Massachusetts and in the Boston metropolitan area.

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

The Company and the Banks are supervised, examined and regulated by the Board of Governors of the Federal Reserve System (FRB). As Massachusetts-chartered member banks, Brookline Bank and First Ipswich are also subject to regulation under the laws of the Commonwealth of Massachusetts and the jurisdiction of the Massachusetts Division of Banks. BankRI is subject to regulation under the laws of the State of Rhode Island and the jurisdiction of the Banking Division of the Rhode Island Department of Business Regulation.

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

Basis of Financial Statement Presentation

The unaudited consolidated financial statements of the Company presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (SEC) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles (GAAP). In the opinion of management, all adjustments (consisting of normal recurring adjustments) and disclosures considered necessary for the fair presentation of the accompanying consolidated financial statements have been included. Interim results are not necessarily reflective of the results of the entire year. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

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

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

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

Reclassification

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

(2) Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued ASU No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.* This ASU clarifies the scope of offsetting disclosure requirements in ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. Under ASU 2013-01, the disclosure requirements would apply to derivative instruments accounted for in accordance with ASC 815, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending arrangements that are either offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement. Entities with other types of financial assets and financial liabilities subject to a master netting arrangement or similar agreement also are affected because these amendments make them no longer subject to the disclosure requirements in ASU No. 2011-11. Effective January 1, 2013, companies are required to disclose (a) gross amounts of recognized assets and liabilities; (b) gross amounts offset in the statement of financial position; (c) net amounts of assets and liabilities presented in the statement of financial position; (d) gross amount subject to enforceable master netting agreement not offset in the statements of financial position; and (e) net amounts after deducting (d) from (c). The disclosure should be presented in tabular format (unless another format is more appropriate) separately for assets and liabilities. The intent of the new disclosure is to enable users of financial statements to understand the effect of those arrangements on its financial position and to allow investors to better compare financial statements prepared under GAAP with financial statements prepared under International Financial Reporting Standards. As required, the Company added relevant disclosure in Note 8, Derivatives and Hedging Activities.

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income*. This ASU states that the amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. The amendments do, however, require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income under U.S. GAAP, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. In response to this ASU, the Company added a new footnote to disclose the amounts reclassified out of

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

accumulated other comprehensive income and the effects on the line items of net income. See Note 7, Comprehensive Income.

(3) Investment Securities

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

	At June 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Debt securities:				
GSEs	$ 39,233	$ 103	$	$ 39,336
GSE CMOs	259,795	66	6,149	253,712
GSE MBSs	165,292	1,692	3,440	163,544
Private-label CMOs	4,740	122	18	4,844
SBA commercial loan asset-backed securities	270		1	269
Auction-rate municipal obligations	1,900		104	1,796
Municipal obligations	1,063	30		1,093
Corporate debt obligations	10,387	247		10,634
Trust preferred securities and pools	2,656	313	340	2,629
Total debt securities	485,336	2,573	10,052	477,857
Marketable equity securities	1,254	66		1,320
Total investment securities available-for-sale	$ 486,590	$ 2,639	$ 10,052	$ 479,177
Investment securities held-to-maturity	$ 500	$	$	$ 500

	At December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Debt securities:				
GSEs	$ 69,504	$ 305	$	$ 69,809
GSE CMOs	215,670	1,386	55	217,001
GSE MBSs	165,996	3,704	52	169,648
Private-label CMOs	6,719	147		6,866
SBA commercial loan asset-backed securities	383		2	381
Auction-rate municipal obligations	2,100		124	1,976
Municipal obligations	1,058	43		1,101

Corporate debt obligations		10,481		204				10,685
Trust preferred securities and pools		2,786		136		403		2,519
Total debt securities		474,697		5,925		636		479,986
Marketable equity securities		1,249		88				1,337
Total investment securities available-for-sale	$	475,946	$	6,013	$	636	$	481,323
Investment securities held-to-maturity	$	500	$	2	$		$	502

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

Investment Securities as Collateral

At June 30, 2013 and December 31, 2012, respectively, $336.7 million and $309.7 million of investment securities available-for-sale were pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits; swap agreements; FRB borrowings; and Federal Home Loan Bank of Boston (FHLBB) borrowings.

Other-Than-Temporary Impairment (OTTI)

Investment securities at June 30, 2013 and December 31, 2012 that have been in a continuous unrealized loss position for less than twelve months or twelve months or longer are as follows:

	At June 30, 2013					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(In Thousands)					
Debt securities:						
GSE CMOs	$ 251,491	$ 6,149	$	$	$ 251,491	$ 6,149
GSE MBS	110,656	3,434	361	6	111,017	3,440
Private-label CMOs	1,542	18			1,542	18
SBA commercial loan asset-backed securities	188		19	1	207	1
Auction-rate municipal obligations			1,796	104	1,796	104
Trust preferred securities:						
Without OTTI loss			1,939	340	1,939	340
Total temporarily impaired securities	$ 363,877	$ 9,601	$ 4,115	$ 451	$ 367,992	$ 10,052

	At December 31, 2012					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(In Thousands)					
Debt securities:						
GSE CMOs	$ 23,910	$ 55	$	$	$ 23,910	$ 55
GSE MBSs	19,186	47	235	5	19,421	52

Private-label CMOs		25								25		
SBA commercial loan asset-backed securities		310		2						310		2
Auction-rate municipal obligations						1,976		124		1,976		124
Trust preferred securities and pools:												
Without OTTI loss						1,931		403		1,931		403
Total temporarily impaired securities	$	43,431	$	104	$	4,142	$	532	$	47,573	$	636

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

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

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

Debt Securities

The Company expects to recover its amortized cost basis on all debt securities in its available-for-sale and held-to-maturity 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 at June 30, 2013, prior to the recovery of their amortized cost basis. 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.

U.S. Government-Sponsored Enterprises

The Company invests in securities issued by of U.S. Government-sponsored enterprises (GSEs), including GSE debt securities, mortgage-backed securities (MBSs), and collateralized mortgage obligations (CMOs). GSE securities include obligations issued by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Government National Mortgage Association (GNMA), the Federal Home Loan Banks and the Federal Farm Credit Bank. At June 30, 2013, none of those obligations is backed by the full faith and credit of the U.S. Government, except for GNMA MBSs and CMOs, and Small Business Administration (SBA) commercial loan asset-backed securities with an estimated fair value of $13.9 million.

At June 30, 2013, the Company held GSE debentures with a total fair value of $39.3 million and a net unrealized gain of $0.1 million. At December 31, 2012, the Company held GSE debentures with a total fair value of $69.8 million and a net unrealized gain of $0.3 million.

At June 30, 2013, the Company held GSE mortgage-related securities with a total fair value of $417.3 million and a net unrealized loss of $7.8 million. This compares to a total fair value of $386.6 million and a net unrealized gain of $5.0 million at December 31, 2012. During the six months ended June 30, 2013, the Company purchased a total of $82.3 million in GSE CMOs and GSE MBSs to reinvest matured cash flow. This compares to $130.2 million during the same period in 2012.

Private-Label CMOs

At June 30, 2013, the Company held private-issuer CMO-related securities with a total fair value of $4.8 million and a net unrealized gain of $0.1 million. At December 31, 2012, the Company held private-issuer CMO-related securities with a total fair value of $6.9 million and a net unrealized gain of $0.1 million.

Auction-Rate Municipal Obligations and Municipal Obligations

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

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

Based on an evaluation of market factors, the estimated fair value of the auction-rate municipal obligations owned by the Company at June 30, 2013 was $1.8 million, with a corresponding net unrealized loss of $0.1 million. This compares to $2.0 million with a corresponding net unrealized loss of $0.1 million at December 31, 2012. Full collection of the obligations is expected because the financial condition of the issuers is sound, none of the issuers has defaulted on scheduled payments, the obligations are rated investment grade and the Company has the ability and intent to hold the obligations for a period of time to recover the unrealized losses.

The Company owns municipal obligations with an estimated fair value of $1.1 million which approximated amortized cost at June 30, 2013. This compares to a total fair value of $1.1 million and a corresponding net unrealized gain of $43,000 at December 31, 2012. Full collection of the obligations is expected because the financial condition of the issuers is sound, none of the issuers has defaulted on scheduled payments, the obligations are rated investment grade and the Company has the ability and intent to hold the obligations for a period of time to recover the unrealized losses.

Corporate Obligations

From time to time, the Company will invest in high-quality corporate obligations to provide portfolio diversification and improve the overall yield on the portfolio. The Company owned five corporate obligation securities with a total fair value of $10.6 million and total net unrealized gains of $0.2 million at June 30, 2013. This compares to eight corporate obligation securities with a total fair value of $10.7 million and total net unrealized gains of $0.2 million at December 31, 2012. All but one of the securities are investment grade. This non-investment-grade security is currently in an unrealized gain position.

Trust Preferred Securities and Trust Preferred Pools

Trust preferred securities represent subordinated debt issued by financial institutions. These securities are sometimes pooled and sold to investors through structured vehicles known as trust preferred pools (PreTSLs). When issued, PreTSLs are divided into tranches or segments that establish priority rights to cash flows from the underlying trust preferred securities. At June 30, 2013, the Company owned three trust preferred securities and two PreTSL pools with a total fair value of $2.6 million and a total net unrealized loss of $27,000. This compares to three trust preferred securities and two PreTSL pools with a total fair value of $2.5 million and a total net unrealized loss of $0.3 million at December 31, 2012. The Company monitors these pools closely for impairment due to a history of defaults experienced on the part of the banks underlying the trust preferred securities.

The Company s portfolio of trust preferred securities at June 30, 2013 includes two PreTSLs, one of which has been paid down significantly to be *de minimis;* the other which the Company has designated PreTSL B. The Company monitors this pool closely for impairment due to a history of defaults experienced on the part of the banks underlying the trust preferred security. The following tables summarize the pertinent information at June 30, 2013 that was considered in determining whether OTTI existed on this PreTSL.

	At June 30, 2013					
	Class	**Deferrals/ Defaults/ Losses to Date (1)**	**Estimated Total Remaining Projected Defaults (2)**	**Estimated Excess Subordination (3)**	**Lowest Credit Rating to Date (4)**	**Current Credit Rating (5)**
PreTSL B	A-1	26%	16%	43%	CCC	B

(1) As a percentage of original collateral.

(2) As a percentage of performing collateral.

(3) Excess subordination represents the additional defaults/losses in excess of both current and projected defaults/losses that the security can absorb before the security is exposed to a loss in principal, after taking into account the best estimate of future deferrals/defaults/losses.

(4) Lower of S&P and Moody s.

(5) The Company reviewed credit ratings provided by S&P and Moody s in 2013 in its evaluation of issuers.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

	At June 30, 2013					
			Gross		Total Cumulative OTTI	
	Current Par	Amortized Cost (1)	Unrealized Gain/(Loss)	Fair Value	Credit-Related	Credit and Non-Credit
	(In Thousands)					
PreTSL B	$ 823	$ 819	$ (89)	$ 730	$	$

(1) The amortized cost reflects previously recorded credit-related OTTI charges recognized in earnings for the applicable securities.

In performing the analysis for OTTI impairment on the PreTSLs, expected future cash flow scenarios for each pool were considered under varying levels of severity for assumptions including future delinquencies, recoveries and prepayments. The Company also considered its relative seniority within the pools and any excess subordination. The Company s OTTI assessment for the three months ended June 30, 2013 was as follows:

PreTSL B has experienced $91.0 million in deferrals/defaults, or 26.3% of the security s underlying collateral, to date. During the second quarter of 2013, there was no change in the deferral or default schedules and no further rating actions. Based on the security s future expected cash flows and after factoring in projected defaults of 15.5% over its remaining life, the security s current amortized cost (99.5% of current par), $110.0 million in excess subordination (42.9% of outstanding performing collateral) and the Company s intent and ability to hold the security until recovery, Management believes that no OTTI charges are warranted at this time.

At June 30, 2013 there is no OTTI recognized in other comprehensive income on these securities.

Portfolio Maturities

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

	At June 30, 2013			At December 31, 2012		
	Amortized Cost	Estimated Fair Value	Weighted Average Rate	Amortized Cost	Estimated Fair Value	Weighted Average Rate
	(Dollars in Thousands)					

Investment securities available-for-sale:						
Within 1 year	$ 32,069	$ 32,156	1.26%	$ 59,396	$ 59,736	1.20%
After 1 year through 5 years	27,915	28,509	2.24%	25,249	25,579	1.61%
After 5 years through 10 years	32,046	33,012	3.20%	50,283	52,557	3.29%
Over 10 years	393,306	384,180	1.91%	339,769	342,114	1.93%
	$ 485,336	$ 477,857	1.97%	$ 474,697	$ 479,986	1.97%
Investment securities held-to-maturity:						
Within 1 year	$ 500	$ 500	1.99%	$	$	0.00%
After 1 year through 5 years			0.00%	500	502	1.99%
After 5 years through 10 years			0.00%			0.00%
Over 10 years			0.00%			0.00%
	$ 500	$ 500	1.99%	$ 500	$ 502	1.99%

Actual maturities of GSE debt securities may differ from those presented above since certain obligations provide the issuer the right to call or prepay the obligation prior to scheduled maturity without penalty. At June 30, 2013,

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

there were no remaining callable GSE securities in the investment portfolio. MBSs and CMOs are included above based on their contractual maturities; the remaining lives, however, are expected to be shorter due to anticipated prepayments.

Security Sales

	Six Months Ended June 30, 2012 (In Thousands)
Sales of debt securities	$ 157,225
Gross gains from sales	964
Gross losses from sales	167

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

(4) Loans and Leases

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

	At June 30, 2013					
	Originated		Acquired		Total	
	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon
	(Dollars in Thousands)					
Commercial real estate loans:						
Commercial real estate mortgage	$ 964,151	4.39%	$ 384,900	4.56%	$ 1,349,051	4.44%
Multi-family mortgage	503,770	4.42%	91,169	4.67%	594,939	4.46%
Construction	101,240	4.08%	11,444	4.42%	112,684	4.12%
Total commercial real estate loans	1,569,161	4.38%	487,513	4.58%	2,056,674	4.43%

Commercial loans and leases:								
Commercial		244,854	3.76%		131,653	4.61%		376,507	4.06%
Equipment financing		435,629	7.35%		41,095	6.74%		476,724	7.30%
Condominium association		41,859	4.80%			0.00%		41,859	4.80%
Total commercial loans and leases		722,342	5.99%		172,748	5.11%		895,090	5.82%
Indirect automobile loans		479,782	5.14%			0.00%		479,782	5.14%
Consumer loans:									
Residential mortgage		375,028	3.71%		132,071	4.06%		507,099	3.81%
Home equity		112,486	3.41%		145,353	3.96%		257,839	3.72%
Other consumer		7,401	4.48%		1,130	13.83%		8,531	5.72%
Total consumer loans		494,915	3.66%		278,554	4.05%		773,469	3.80%
Total loans and leases	$	3,266,200	4.74%	$	938,815	4.51%	$	4,205,015	4.68%

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

	At December 31, 2012					
	Originated		Acquired		Total	
	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon	Balance	Weighted Average Coupon
	(Dollars in Thousands)					
Commercial real estate loans:						
Commercial real estate mortgage	$ 871,552	4.62%	$ 429,681	4.69%	$ 1,301,233	4.64%
Multi-family mortgage	506,017	4.50%	100,516	4.99%	606,533	4.58%
Construction	80,913	4.20%	17,284	4.73%	98,197	4.29%
Total commercial real estate loans	1,458,482	4.56%	547,481	4.75%	2,005,963	4.61%
Commercial loans and leases:						
Commercial	230,892	3.89%	151,385	4.72%	382,277	4.22%
Equipment financing	366,297	7.69%	54,694	6.91%	420,991	7.59%
Condominium association	44,187	5.02%			44,187	5.02%
Total commercial loans and leases	641,376	6.14%	206,079	5.30%	847,455	5.93%
Indirect automobile loans	542,344	5.31%			542,344	5.31%
Consumer loans:						
Residential mortgage	368,095	3.87%	143,014	4.18%	511,109	3.93%
Home equity	99,683	3.45%	161,879	4.07%	261,562	3.83%
Other consumer	6,122	5.35%	1,157	12.97%	7,279	6.56%
Total consumer loans	473,900	3.78%	306,050	4.15%	779,950	3.92%
Total loans and leases	$ 3,116,102	4.89%	$ 1,059,610	4.67%	$ 4,175,712	4.83%

The Company s lending is primarily in the eastern half of Massachusetts, southern New Hampshire and Rhode Island, with the exception of equipment financing, 41.7% of which is in the greater New York/New Jersey metropolitan area and 58.3% of which is in other areas in the United States of America.

Residential mortgage loans held-for-sale were $4.2 million and $3.2 million at June 30, 2013 and December 31, 2012, respectively.

Accretable Yield for the Acquired Loan Portfolio

The following tables summarize activity in the accretable yield for the acquired loan portfolio for the periods indicated:

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(In Thousands)			
Balance at beginning of period	$ 53,815	$ 73,921	$ 57,812	$ (1,369)
Acquisitions				81,503
Reclassification from nonaccretable difference for loans with improved cash flows	3,180		5,376	
Accretion	(4,813)	(5,265)	(11,006)	(11,478)
Balance at end of period	$ 52,182	$ 68,656	$ 52,182	$ 68,656

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

Subsequent to acquisition, management periodically reforecasts the expected cash flows for acquired ASC 310-30 loans, taking into account prepayment speeds, probability of default and loss given defaults. Management then compares this reforecast to the original estimates to evaluate the need for a loan loss provision and/or prospective yield adjustments. During the six months ended June 30, 2013, accretable yield adjustments totaling $5.4 million were made for certain loan pools. These accretable yield adjustments, which are subject to continued re-assessment, will be recognized over the remaining lives of those pools. No accretable yield adjustments were made in the acquired loan portfolio during the six months ended June 30, 2012.

The aggregate remaining nonaccretable difference (representing both principal and interest) applicable to acquired loans totaled $9.2 and $14.6 million at June 30, 2013 and December 31, 2012, respectively.

Related Party Loans

The Banks authority to extend credit to their respective directors and executive officers, as well as to entities controlled by such persons, is currently governed by the requirements of the Sarbanes-Oxley Act of 2002 and Regulation O of the FRB. Among other things, these provisions require that extensions of credit to insiders (1) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and (2) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Banks capital. In addition, the extensions of credit to insiders must be approved by each Bank s Board of Directors.

The following table summarizes the change in the total amounts of loans and advances, to directors, executive officers and their affiliates for the periods indicated. All loans were performing at June 30, 2013.

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(In Thousands)	
Balance at beginning of period	$ 4,083	$ 16,428
Acquired loans		2,848
New loans granted during the period	100	131
Advances on lines of credit	91	4
Repayments	(349)	(13,917)
Loans no longer classified as insider loans	545	
Balance at end of period	$ 4,470	$ 5,494

Unfunded commitments on extensions of credit to insiders totaled $7.1 million and $6.9 million at June 30, 2013 and December 31, 2012, respectively.

Recourse Obligations

As a result of the acquisition of BankRI, the Company has a recourse obligation under a lease sale agreement for up to 8.0% of the original sold balance of approximately $9.8 million relating to the lease portfolio of BankRI s subsidiary Macrolease. Historically, delinquency rates for this lease portfolio have been significantly less than 8.0%; the rate at June 30, 2013 was 0.26%. At June 30, 2013, a liability for the recourse obligation was included in the Company s unaudited consolidated financial statements.

Loans and Leases Pledged as Collateral

At June 30, 2013 and December 31, 2012, respectively, $1.3 billion and $1.5 billion of loans and leases were pledged as collateral for repurchase agreements; municipal deposits; treasury, tax and loan deposits; swap agreements; FRB borrowings; and FHLBB borrowings.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

Loans Serviced for Others

Loans serviced for others are not included in the accompanying unaudited consolidated balance sheets. The portion of unpaid principal balance of mortgage and other loans serviced for others were $110.9 million and $164.5 million at June 30, 2013 and December 31, 2012, respectively.

(5) Allowance for Loan and Lease Losses

The following tables present the changes in the allowance for loan and lease losses and the recorded investment in loans and leases by portfolio segment for the periods indicated:

	Three Months Ended June 30, 2013					
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Unallocated	Total
			(In Thousands)			
Balance at March 31, 2013	$ 20,588	$ 11,652	$ 5,000	$ 2,596	$ 2,696	$ 42,532
Charge-offs	(81)	(477)	(318)	(154)		(1,030)
Recoveries		182	149	60		391
Provision (credit) for loan and lease losses	1,512	434	(136)	497	81	2,388
Balance at June 30, 2013	$ 22,019	$ 11,791	$ 4,695	$ 2,999	$ 2,777	$ 44,281

	Three Months Ended June 30, 2012					
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Unallocated	Total
			(In Thousands)			
Balance at March 31, 2012	$ 16,836	$ 7,078	$ 5,656	$ 1,825	$ 3,033	$ 34,428
Charge-offs		(3,416)	(344)	(210)		(3,970)
Recoveries	40	124	119	12		295
Provision (credit) for loan and lease losses	1,062	5,176	249	486	(295)	6,678
Balance at June 30, 2012	$ 17,938	$ 8,962	$ 5,680	$ 2,113	$ 2,738	$ 37,431

	Six Months Ended June 30, 2013					
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Unallocated	Total

	(In Thousands)					
Balance at December 31, 2012	$ 20,018	$ 10,655	$ 5,304	$ 2,545	$ 2,630	$ 41,152
Charge-offs	(81)	(724)	(680)	(206)		(1,691)
Recoveries	4	264	279	86		633
Provision (credit) for loan and lease losses	2,078	1,596	(208)	574	147	4,187
Balance at June 30, 2013	$ 22,019	$ 11,791	$ 4,695	$ 2,999	$ 2,777	$ 44,281

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

	Six Months Ended June 30, 2012					
	Commercial Real Estate	Commercial	Indirect Automobile	Consumer	Unallocated	Total
	(In Thousands)					
Balance at December 31, 2011	$ 15,477	$ 5,997	$ 5,604	$ 1,577	$ 3,048	$ 31,703
Charge-offs		(3,757)	(783)	(218)		(4,758)
Recoveries	80	202	266	13		561
Provision (credit) for loan and lease losses	2,381	6,520	593	741	(310)	9,925
Balance at June 30, 2012	$ 17,938	$ 8,962	$ 5,680	$ 2,113	$ 2,738	$ 37,431

The liability for unfunded credit commitments, which is included in other liabilities, was $0.9 million and $0.7 million at June 30, 2013 and December 31, 2012, respectively. During the six-month period ended June 30, 2013, the liability for unfunded credit commitments increased by $0.2 million to reflect changes in the estimate of loss exposure associated with credit commitments. No credit commitments were charged off against the liability account in the six-month periods ended June 30, 2013 or 2012.

Provision for Credit Losses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In Thousands)			
Provisions for loan and lease losses:				
Commercial real estate	$ 1,512	$ 1,062	$ 2,078	$ 2,381
Commercial	434	5,176	1,596	6,520
Indirect automobile	(136)	249	(208)	593
Consumer	497	486	574	741
Unallocated	81	(295)	147	(310)
Total provision for loan and lease losses	2,388	6,678	4,187	9,925
Unfunded credit commitments	51		107	
Total provision for credit losses	$ 2,439	$ 6,678	$ 4,294	$ 9,925

Procedure for Placing Loans and Leases on Nonaccrual

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

Allowance for Loan and Lease Losses Methodology

Management has established a methodology to determine the adequacy of the allowance for loan and lease losses that assesses the risks and losses inherent in the loan and lease portfolio. For purposes of determining the allowance for loan and lease losses, the Company has segmented certain loans and leases in the portfolio by product type into the following pools: (1) commercial real estate loans, (2) commercial loans and leases, (3) indirect

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

automobile loans and (4) consumer loans. Portfolio segments are further disaggregated into classes based on the associated risks within the segments. Commercial real estate loans are divided into three classes: commercial real estate mortgage loans, multi-family mortgage loans and construction loans. Commercial loans and leases are divided into three classes: commercial loans, equipment financing, and loans to condominium associations. The indirect automobile loan segment is not divided into classes. Consumer loans are divided into three classes: residential mortgage loans, home equity loans and other consumer loans. For each class of loan, management makes significant judgments in selecting the estimation method that fits the credit characteristics of its class and portfolio segment as set forth below.

General Allowance

The general allowance for loan and lease losses was $39.8 million at June 30, 2013, compared to $36.8 million at December 31, 2012. The general portion of the allowance for loan and lease losses increased by $3.0 million during the six months ended June 30, 2013, in part as a result of growth in commercial real estate and equipment financing portfolios.

Specific Allowance

The specific allowance for loan and lease losses was $1.1 million at June 30, 2013, compared to $1.7 million at December 31, 2012. The specific allowance decreased by $0.6 million during the six months ended June 30, 2013, largely as a result of a large commercial real estate loan payoff, offset by specific reserves on the equipment financing portfolio.

Unallocated Allowance

The unallocated allowance for loan and lease losses was $3.4 million at June 30, 2013, compared to $2.6 million at December 31, 2012. The unallocated portion of the allowance for loan and lease losses increased by $0.8 million during the six months ended June 30, 2013, largely as a result of a change in the mix of the loan portfolio and organic loan growth.

Credit Quality Assessment

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

The Company reviews numerous credit quality indicators when assessing the risk in its loan portfolio. For the commercial real estate mortgage, multi-family mortgage, construction, commercial, equipment financing, condominium association and other consumer loan and lease classes, the Company utilizes an eight-grade loan rating system, which assigns a risk rating to each borrower based on a number of quantitative and qualitative factors associated with a loan transaction. Factors considered include industry and market conditions; position within the industry; earnings trends; operating cash flow; asset/liability values; debt capacity; guarantor strength; management and controls; financial reporting; collateral; and other considerations. In addition, the Company s independent loan review group evaluates the credit quality and related risk ratings of the commercial real estate and commercial loan portfolios. The results of these reviews are reported to the Board of Directors. For the indirect automobile portfolio, the Company primarily uses borrower FICO scores for monitoring credit risk while for residential mortgage and home equity portfolios loan-to-value ratios are used as the primary credit quality indicator.

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

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

1- 4 Rating Pass

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

5 Rating Other Asset Especially Mentioned (OAEM)

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

6 Rating Substandard

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

7 Rating Doubtful

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

8 Rating Definite Loss

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

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

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

Credit Quality Information

The following tables present the recorded investment in total loans in each class (unpaid balance of loans and leases outstanding excluding deferred loan origination costs) at June 30, 2013 by credit quality indicator.

	At June 30, 2013						
	Commercial Real Estate Mortgage	Multi-Family Mortgage	Construction	Commercial	Equipment Financing	Condominium Association	Other Consumer
				(In Thousands)			
Originated:							
Loan rating:							
Pass	$ 955,570	$ 503,226	$ 101,240	$ 241,947	$ 429,584	$ 41,855	$ 7,401
OAEM	7,652			1,058	1,741		
Substandard	929	544		135	4,076	4	
Doubtful				1,714	228		
	$ 964,151	$ 503,770	$ 101,240	$ 244,854	$ 435,629	$ 41,859	$ 7,401
Acquired:							
Loan rating:							
Pass	$ 365,597	$ 87,541	$ 10,695	$ 120,827	$ 40,209	$	$ 1,110
OAEM	5,138	2,048	655	3,241	224		
Substandard	13,423	1,580	94	7,395	662		20
Doubtful	742			190			
	$ 384,900	$ 91,169	$ 11,444	$ 131,653	$ 41,095	$	$ 1,130

	Indirect Automobile (In Thousands)
Originated:	
Credit score:	
Over 700	$ 398,562
661-700	63,713
660 and below	15,591
Data not available	1,916
	$ 479,782

	Residential Mortgage	Home Equity
	(In Thousands)	
Originated:		

Loan-to-value ratio:		
Less than 50%	$ 95,326	$ 67,567
50% - 69%	142,177	24,946
70% - 79%	117,090	15,015
80% and over	19,949	3,977
Data not available	486	981
Total	$ 375,028	$ 112,486
Acquired:		
Loan-to-value ratio:		
Less than 50%	$ 24,128	$ 94,572
50% - 69%	43,662	26,173
70% - 79%	36,682	15,948
80% and over	21,790	2,648
Data not available	5,809	6,012
Total	$ 132,071	$ 145,353

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

The following tables present the recorded investment in loans in each class (unpaid balance of loans and leases outstanding excluding deferred loan origination costs) at December 31, 2012 by credit quality indicator.

	At December 31, 2012						
	Commercial Real Estate Mortgage	Multi-Family Mortgage	Construction	Commercial (In Thousands)	Equipment Financing	Condominium Association	Other Consumer
Originated:							
Loan rating:							
Pass	$ 863,901	$ 504,883	$ 80,913	$ 227,201	$ 359,064	$ 44,179	$ 6,093
OAEM	5,686	146		1,196	2,979		
Substandard	1,965	988		502	4,213	8	29
Doubtful				1,993	41		
Total	$ 871,552	$ 506,017	$ 80,913	$ 230,892	$ 366,297	$ 44,187	$ 6,122
Acquired:							
Loan rating:							
Pass	$ 409,725	$ 93,058	$ 17,186	$ 140,589	$ 54,175	$	$ 1,157
OAEM	2,740	2,439		1,344	286		
Substandard	17,216	5,019	98	8,635	233		
Doubtful				817			
Total	$ 429,681	$ 100,516	$ 17,284	$ 151,385	$ 54,694	$	$ 1,157

	Indirect Automobile (In Thousands)
Originated:	
Credit score:	
Over 700	$ 454,056
661-700	69,319
660 and below	16,934
Data not available	2,035
	$ 542,344

	Residential Mortgage	Home Equity
	(In Thousands)	
Originated:		
Loan-to-value ratio:		
Less than 50%	$ 86,659	$ 50,398
50% - 69%	142,172	25,284

70% - 79%		111,234		16,523
80% and over		27,858		6,042
Data not available		172		1,436
Total	$	368,095	$	99,683
Acquired:				
Loan-to-value ratio:				
Less than 50%	$	23,398	$	28,401
50% - 69%		42,214		39,385
70% - 79%		42,748		33,044
80% and over		31,614		34,267
Data not available		3,040		26,782
Total	$	143,014	$	161,879

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

Age Analysis of Past Due Loans and Leases

The following tables present an age analysis of the recorded investment in total loans and leases (unpaid balance of loans and leases outstanding excluding deferred loan origination costs) at June 30, 2013 and December 31, 2012.

	At June 30, 2013							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Originated:								
Commercial real estate mortgage	$ 886	$ 929	$	$ 1,815	$ 962,336	$ 964,151	$	$ 496
Multi-family mortgage	1,270			1,270	502,500	503,770		1,459
Construction					101,240	101,240		
Commercial	1,047	22	865	1,934	242,920	244,854		1,749
Equipment financing	3,018	659	1,807	5,484	430,145	435,629	15	3,942
Condominium association					41,859	41,859		4
Indirect automobile	5,427	719	165	6,311	473,471	479,782	9	156
Residential mortgage	424	564	510	1,498	373,530	375,028		1,693
Home equity	200			200	112,286	112,486		75
Other consumer	5			5	7,396	7,401		1
	$ 12,277	$ 2,893	$ 3,347	$ 18,517	$ 3,247,683	$ 3,266,200	$ 24	$ 9,575

	At June 30, 2013							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Acquired:								
Commercial real estate mortgage	$ 1,288	$ 914	$ 4,647	$ 6,849	$ 378,051	$ 384,900	$ 3,860	$ 2,186
Multi-family mortgage	295		398	693	90,476	91,169	398	134
Construction					11,444	11,444		
Commercial	496	423	2,397	3,316	128,337	131,653	1,728	2,931
Equipment financing	58	72	106	236	40,859	41,095	90	72

Residential mortgage	760	192	4,044	4,996	127,075	132,071	3,267	1,093
Home equity	1,244	545	884	2,673	142,680	145,353	273	1,482
Other consumer	7	20		27	1,103	1,130		20
	$ 4,148	$ 2,166	$ 12,476	$ 18,790	$ 920,025	$ 938,815	$ 9,616	$ 7,918

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

	At December 31, 2012							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Originated:								
Commercial real estate mortgage	$ 1,530	$	$ 435	$ 1,965	$ 869,587	$ 871,552	$ 434	$ 1,539
Multi-family mortgage	2,410	60	988	3,458	502,559	506,017		1,932
Construction	2,354	816		3,170	77,743	80,913		
Commercial	26	75	26	127	230,765	230,892	26	1,993
Equipment financing	2,595	1,439	1,618	5,652	360,645	366,297		3,817
Condominium association					44,187	44,187		8
Indirect automobile	5,592	923	99	6,614	535,730	542,344	1	99
Residential mortgage			1,059	1,059	367,036	368,095	27	2,008
Home equity			33	33	99,650	99,683		58
Other consumer		2	5	7	6,115	6,122	5	29
	$ 14,507	$ 3,315	$ 4,263	$ 22,085	$ 3,094,017	$ 3,116,102	$ 493	$ 11,483

	At December 31, 2012							
	Past Due							
	31-60 Days	61-90 Days	Greater Than 90 Days	Total	Current	Total Loans and Leases	Loans and Leases Past Due Greater Than 90 Days and Accruing	Nonaccrual Loans and Leases
	(In Thousands)							
Acquired:								
Commercial real estate mortgage	$ 2,911	$	$ 7,289	$ 10,200	$ 419,481	$ 429,681	$ 6,616	$ 2,475
Multi-family mortgage	2,738	395	2,178	5,311	95,205	100,516	1,857	2,301
Construction					17,284	17,284		
Commercial	866	177	4,353	5,396	145,989	151,385	3,503	3,461
Equipment financing	133	21	194	348	54,346	54,694	197	56
Residential mortgage	247	121	5,266	5,634	137,380	143,014	3,650	1,796
Home equity	1,582	507	607	2,696	159,183	161,879	321	658
Other consumer	7			7	1,150	1,157		16
	$ 8,484	$ 1,221	$ 19,887	$ 29,592	$ 1,030,018	$ 1,059,610	$ 16,144	$ 10,763

Commercial Real Estate Loans At June 30, 2013, loans outstanding in the three classes within this category expressed as a percentage of total loans and leases outstanding (including deferred loan origination costs) were as follows: commercial real estate mortgage loans 32.1%; multi-family mortgage loans 14.1%; and construction loans 2.7%.

Loans in this portfolio that are on nonaccrual status and/or risk-rated substandard or worse are evaluated on an individual loan basis for impairment. For non-impaired commercial real estate loans, loss factors are applied to outstanding loans by risk rating for each of the three classes in the portfolio. The factors applied are based primarily on historic loan loss experience and an assessment of internal and external factors and other relevant information from the past five years. Management has accumulated information on actual loan charge-offs and recoveries by class covering, depending on loan/lease category, up to 28 years of loss history. The Company has a long history of low frequency of loss in this loan class. As a result, determination of loss factors is based on considerable judgment by management, including evaluation of the risk characteristics related to current internal and external factors. Notable risk characteristics related to the commercial real estate mortgage and multi-family mortgage portfolios are

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

the concentration in those classes of outstanding loans within the greater Boston and Providence metropolitan areas and the effect the local economies could have on the collectability of those loans. While unemployment in the greater Boston metropolitan area is not as high as in other parts of the United States, it is nonetheless elevated in relation to historic trends. Unemployment in Rhode Island remains high relative to other parts of the United States. Should unemployment in the greater Boston and/or Providence metropolitan areas remain elevated, the resulting negative consequences could affect occupancy rates in the properties financed by the Company and cause certain borrowers to be unable to service their debt obligations.

Other factors taken into consideration in establishing the allowance for loan and lease losses for this class were the rate of growth of originated loans, the decrease in originated loans delinquent over 30 days from $8.6 million at December 31, 2012 to $3.1 million at June 30, 2013 and the increase in originated criticized loans from $8.8 million at December 31, 2012 to $9.1 million at June 30, 2013. The Company also takes into consideration the impact that the economy, and in particular the housing market, has on the rents and values associated with its apartment and multi-family mortgage loans. The increase in renters versus homeowners has increased multi-family rents. This trend, coupled with historically low capitalization rates, has increased apartment and multi-family property valuations, which, in turn, has increased the number of multi-family properties under development. These increases in multi-family rents and valuations could drop if the demand for rentable housing declines or interest rates rise. For further discussion of criticized loans, see *Credit Quality Assessment* section above.

While the Company s construction loan portfolio is small, there are higher risks associated with such loans. The source of repayment for the majority of the construction loans is derived from the sale of constructed housing units. These risk factors are considered when estimating allowances for loan losses for this asset class. A project that is viable at the outset can experience losses when there is a drop in the demand for housing units. Typically, the level of loss in relation to the amount loaned is high when construction projects run into difficulty.

Commercial Loans and Leases At June 30, 2013, loans and leases outstanding in the three classes within this portfolio expressed as a percent of total loans and leases outstanding (including deferred loan origination costs), were as follows: commercial loans and leases 9.0%; equipment financing loans 11.3%; and loans to condominium associations 1.0%.

Loans and leases in this portfolio that are on nonaccrual status and/or risk-rated substandard or worse are evaluated on an individual basis for impairment. For non-impaired commercial loans and leases, loss factors are applied to outstanding loans by risk rating for each of the three classes in the portfolio. The factors applied are based on historic loan and lease loss experience and on an assessment of internal and external factors. Management has accumulated information on actual loan and lease charge-offs and recoveries by class covering 19 years for commercial loans and leases, six years for equipment financing loans and leases, and twelve years for loans to condominium associations. Commercial loan and lease losses generally have been infrequent and modest while no losses have been experienced from loans to condominium associations since the Company started originating such loans. The risk characteristics described in *Commercial Real Estate Loans* above regarding concentration of outstanding loans within the greater Boston and Providence metropolitan areas and the status of the local economies are also applicable to the commercial and condominium association loan classes. Until the economy improves sufficiently, some commercial loan borrowers may have difficulty generating sufficient profitability and liquidity to service their debt obligations.

The Company s equipment financing loans and leases are concentrated in the financing of coin-operated laundry, dry cleaning, fitness and convenience store equipment, and, most recently, tow trucks. A significant share (40.5%) of the Company s equipment financing business is conducted in the states of New York and New Jersey, with the balance in other locations throughout the United States. The loans and leases are considered to be of higher risk because the borrowers are typically small-business owners who operate with limited financial resources and are more likely to experience difficulties in meeting their debt obligations when the economy is weak or unforeseen adverse events arise.

The factors taken into consideration in establishing the allowance for loan and lease losses for all commercial loan and lease categories included the rate of growth of originated loans and leases outstanding, the entrée into tow-truck lending, the increase in originated loans and leases delinquent over 30 days from $5.8 million

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

at December 31, 2012 to $7.4 million at June 30, 2013, and the decrease in total criticized originated loans and leases from $10.9 million at December 31, 2012 to $9.0 million at June 30, 2013.

Regarding loans to condominium associations, loan proceeds are generally used for capital improvements and loan payments are generally derived from ongoing association dues or special assessments. While the loans are unsecured, associations are permitted statutory liens on condominium units when owners do not pay their dues or special assessments. Proceeds from the subsequent sale of an owner unit can sometimes be a source for payment of delinquent dues and assessments. These factors have been considered in determining the amount of allowance for loan and lease losses established for this loan class.

Indirect Automobile Loans At June 30, 2013, indirect automobile loans represented 11.4% of the Company s total loan and lease portfolio (including deferred loan origination costs). Determination of the allowance for loan and lease losses for this portfolio is based primarily on borrowers credit scores (generally considered to be a good indicator of capacity to pay a loan, with the risk of loan loss increasing as credit scores decrease), and on an assessment of trends in loan underwriting, loan loss experience, and the economy and industry conditions. Data are gathered on loan originations by year broken down into the following ranges of borrower credit scores: over 700, between 661 and 700, and 660 and below. The Company s loan policy specifies underwriting guidelines based in part on the score of the borrower and includes ceilings on the percent of loans originated that can be to borrowers with credit scores of 660 and below. The breakdown of the amounts shown in *Credit Quality Information* above is based on borrower credit scores at the time of loan origination. Due to the weakened economy, it is possible that the credit scores of certain borrowers may have deteriorated since the time the loan was originated. Additionally, migrations of loan charge-offs and recoveries are analyzed by year of origination. Based on that data and taking into consideration other factors such as loan delinquencies and economic conditions, projections are made as to the amount of expected losses inherent in the portfolio. The percentage of loans made to borrowers with credit scores of 660 and below was 3.3% and 3.1% at June 30, 2013 and December 31, 2012, respectively.

Consumer Loans At June 30, 2013, loans outstanding within the three classes within this portfolio expressed as a percent of total loans and leases outstanding (including deferred loan origination costs) were as follows: residential mortgage loans 12.1%; home equity loans 6.1%; and other consumer loans 0.2%.

Significant risk characteristics related to the residential mortgage and home equity loan portfolios are the geographic concentration of the properties financed within selected communities in the greater Boston and Providence metropolitan areas and the economic conditions in those areas as previously commented upon in the *Commercial Real Estate Loans* subsection above. The loan-to-value ratio is the primary credit quality indicator used for residential mortgage loans and home equity loans. Generally, loans are not made when the loan-to-value ratio exceeds 80% unless private mortgage insurance is obtained and/or there is a financially strong guarantor. The loan-to-value ratios for residential mortgage loans are based on loan balances outstanding at June 30, 2013 and December 31, 2012 expressed as a percent of appraised real estate values at the time of loan origination. The loan-to-value ratios for home equity loans outstanding at June 30, 2013 and December 31, 2012 are based on the maximum amount of credit available to a borrower plus the balance of other loans secured by the same real estate serving as collateral for the home equity loan at the time the line of credit was established expressed as a percent of the appraised value of the real estate at the time the line of credit was established. Consumer loans that become 90 days or more past due or are placed on nonaccrual regardless of past due status are reviewed on an individual basis for impairment by assessing the net realizable value of underlying collateral and the economic condition of the borrower. For non-impaired loans, loss factors are applied to loans outstanding for each class. The factors applied are based primarily on historic loan loss experience, the value of underlying collateral, underwriting standards, and trends in loan-to-value ratios, credit scores of borrowers, sales activity, selling prices, geographic concentrations and employment conditions.

The risk of loss on a home equity loan is higher since the property securing the loan has often been previously pledged as collateral for a first mortgage loan. The Company gathers and analyzes delinquency data, to the extent that data are available on these first liens, for purposes of assessing the collectability of the second liens held for the Company even if these home equity loans are not delinquent. These data are further analyzed for performance differences between amortizing and non-amortizing home equity loans, the percentage borrowed to total loan

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

commitment, and by the amount of payments made by the borrowers. The exposure to loss is not considered to be high due to the combination of current property values, the low level of losses experienced in the past few years and the low level of loan delinquencies at June 30, 2013. If the local economy weakens, however, a rise in losses in those loan classes could occur. Historically, losses in these classes have been low.

Impaired Loans and Leases

When the ultimate collectability of the total principal of an impaired loan or lease is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan or lease is not in doubt and the loan or lease is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

The following tables include the recorded investment and unpaid principal balances of impaired loans and leases with the related allowance amount, if applicable, for the originated and acquired loan and lease portfolios at the dates and for the periods indicated. Also presented are the average recorded investments in the impaired loans and leases and the related amount of interest recognized during the period that the impaired loans were impaired.

	At June 30, 2013			Three Months Ended June 30, 2013		Six Months Ended June 30, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
				(In Thousands)			
Originated:							
With no related allowance recorded:							
Commercial real estate	$ 1,970	$ 1,969	$	$ 1,939	$ 30	$ 2,695	$ 30
Commercial	3,868	3,846		3,139	29	4,030	60
Consumer	1,315	1,311		1,323	18	1,328	18
	7,153	7,126		6,401	77	8,053	108
With an allowance recorded:							
Commercial real estate	1,448	1,447	175	1,256	10	1,469	17
Commercial	1,755	1,749	561	1,682	6	1,686	7
Consumer	3,274	3,263	418	2,681	35	3,475	39
	6,477	6,459	1,154	5,619	51	6,630	63
Total	$ 13,630	$ 13,585	$ 1,154	$ 12,020	$ 128	$ 14,683	$ 171

At June 30, 2013

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Three Months Ended June 30, 2013 Average Recorded Investment	Three Months Ended June 30, 2013 Interest Income Recognized	Six Months Ended June 30, 2013 Average Recorded Investment	Six Months Ended June 30, 2013 Interest Income Recognized
			(In Thousands)				
Acquired:							
With no related allowance recorded:							
Commercial real estate	$ 7,698	$ 7,786	$	$ 3,217	$ 88	$ 11,291	$ 99
Commercial	3,858	4,079		1,548	26	4,369	66
Consumer	537	587		317	8	1,489	8
	12,093	12,452		5,082	122	17,149	173
With an allowance recorded:							
Commercial real estate	3,642	4,171	123	3,679		3,700	
Commercial	584	618	144			631	
Consumer							
	4,226	4,789	267	3,679		4,331	
Total	$ 16,319	$ 17,241	$ 267	$ 8,761	$ 122	$ 21,480	$ 173

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

	At December 31, 2012			Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In Thousands)						
Originated:							
With no related allowance recorded:							
Commercial real estate	$ 2,051	$ 2,051	$	$ 2,954	$ 71	$ 3,613	$ 148
Commercial	3,032	3,059		4,130	47	4,638	90
Consumer	1,191	1,187		2,702	24	2,957	52
	6,274	6,297		9,786	142	11,208	290
With an allowance recorded:							
Commercial real estate	2,517	2,516	241	213	28	353	39
Commercial	3,422	3,559	703	1,916	66	1,852	108
Consumer	3,648	3,636	596	2,288	32	2,303	61
	9,587	9,711	1,540	4,417	126	4,508	208
Total	$ 15,861	$ 16,008	$ 1,540	$ 14,203	$ 268	$ 15,716	$ 498

	At December 31, 2012			Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In Thousands)						
Acquired:							
With no related allowance recorded:							
Commercial real estate	$ 17,918	$ 19,129	$	$ 5,738	$	$ 3,647	$
Commercial	7,329	7,782		1,481		658	2
Consumer	3,266	3,379		1,430		788	1
	28,513	30,290		8,649		5,093	3
With an allowance recorded:							
Commercial real estate	673	684	75	1,384		692	
Commercial	113	121	75				
Consumer							
	786	805	150	1,384		692	
Total	$ 29,299	$ 31,095	$ 150	$ 10,033	$	$ 5,785	$ 3

Table of Contents

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

At and for the Six Months Ended June 30, 2013 and 2012

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

	At June 30, 2013							
	Loans and Leases Individually Evaluated for Impairment		Loans and Leases Collectively Evaluated for Impairment		Acquired Loans (ASC 310-20 and ASC 310-30)		Total	
	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance
	(In Thousands)							
Commercial real estate	$ 3,418	$ 175	$ 1,565,743	$ 21,769	$ 487,513	$ 75	$ 2,056,674	$ 22,019
Commercial	5,623	561	716,719	11,121	172,748	109	895,090	11,791
Indirect automobile								