Section 1: 10-Q (10-Q)

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.**

Commission File Number: 001-35028

united financial bancorp, inc.

United Financial Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Connecticut	**27-3577029**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
225 Asylum Street, Hartford, Connecticut	**06103**
(Address of principal executive offices)	*(Zip Code)*

(860) 291-3600
(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 ☐ 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 prior that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of October 31, 2018, there were 51,021,188 shares of Registrant's no par value common stock outstanding.

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Part 1 - FINANCIAL INFORMATION

Item 1 - Interim Financial Statements

United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Condition
(Unaudited)

	September 30, 2018	December 31, 2017
	(In thousands, except share data)	
ASSETS		
Cash and due from banks	$ 48,786	$ 56,661
Short-term investments	29,809	32,007
Total cash and cash equivalents	78,595	88,668
Available-for-sale securities - at fair value	972,035	1,050,787
Held-to-maturity securities - at amortized cost	—	13,598
Loans held for sale	86,948	114,073
Loans receivable (net of allowance for loan losses of $49,909 at September 30, 2018 and $47,099 at December 31, 2017)	5,495,277	5,307,678
Federal Home Loan Bank of Boston stock	42,032	50,194
Accrued interest receivable	25,485	22,332
Deferred tax asset, net	31,473	25,656
Premises and equipment, net	67,612	67,508
Goodwill	115,281	115,281
Core deposit intangible	3,561	4,491
Cash surrender value of bank-owned life insurance	181,928	148,300
Other assets	107,271	105,593
Total assets	$ 7,207,498	$ 7,114,159
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest-bearing	$ 759,210	$ 778,576
Interest-bearing	4,741,153	4,419,645
Total deposits	5,500,363	5,198,221
Mortgagors' and investors' escrow accounts	9,597	7,545
Advances from the Federal Home Loan Bank	812,948	1,046,458
Other borrowings	113,644	118,596
Accrued expenses and other liabilities	61,128	50,011
Total liabilities	6,497,680	6,420,831
Stockholders' equity:		
Preferred stock (no par value; 2,000,000 authorized; no shares issued)	—	—
Common stock (no par value; authorized 120,000,000 shares; 51,146,888 and 51,044,752 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively)	539,528	537,576
Additional paid-in capital	5,121	4,713
Unearned compensation - ESOP	(5,295)	(5,466)
Retained earnings	200,478	168,345
Accumulated other comprehensive loss, net of tax	(30,014)	(11,840)
Total stockholders' equity	709,818	693,328
Total liabilities and stockholders' equity	$ 7,207,498	$ 7,114,159

See accompanying notes to unaudited consolidated financial statements.

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United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Net Income
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands, except share and per share data)			
Interest and dividend income:				
Loans	$ 61,061	$ 51,809	$ 173,799	$ 147,976
Securities - taxable interest	5,822	5,604	17,289	16,907
Securities - non-taxable interest	2,347	2,499	7,130	7,108
Securities - dividends	748	736	2,121	2,233
Interest-bearing deposits	213	151	476	303
Total interest and dividend income	70,191	60,799	200,815	174,527
Interest expense:				
Deposits	15,767	9,185	39,658	23,607
Borrowed funds	5,995	4,846	18,004	13,527
Total interest expense	21,762	14,031	57,662	37,134
Net interest income	48,429	46,768	143,153	137,393
Provision for loan losses	2,007	2,566	6,296	7,146
Net interest income after provision for loan losses	46,422	44,202	136,857	130,247
Non-interest income:				
Service charges and fees	6,623	6,514	19,324	19,343
(Loss) gain on sales of securities, net	(58)	158	120	710
Income from mortgage banking activities	1,486	1,204	4,061	4,355
Bank-owned life insurance income	1,460	1,167	4,777	3,523
Net loss on limited partnership investments	(221)	(864)	(1,771)	(1,582)
Other income	265	247	693	635
Total non-interest income	9,555	8,426	27,204	26,984
Non-interest expense:				
Salaries and employee benefits	22,643	20,005	65,954	59,309
Service bureau fees	2,209	2,336	6,592	6,959
Occupancy and equipment	4,487	3,740	14,104	11,866
Professional fees	1,013	1,048	3,282	3,309
Marketing and promotions	1,119	1,087	2,993	3,036
FDIC insurance assessments	655	780	2,129	2,255
Core deposit intangible amortization	288	337	930	1,075
Other	6,529	5,929	18,065	17,704
Total non-interest expense	38,943	35,262	114,049	105,513
Income before income taxes	17,034	17,366	50,012	51,718
Provision for income taxes	726	2,175	2,271	6,601
Net income	$ 16,308	$ 15,191	$ 47,741	$ 45,117
Net income per share:				
Basic	$ 0.32	$ 0.30	$ 0.94	$ 0.90
Diluted	$ 0.32	$ 0.30	$ 0.94	$ 0.89
Weighted-average shares outstanding:				
Basic	50,624,832	50,263,602	50,535,569	50,246,234
Diluted	51,104,776	50,889,987	51,026,105	50,888,175

See accompanying notes to unaudited consolidated financial statements.

United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Net income	$ 16,308	$ 15,191	$ 47,741	$ 45,117
Other comprehensive (loss) income:				
Securities available-for-sale:				
Unrealized holding (losses) gains	(6,761)	1,076	(29,784)	10,138
Reclassification adjustment for losses (gains) realized in operations (1)	58	(158)	(120)	(710)
Net unrealized (losses) gains	(6,703)	918	(29,904)	9,428
Tax effect - benefit (expense)	1,473	(330)	6,746	(3,387)
Net-of-tax amount - securities available-for-sale	(5,230)	588	(23,158)	6,041
Interest rate swaps designated as cash flow hedges:				
Unrealized gains (losses)	2,138	(131)	9,021	(2,073)
Reclassification adjustment for losses recognized in interest expense (2)	117	301	546	1,104
Net unrealized gains (losses)	2,255	170	9,567	(969)
Tax effect - (expense) benefit	(496)	(61)	(2,108)	349
Net-of-tax amount - interest rate swaps	1,759	109	7,459	(620)
Pension and Post-retirement plans:				
Reclassification adjustment for prior service costs recognized in net periodic benefit cost	1	2	5	5
Reclassification adjustment for losses recognized in net periodic benefit cost (3)	124	142	370	428
Net change in gains and prior service costs	125	144	375	433
Tax effect - expense	(28)	(52)	(83)	(156)
Net-of-tax amount - pension and post-retirement plans	97	92	292	277
Total other comprehensive (loss) income	(3,374)	789	(15,407)	5,698
Comprehensive income	$ 12,934	$ 15,980	$ 32,334	$ 50,815

(1) Amounts are included in gain (loss) on sales of securities, net in the unaudited Consolidated Statements of Net Income. Income tax benefit (expense) associated with the reclassification adjustment was $13 and $(57) for the three months ended September 30, 2018 and 2017, respectively. Income tax expense associated with the reclassification adjustment was $26 and $256 for the nine months ended September 30, 2018 and 2017, respectively.

(2) Amounts are included in borrowed funds interest expense in the unaudited Consolidated Statements of Net Income. Income tax benefit associated with the reclassification adjustment for the three months ended September 30, 2018 and 2017 was $26 and $108, respectively. Income tax benefit associated with the reclassification adjustment for the nine months ended September 30, 2018 and 2017 was $120 and $398, respectively.

(3) Amounts are included in salaries and employee benefits expense in the unaudited Consolidated Statements of Net Income. Income tax benefit associated with the reclassification adjustment for losses recognized in the net periodic benefit cost for the three months ended September 30, 2018 and 2017 was $27 and $51, respectively. Income tax benefit associated with the reclassification adjustment for losses recognized in the net periodic benefit cost for the nine months ended September 30, 2018 and 2017 was $82 and $154, respectively.

See accompanying notes to unaudited consolidated financial statements.

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United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

	Common Stock		Additional Paid-in Capital	Unearned Compensation - ESOP	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount					
	(In thousands, except share data)						
Balance at December 31, 2017	51,044,752	$537,576	$ 4,713	$ (5,466)	$168,345	$ (11,840)	$ 693,328
Adoption of ASU No. 2016-01 (see Note 3)	—	—	—	—	177	(177)	—
Adoption of ASU No. 2018-02 (see Note 10)	—	—	—	—	2,590	(2,590)	—
Comprehensive income	—	—	—	—	47,741	(15,407)	32,334
Common stock repurchased	(94,900)	(1,551)	—	—	—	—	(1,551)
Stock-based compensation expense	—	—	2,160	—	—	—	2,160
ESOP shares released or committed to be released	—	—	118	171	—	—	289
Shares issued for stock options exercised	203,828	3,520	(1,783)	—	—	—	1,737
Shares issued for restricted stock grants	8,763	147	(147)	—	—	—	—
Shares cancelled for restricted stock forfeitures	(9,698)	(164)	164	—	—	—	—
Cancellation of shares for tax withholding	(5,857)	—	(104)	—	—	—	(104)
Dividends paid ($0.36 per common share)	—	—	—	—	(18,375)	—	(18,375)
Balance at September 30, 2018	51,146,888	$539,528	$ 5,121	$ (5,295)	$200,478	$ (30,014)	$ 709,818
Balance at December 31, 2016	50,786,671	$531,848	$ 7,227	$ (5,694)	$137,838	$ (15,353)	$ 655,866
Comprehensive income	—	—	—	—	45,117	5,698	50,815
Common stock repurchased	(80,000)	(1,312)	—	—	—	—	(1,312)
Stock-based compensation expense	—	—	2,052	—	—	—	2,052
ESOP shares released or committed to be released	—	—	125	171	—	—	296
Shares issued for stock options exercised	143,149	2,527	(981)	—	—	—	1,546
Shares issued for restricted stock grants	3,617	65	(65)	—	—	—	—
Shares cancelled for restricted stock forfeitures	(9,242)	(127)	127	—	—	—	—
Cancellation of shares for tax withholding	(22,804)	—	(340)	—	—	—	(340)
Dividends paid ($0.36 per common share)	—	—	—	—	(18,270)	—	(18,270)
Balance at September 30, 2017	50,821,391	$533,001	$ 8,145	$ (5,523)	$164,685	$ (9,655)	$ 690,653

See accompanying notes to unaudited consolidated financial statements.

United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30,	
	2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 47,741	$ 45,117
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of premiums and discounts on investments, net	3,084	3,059
Amortization of intangible assets and purchase accounting marks, net	1,161	1,053
Amortization of subordinated debt issuance costs	95	95
Stock-based compensation expense	2,160	2,052
ESOP expense	289	296
Provision for loan losses	6,296	7,146
Gains on sales of securities, net	(120)	(710)
Net unrealized gain on marketable equity securities	(19)	—
Loans originated for sale	(271,783)	(292,973)
Principal balance of loans sold	298,908	266,071
Increase in mortgage servicing asset	(2,667)	(1,047)
Gain on sales of other real estate owned	(173)	(296)
Net change in mortgage banking fair value adjustments	809	(2,336)
(Gain) loss on disposal of equipment	68	(42)
Write-downs of other real estate owned	362	342
Depreciation and amortization of premises and equipment	5,713	4,206
Net loss on limited partnership investments	1,771	1,582
Deferred income tax (benefit) expense	(1,262)	5,769
Increase in cash surrender value of bank-owned life insurance	(4,342)	(3,515)
Income recognized from death benefits on bank-owned life insurance	(435)	(8)
Net change in:		
Deferred loan fees and premiums	(1,809)	(3,661)
Accrued interest receivable	(3,153)	(2,122)
Other assets	(17,526)	(17,644)
Accrued expenses and other liabilities	11,497	5,297
Net cash provided by operating activities	76,665	17,731
Cash flows from investing activities:		
Proceeds from sales of available-for-sale securities	58,653	214,048
Proceeds from calls and maturities of available-for-sale securities	35,790	86,859
Principal payments on available-for-sale securities	50,355	57,234
Principal payments on held-to-maturity securities	—	317
Purchases of available-for-sale securities	(85,557)	(376,506)
Redemption of FHLBB and other restricted stock	12,413	10,514
Purchase of FHLBB stock	(4,251)	(2,179)
Proceeds from sale of other real estate owned	2,232	1,475
Purchases of loans	(206,217)	(173,356)
Loan originations, net of principal repayments	10,657	(135,468)
Proceeds from bank-owned life insurance death benefits	1,082	12
Purchases of bank-owned life insurance	(30,000)	—
Proceeds from redemption of bank-owned life insurance	26,292	—
Purchases of premises and equipment	(5,934)	(14,219)
Proceeds from sales of equipment	—	707
Net cash used in investing activities	(134,485)	(330,562)

(Continued)

See accompanying notes to unaudited consolidated financial statements.

United Financial Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows - Concluded
(Unaudited)

	For the Nine Months Ended September 30,	
	2018	2017
	(In thousands)	
Cash flows from financing activities:		
Net increase (decrease) in non-interest-bearing deposits	(19,366)	17,080
Net increase in interest-bearing deposits	321,690	425,354
Net increase (decrease) in mortgagors' and investors' escrow accounts	2,052	(3,713)
Net decrease in short-term FHLBB advances	(203,000)	(144,000)
Repayments of long-term FHLBB advances	(1,174)	(1,138)
Repayments of called FHLBB advances	(30,000)	(45,000)
Proceeds from long-term FHLBB advances	950	95,000
Net change in other borrowings	(5,112)	(4,803)
Proceeds from exercise of stock options	1,737	1,546
Common stock repurchased	(1,551)	(1,312)
Cancellation of shares for tax withholding	(104)	(340)
Cash dividend paid on common stock	(18,375)	(18,270)
Net cash provided by financing activities	47,747	320,404
Net increase (decrease) in cash and cash equivalents	(10,073)	7,573
Cash and cash equivalents, beginning of period	88,668	90,944
Cash and cash equivalents, end of period	$ 78,595	$ 98,517
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 56,138	$ 37,084
Income taxes, net	1,276	5,159
Transfer of loans to other real estate owned	2,075	2,075
Change in due to broker, investment purchases	—	(6)

See accompanying notes to unaudited consolidated financial statements.

United Financial Bancorp, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Operations

United Financial Bancorp, Inc. (the "Company" or "United") is headquartered in Hartford, Connecticut, and through United Bank (the "Bank") and various subsidiaries, delivers financial services to individuals, families and businesses primarily throughout Connecticut and Massachusetts through 54 banking offices, its commercial loan production offices, its mortgage loan production offices, 66 ATMs, telephone banking, mobile banking and online banking (www.bankatunited.com).

Basis of Presentation

The consolidated interim financial statements and the accompanying notes presented in this report include the accounts of the Company, the Bank and the Bank's wholly-owned subsidiaries, United Bank Mortgage Company, United Bank Investment Corp., Inc., United Bank Commercial Properties, Inc., United Bank Residential Properties, Inc., United Wealth Management, Inc., United Bank Investment Sub, Inc., UCB Securities, Inc. II, UB Properties, LLC, United Financial Realty HC, Inc. and United Financial Business Trust I.

The consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included in the interim unaudited consolidated financial statements. Interim results are not necessarily indicative of the results that may be expected for the year ending December 31, 2018 or any future period. These unaudited interim consolidated financial statements should be read in conjunction with the Company's 2017 audited consolidated financial statements and notes thereto included in United Financial Bancorp, Inc.'s Annual Report on Form 10-K as of and for the year ended December 31, 2017.

Common Share Repurchases

The Company is chartered in the state of Connecticut. Connecticut law does not provide for treasury shares, rather shares repurchased by the Company constitute authorized, but unissued shares. GAAP states that accounting for treasury stock shall conform to state law. Therefore, the cost of shares repurchased by the Company has been allocated to common stock balances.

Reclassifications

Certain reclassifications have been made in prior periods' consolidated financial statements to conform to the 2018 presentation. These reclassifications had no impact on the Company's consolidated financial position, results of operations or net change in cash equivalents.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results in the future could vary from the amounts derived from management's estimates and assumptions. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the realizability of deferred tax assets, the evaluation of securities for other-than-temporary impairment, the valuation of derivative instruments and hedging activities, and goodwill impairment valuations.

Note 2. Recent Accounting Pronouncements

Recently Adopted Accounting Principles Previously Disclosed

Effective January 1, 2018, the following list identifies Account Standards Updates ("ASUs") adopted by the Company:

- ASU No. 2014-09, *Revenue From Contracts with Customers (Topic 606)*
- ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-210): Recognition and Measurement of Financial Assets and Financial Liabilities*
- ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*
- ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*
- ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*
- ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*

- ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*
- ASU No. 2017-09, *Compensation, Stock Compensation (Topic 718): Scope of Modified Accounting*
- ASU No. 2017-12, *Derivatives & Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*
- ASU No. 2018-02, *Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*

The adoption of these accounting standards did not have a material impact on the Company's Consolidated Financial Statements.

Accounting Standards Issued but Not Yet Adopted

The following list identifies ASUs applicable to the Company that have been issued but are not yet effective:

Disclosure

In August 2018, the Financial Accounting Standards Board ("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.* The Update was issued as a part of FASB's disclosure project to improve the effectiveness of disclosures in the notes to financial statements. 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. The amendments in this Update are effective for fiscal years ending after December 15, 2020. Early adoption is permitted and amendments should be applied on a retrospective basis to all periods presented. This ASU will affect the Company's disclosure only and will not have a financial statement impact.

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* as a result of a broader disclosure project. The Update amends the disclosure requirements for fair value measurements to improve the effectiveness of the disclosure. The Update removes and modifies certain disclosure requirements, as well as adds requirements for public business entities. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures upon issuance of the Update and delay adoption of the additional disclosures until their effective date. This ASU will affect the Company's disclosures only and will not have a financial statement impact.

Compensation

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* as a part of its Simplification Initiative. Under this guidance, the inclusion of share-based payments for nonemployees as payment for goods or services will be added under the scope of Topic 718. Recognition for costs of issuance of share-based payments to nonemployees is expected to be similar to how companies recognize these same costs for employees. This ASU is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This ASU is not expected to have a significant impact to the Company's Consolidated Financial Statements.

Receivables

In March 2017, the FASB issued ASU No. 2017-08, *Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities.* Under the new guidance, the premium on bonds purchased at a premium will be amortized to the bond's call date rather than the date of maturity to more closely align interest income recorded on bonds held at a premium or a discount with the economics of the underlying instrument. This ASU is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. As of September 30, 2018, this ASU is expected to have an impact of reducing premiums on callable debt securities by approximately $9.5 million (pre-tax), with the offset being a reduction in retained earnings upon initial adoption.

Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which amends the Board's guidance on the impairment of financial instruments. The ASU adds to GAAP an impairment model (known as the current expected credit loss ("CECL") model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The ASU is also intended to reduce the complexity of GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. For public business entities that are U.S. Securities and Exchange Commission filers, this ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The amendments in this Update may be adopted earlier as of the

fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. All entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The expected credit loss model will require a financial asset to be presented at the net amount expected to be collected. The impact on adoption is a one-time adjustment to retained earnings. 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 which is expected to increase loan loss reserves, the amount of which is uncertain at this time. The Company has implemented a committee led by the Bank's Chief Credit Officer, which includes the Chief Financial Officer and the Chief Risk Officer, to assist in identifying, implementing and evaluating the impact of the required changes to loan loss estimation models and processes. Additionally, the committee has identified and is in the process of testing a third-party software solution and has engaged outside consultants to aide in education and process development for estimating expected losses under the new guidance.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU consists of three sections: Section A - *Leases: Amendments to the FASB Accounting Standards Codification;* Section B - *Conforming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification;* and section C - *Background Information and Basis for Conclusions*. This ASU introduces a lessee model that requires most leases on the balance sheet and aligns many of the underlying principles of the new lessor model with those in the new revenue recognition standard, ASC 606, *Revenue From Contracts with Customers*. The new leases standard represents a wholesale change to lease accounting and will most likely result in significant implementation challenges during the transition period and beyond. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. The new guidance will be effective for public business entities for annual periods beginning after December 15, 2018, and interim periods therein. Early adoption will be permitted for all entities.

In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842) - Targeted Improvements*, which revised the transition approach to no longer require leases to be recognized at the beginning of the earliest period presented using a modified retrospective approach. Instead, adopters can take the prospective approach upon transition which allows entities to not recast comparative periods upon transition. There are also a number of optional practical expedients that entities may elect to apply.

The Company has established a working group which includes the Director of Accounting, Director of Tax and Accounting Policy and the Controller in order to continually assess the impact of the requirements of the new guidance. Upon adoption of this ASU on January 1, 2019, the Company expects to record an increase in assets of approximately $50.0 million and an increase in liabilities of approximately $56.0 million on the Consolidated Statements of Condition as a result of recognizing the right-of-use assets and lease liabilities.

Note 3. Securities

The amortized cost, gross unrealized gains, gross unrealized losses and fair value of investment securities classified as available-for-sale and held-to-maturity at September 30, 2018 and December 31, 2017 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
September 30, 2018				
Available-for-sale:				
Debt securities:				
Government-sponsored residential mortgage-backed securities	$ 215,541	$ 67	$ (8,034)	$ 207,574
Government-sponsored residential collateralized debt obligations	174,481	—	(4,355)	170,126
Government-sponsored commercial mortgage-backed securities	28,771	—	(1,579)	27,192
Government-sponsored commercial collateralized debt obligations	157,592	—	(8,678)	148,914
Asset-backed securities	99,348	321	(731)	98,938
Corporate debt securities	83,486	49	(3,213)	80,322
Obligations of states and political subdivisions	251,616	397	(13,044)	238,969
Total available-for-sale debt securities	$ 1,010,835	$ 834	$ (39,634)	$ 972,035
December 31, 2017				
Available-for-sale:				
Debt securities:				
Government-sponsored residential mortgage-backed securities	$ 235,646	$ 779	$ (946)	$ 235,479
Government-sponsored residential collateralized debt obligations	134,652	16	(1,556)	133,112
Government-sponsored commercial mortgage-backed securities	33,449	7	(201)	33,255
Government-sponsored commercial collateralized debt obligations	151,035	—	(3,793)	147,242
Asset-backed securities	166,559	1,253	(673)	167,139
Corporate debt securities	88,571	1,104	(539)	89,136
Obligations of states and political subdivisions	249,531	1,436	(5,960)	245,007
Total debt securities	1,059,443	4,595	(13,668)	1,050,370
Marketable equity securities, by sector:				
Industrial	109	100	—	209
Oil and gas	131	77	—	208
Total marketable equity securities	240	177	—	417
Total available-for-sale securities	$ 1,059,683	$ 4,772	$ (13,668)	$ 1,050,787
Held-to-maturity:				
Debt securities:				
Obligations of states and political subdivisions	$ 12,280	$ 679	$ (88)	$ 12,871
Government-sponsored residential mortgage-backed securities	1,318	111	—	1,429
Total held-to-maturity securities	$ 13,598	$ 790	$ (88)	$ 14,300

At September 30, 2018, the net unrealized loss on securities available-for-sale of $38.8 million, net of an income tax benefit of $8.5 million, or $30.3 million, was included in accumulated other comprehensive loss on the unaudited Consolidated Statement of Condition.

Effective January 1, 2018, the Company adopted ASU No. 2017-12, *Derivatives & Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,* which improves and simplifies the accounting rules around hedge accounting. As allowed by the ASU, upon adoption, the Company transferred its held-to-maturity portfolio to its available-for-sale portfolio.

The amortized cost and fair value of debt securities at September 30, 2018 by contractual maturities are presented below. Actual maturities may differ from contractual maturities because some securities may be called or repaid without any penalties. Also, because mortgage-backed securities require periodic principal paydowns, they are not included in the maturity categories in the following maturity summary.

	Available-for-Sale	
	Amortized Cost	Fair Value
	(In thousands)	
Maturity:		
Within 1 year	$ —	$ —
After 1 year through 5 years	13,820	13,564
After 5 years through 10 years	85,884	81,973
After 10 years	235,398	223,754
	335,102	319,291
Government-sponsored residential mortgage-backed securities	215,541	207,574
Government-sponsored residential collateralized debt obligations	174,481	170,126
Government-sponsored commercial mortgage-backed securities	28,771	27,192
Government-sponsored commercial collateralized debt obligations	157,592	148,914
Asset-backed securities	99,348	98,938
Total available-for-sale debt securities	$ 1,010,835	$ 972,035

Effective January 1, 2018, the Company adopted FASB ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,* which required the Company to recognize the changes in fair value of marketable equity securities to be recorded in the Consolidated Statement of Net Income. The cumulative-effect adjustment resulting from the adoption of this new standard was a one-time adjustment that increased retained earnings and increased accumulated other comprehensive losses of January 1, 2018 by $177,000. For the three and nine months ended September 30, 2018, there were $20,000 and $19,000, respectively, in unrealized gains recognized in other income in the Consolidated Statement of Net Income on marketable equity securities. At September 30, 2018, the fair value of marketable equity securities was $437,000, which includes gross unrealized gains of $196,000, and is included in other assets on the Consolidated Statement of Condition.

At September 30, 2018 and December 31, 2017, the Company had securities with a fair value of $485.0 million and $469.4 million, respectively, pledged as derivative collateral, collateral for reverse repurchase borrowings, collateral for municipal deposit exposure, and collateral for FHLBB borrowing capacity.

There were no gains realized on sales of available-for-sale securities for the three months ended September 30, 2018. For the three months ended September 30, 2017, gross gains of $235,000 were realized on the sales of available-for-sale securities. For the nine months ended September 30, 2018 and 2017, gross gains of $418,000 and $2.5 million, respectively, were realized on the sales of available-for-sale securities. There were gross losses of $58,000 and $77,000 realized on the sale of available-for-sale securities for the three months ended September 30, 2018 and 2017, respectively. There were gross losses of $298,000 and $1.8 million realized on the sale of available-for-sale securities for the nine months ended September 30, 2018 and 2017, respectively.

As of September 30, 2018, the Company did not have any exposure to private-label mortgage-backed securities. The Company also did not own any single security with an aggregate book value in excess of 10% of the Company’s stockholders’ equity.

As of September 30, 2018, the fair value of the obligations of states and political subdivisions portfolio was $239.0 million, with no significant geographic or issuer exposure concentrations. Of the total state and political obligations of $239.0 million, $103.1 million were representative of general obligation bonds, for which $57.0 million are general obligations of political subdivisions of the respective state, rather than general obligations of the state itself.

The following table summarizes gross unrealized losses and fair value, aggregated by category and length of time the securities have been in a continuous unrealized loss position, as of September 30, 2018 and December 31, 2017:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)					
September 30, 2018						
Available-for-sale:						
Debt securities:						
Government-sponsored residential mortgage-backed securities	$ 122,253	$ (4,011)	$ 84,143	$ (4,023)	$ 206,396	$ (8,034)
Government-sponsored residential collateralized debt obligations	109,280	(1,963)	60,846	(2,392)	170,126	(4,355)
Government-sponsored commercial mortgage-backed securities	16,905	(1,025)	10,287	(554)	27,192	(1,579)
Government-sponsored commercial collateralized debt obligations	30,175	(1,143)	118,740	(7,535)	148,915	(8,678)
Asset-backed securities	51,847	(650)	6,489	(81)	58,336	(731)
Corporate debt securities	56,939	(2,131)	17,334	(1,082)	74,273	(3,213)
Obligations of states and political subdivisions	109,945	(3,506)	120,383	(9,538)	230,328	(13,044)
Total available-for-sale debt securities	$ 497,344	$ (14,429)	$ 418,222	$ (25,205)	$ 915,566	$ (39,634)
December 31, 2017						
Available-for-sale:						
Debt securities:						
Government-sponsored residential mortgage-backed securities	$ 41,961	$ (203)	$ 83,545	$ (743)	$ 125,506	$ (946)
Government-sponsored residential collateralized debt obligations	82,758	(740)	43,359	(816)	126,117	(1,556)
Government-sponsored commercial mortgage-backed securities	21,196	(74)	10,895	(127)	32,091	(201)
Government-sponsored commercial collateralized debt obligations	27,965	(291)	119,277	(3,502)	147,242	(3,793)
Asset-backed securities	64,259	(602)	4,756	(71)	69,015	(673)
Corporate debt securities	25,403	(257)	10,764	(282)	36,167	(539)
Obligations of states and political subdivisions	26,341	(312)	116,624	(5,648)	142,965	(5,960)
Total available-for-sale securities	$ 289,883	$ (2,479)	$ 389,220	$ (11,189)	$ 679,103	$ (13,668)
Held-to-maturity:						
Debt securities:						
Obligations of states and political subdivisions	$ 2,130	$ (24)	$ 1,032	$ (64)	$ 3,162	$ (88)
Total held-to-maturity securities	$ 2,130	$ (24)	$ 1,032	$ (64)	$ 3,162	$ (88)

Of the available-for-sale securities summarized above as of September 30, 2018, 131 securities had unrealized losses equaling 2.8% of the amortized cost basis for less than twelve months and 117 securities had unrealized losses of 5.7% of the amortized cost basis for twelve months or more. As of December 31, 2017, of the available-for sale securities, 75 securities had unrealized losses of less than 1.0% of the amortized cost basis for less than twelve months and 100 securities had unrealized losses equaling 2.8% of the amortized cost basis for twelve months or more. There was one unrealized loss of $88,000 on a debt security held-to-maturity at December 31, 2017.

Based on its detailed quarterly review of the securities portfolio, management believes that no individual unrealized loss as of September 30, 2018 represents an other-than-temporary impairment. Among other things, the other-than-temporary impairment review of the investment securities portfolio focuses on the combined factors of percentage and length of time by which an issue

is below book value as well as consideration of issuer specific information (present value of cash flows expected to be collected, issuer rating changes and trends, credit worthiness and review of underlying collateral), broad market details and the Company's intent to sell the security or if it is more likely than not that the Company will be required to sell the debt security before recovering its cost. The Company also considers whether the depreciation is due to interest rates, market changes, or credit risk.

The following paragraphs outline the Company's position related to unrealized losses in its investment securities portfolio at September 30, 2018.

Government-sponsored residential mortgage backed securities, residential collateralized debt obligations, commercial mortgage-backed securities, and commercial collateralized debt obligations. The unrealized losses on certain securities within the Company's government-sponsored mortgage-backed and collateralized debt obligation portfolios were caused by the continued increase in overall interest rates at the time of purchase. The Company monitors this risk, and therefore, strives to minimize premiums within this security class. The Company does not expect these securities to settle at a price less than the par value of the securities.

Asset-backed securities. The unrealized losses on certain securities within the Company's asset-backed securities portfolio were largely driven by decreases in the weighted average lives of a number of these securities. Given this, the Company, when possible, avoids high premiums on this asset class. Based on the credit profiles and asset qualities of the individual securities, management does not believe that the securities have suffered from any credit related losses at this time. The Company does not expect these securities to settle at a price less than the par value of the securities.

Corporate debt securities. The unrealized losses on corporate debt securities relates to securities with no company specific concentration. The unrealized loss was due to an upward shift in interest rates that resulted in a negative impact to the respective bonds' pricing, relative to the time of purchase.

Obligations of states and political subdivisions. The unrealized loss on obligations of states and political subdivisions relates to several securities, with no geographic concentration. The unrealized loss was largely due to an upward shift in the rates relative to the time of purchase of certain securities, as well as the market prices of certain securities reflecting the likelihood that they will be called at par prior to the maturity date.

The Company will continue to review its entire portfolio for other-than-temporarily impaired securities.

Note 4. Loans Receivable and Allowance for Loan Losses

A summary of the Company's loan portfolio is as follows:

	September 30, 2018		December 31, 2017	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial real estate loans:				
Owner-occupied	$ 434,906	7.9%	$ 445,820	8.3%
Investor non-owner occupied	1,888,848	34.1	1,854,459	34.7
Construction	78,235	1.4	78,083	1.5
Total commercial real estate loans	2,401,989	43.4	2,378,362	44.5
Commercial business loans	861,030	15.6	840,312	15.7
Consumer loans:				
Residential real estate	1,283,126	23.2	1,204,401	22.6
Home equity	579,907	10.5	583,180	10.9
Residential construction	32,750	0.6	40,947	0.8
Other consumer	369,781	6.7	292,781	5.5
Total consumer loans	2,265,564	41.0	2,121,309	39.8
Total loans	5,528,583	100.0%	5,339,983	100.0%
Net deferred loan costs and premiums	16,603		14,794	
Allowance for loan losses	(49,909)		(47,099)	
Loans - net	$ 5,495,277		$ 5,307,678	

Allowance for Loan Losses

Management has established a methodology to determine the adequacy of the allowance for loan losses ("ALL") that assesses the risks and losses inherent in the loan portfolio. The ALL is established as embedded losses are estimated to have occurred through the provisions for losses charged against operations and is maintained at a level that management considers adequate to absorb losses in the loan portfolio. Management's judgment in determining the adequacy of the allowance is inherently subjective and is based on past loan loss experience, known and inherent losses and size of the loan portfolios, an assessment of current economic and real estate market conditions, estimates of the current value of underlying collateral, review of regulatory authority examination reports and other relevant factors. An allowance is maintained for impaired loans to reflect the difference, if any, between the carrying value of the loan and the present value of the projected cash flows, observable fair value or collateral value. Loans are charged-off against the ALL when management believes that the uncollectibility of principal is confirmed. Any subsequent recoveries are credited to the ALL when received. In connection with the determination of the ALL, management obtains independent appraisals for significant properties, when considered necessary.

The ALL is maintained at a level estimated by management to provide for probable losses inherent within the loan portfolio. Probable losses are estimated based upon a quarterly review of the loan portfolio, which includes historic default and loss experience, specific problem loans, risk rating profile, economic conditions and other pertinent factors which, in management's judgment, warrant current recognition in the loss estimation process.

The adequacy of the ALL is subject to considerable assumptions and judgment used in its determination. Therefore, actual losses could differ materially from management's estimate if actual conditions differ significantly from the assumptions utilized. These conditions include economic factors in the Company's market and nationally, industry trends and concentrations, real estate values and trends, and the financial condition and performance of individual borrowers.

The Company's general practice is to identify problem credits early and recognize full or partial charge-offs as promptly as practicable when it is determined that the collection of loan principal is unlikely. The Company recognizes full or partial charge-offs on collateral dependent impaired loans when the collateral is deemed to be insufficient to support the carrying value of the loan. The Company does not recognize a recovery when an updated appraisal indicates a subsequent increase in value.

At September 30, 2018, the Company had an allowance for loan losses of $49.9 million, or 0.90%, of total loans as compared to an allowance for loan losses of $47.1 million, or 0.88%, of total loans at December 31, 2017. Management believes that the allowance for loan losses is adequate and consistent with asset quality indicators and that it represents the best estimate of probable losses inherent in the loan portfolio.

There are three components for the allowance for loan loss calculation:

General component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: owner-occupied and investor non-owner occupied commercial real estate, commercial and residential construction, commercial business, residential real estate, home equity, and other consumer. Management uses a rolling average of historical losses based on a 12-quarter loss history to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels and trends in delinquencies; level and trend of charge-offs and recoveries; trends in volume and types of loans; effects of changes in risk selection and underwriting standards; experience and depth of lending; changes in weighted average risk ratings; and national and local economic trends and conditions. The general component of the allowance for loan losses also includes a reserve based upon historical loss experience for loans which were acquired and have subsequently evidenced measured credit deterioration following initial acquisition. Our acquired loan portfolio is comprised of purchased loans that show no evidence of deterioration subsequent to acquisition and therefore are not covered by the allowance for loan losses. Acquired impaired loans are loans with evidence of deterioration subsequent to acquisition and are considered in establishing the allowance for loan losses. There were no changes in the Company's methodology pertaining to the general component of the allowance for loan losses during 2018.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate and home equity loans – The Company establishes maximum loan-to-value and debt-to-income ratios and minimum credit scores as an integral component of the underwriting criteria. Loans in these segments are collateralized by residential real estate and repayment is dependent on the income and credit quality of the individual borrower. Within the qualitative allowance factors, national and local economic trends including unemployment rates and potential declines in property value, are key elements reviewed as a component of establishing the appropriate allocation. Overall economic conditions, unemployment rates and housing price trends will influence the underlying credit quality of these segments.

Owner-occupied and investor non-owner occupied commercial real estate ("Owner-occupied CRE" and "Investor CRE") – Loans in these segments are primarily income-producing properties throughout Connecticut, western Massachusetts, and other select markets in the Northeast. The underlying cash flows generated by the properties could be adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management obtains rent rolls annually, continually monitors the cash flows of these loans and performs stress testing.

Commercial and residential construction loans – Loans in this segment primarily include commercial real estate development and residential subdivision loans for which payment is derived from the sale of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial business loans – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy and its effect on business profitability and cash flow could have an effect on the credit quality in this segment.

Other consumer – Loans in this segment generally consist of loans on high-end retail boats and small yachts, new and used automobiles, home improvement loans, loans collateralized by deposit accounts and unsecured personal loans. These loans are secured or unsecured and repayment is dependent on the credit quality of the individual borrower.

For acquired loans accounted for under ASC 310-30, our accretable discount is estimated based upon our expected cash flows for these loans. To the extent that we experience a deterioration in borrower credit quality resulting in a decrease in our expected cash flows subsequent to the acquisition of the loans, an allowance for loan losses would be established through a provision based on our estimate of future credit losses over the remaining life of the loans.

Allocated component

The allocated component relates to loans that are classified as impaired. Impairment is measured on a loan by loan basis for commercial business, commercial real estate and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. Updated property evaluations are obtained at the time of impairment and serve as the basis for the loss allocation if foreclosure is probable or the loan is collateral dependent.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Loans which are placed on non-accrual status, or deemed troubled debt restructures, are considered impaired by the Company and subject to impairment testing for possible partial or full charge-off when loss can be reasonably determined. Generally, when all contractual payments on a loan are not expected to be collected, or the loan has failed to make contractual payments for a period of 90 days or more, a loan is placed on non-accrual status. In accordance with the Company's loan policy, losses on open and closed end consumer loans are recognized within a period of 120 days past due. For commercial loans, there is no threshold in terms of days past due for losses to be recognized as a result of the complexity in reasonably determining losses within a set time frame. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due.

When a loan is determined to be impaired, the Company makes a determination if the repayment of the obligation is collateral dependent. As a majority of impaired loans are collateralized by real estate, appraisals on the underlying value of the property securing the obligation are utilized in determining the specific impairment amount that is allocated to the loan as a component of the allowance calculation. If the loan is collateral dependent, an updated appraisal is obtained within a short period of time from the date the loan is determined to be impaired; typically no longer than 30 days for a residential property and 90 days for a commercial real estate property. The appraisal and the appraised value are reviewed for adequacy and then further discounted for estimated disposition costs in order to determine the impairment amount. The Company updates the appraised value at least annually and on a more frequent basis if current market factors indicate a potential change in valuation.

The majority of the Company's loans are collateralized by real estate located in central and eastern Connecticut and western Massachusetts in addition to a portion of the commercial real estate loan portfolio located in the Northeast region of the United States. Accordingly, the collateral value of a substantial portion of the Company's loan portfolio and real estate acquired through foreclosure is susceptible to changes in market conditions in these areas.

Unallocated component

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Credit Quality Information

The Company utilizes a nine-grade internal loan rating system for residential and commercial real estate, construction, commercial business and other consumer loans as follows:

Loans rated 1 – 5: Loans in these categories are considered "pass" rated loans with low to average risk.

Loans rated 6: Loans in this category are considered "special mention." These loans reflect signs of potential weakness and are being closely monitored by management.

Loans rated 7: Loans in this category are considered "substandard." Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor and there is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.

Loans rated 8: Loans in this category are considered "doubtful." Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 9: Loans in this category are considered uncollectible ("loss") and of such little value that their continuance as loans is not warranted.

At the time of loan origination, a risk rating based on this nine point grading system is assigned to each loan based on the loan officer's assessment of risk. For residential real estate and other consumer loans, the Company considers factors such as updated FICO scores, employment status, home prices, loan to value and geography. Residential real estate and other consumer loans are pass rated unless their payment history reveals signs of deterioration, which may result in modifications to the original contractual terms. In situations which require modification to the loan terms, the internal loan grade will typically be reduced to substandard. More complex loans, such as commercial business loans and commercial real estate loans require that our internal credit department further evaluate the risk rating of the individual loan, with the credit department and Chief Credit Officer having final determination of the appropriate risk rating. These more complex loans and relationships receive an in-depth analysis and periodic review to assess the appropriate risk rating on a post-closing basis with changes made to the risk rating as the borrower's and economic conditions warrant. The credit quality of the Company's loan portfolio is reviewed by a third-party risk assessment firm throughout the year and by the Company's internal credit management function. The internal and external analysis of the loan portfolio is utilized to identify and quantify loans with higher than normal risk. Loans having a higher risk profile are assigned a risk rating corresponding to the level of weakness identified in the loan. All loans risk rated Special Mention, Substandard or Doubtful are reviewed by management not less than on a quarterly basis to assess the level of risk and to ensure that appropriate actions are being taken to minimize potential loss exposure. Loans identified as being loss are normally fully charged off.

The following table presents the Company's loans by risk rating at September 30, 2018 and December 31, 2017:

	Owner-Occupied CRE	Investor CRE	Construction	Commercial Business	Residential Real Estate	Home Equity	Other Consumer
	(In thousands)						
September 30, 2018							
Loans rated 1-5	$ 409,023	$ 1,860,775	$ 107,796	$ 816,742	$ 1,265,194	$ 574,188	$ 367,499
Loans rated 6	9,684	14,001	2,231	29,448	2,614	275	—
Loans rated 7	16,199	14,072	958	14,840	15,318	5,444	2,282
Loans rated 8	—	—	—	—	—	—	—
Loans rated 9	—	—	—	—	—	—	—
	$ 434,906	$ 1,888,848	$ 110,985	$ 861,030	$ 1,283,126	$ 579,907	$ 369,781
December 31, 2017							
Loans rated 1-5	$ 423,720	$ 1,829,762	$ 117,583	$ 811,604	$ 1,186,753	$ 576,592	$ 292,386
Loans rated 6	4,854	10,965	49	15,816	1,948	89	—
Loans rated 7	17,246	13,732	1,398	12,892	15,700	6,499	395
Loans rated 8	—	—	—	—	—	—	—
Loans rated 9	—	—	—	—	—	—	—
	$ 445,820	$ 1,854,459	$ 119,030	$ 840,312	$ 1,204,401	$ 583,180	$ 292,781

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Activity in the allowance for loan losses for the periods ended September 30, 2018 and 2017 was as follows:

	Owner-Occupied CRE	Investor CRE	Construction	Commercial Business	Residential Real Estate	Home Equity	Other Consumer	Unallocated	Total
	(In thousands)								
Three Months Ended September 30, 2018									
Balance, beginning of period	$ 3,851	$ 17,221	$ 1,498	$ 10,526	$ 7,956	$ 3,246	$ 2,935	$ 1,930	$ 49,163
Provision (credit) for loan losses	28	(90)	98	80	106	10	1,725	50	2,007
Loans charged off	—	—	—	(323)	(64)	(80)	(1,273)	—	(1,740)
Recoveries of loans previously charged off	87	18	—	247	2	34	91	—	479
Balance, end of period	$ 3,966	$ 17,149	$ 1,596	$ 10,530	$ 8,000	$ 3,210	$ 3,478	$ 1,980	$ 49,909
Three Months Ended September 30, 2017									
Balance, beginning of period	$ 3,686	$ 15,537	$ 1,702	$ 9,859	$ 7,828	$ 3,006	$ 1,908	$ 1,536	$ 45,062
Provision (credit) for loan losses	(82)	147	219	842	264	443	669	64	2,566
Loans charged off	—	(85)	—	(499)	(248)	(304)	(530)	—	(1,666)
Recoveries of loans previously charged off	—	36	—	168	76	23	103	—	406
Balance, end of period	$ 3,604	$ 15,635	$ 1,921	$ 10,370	$ 7,920	$ 3,168	$ 2,150	$ 1,600	$ 46,368
Nine Months Ended September 30, 2018									
Balance, beginning of period	$ 3,754	$ 15,916	$ 1,601	$ 10,608	$ 7,694	$ 3,258	$ 2,523	$ 1,745	$ 47,099
Provision for loan losses	125	1,242	16	980	528	297	2,873	235	6,296
Loans charged off	—	(80)	(21)	(1,558)	(314)	(504)	(2,295)	—	(4,772)
Recoveries of loans previously charged off	87	71	—	500	92	159	377	—	1,286
Balance, end of period	$ 3,966	$ 17,149	$ 1,596	$ 10,530	$ 8,000	$ 3,210	$ 3,478	$ 1,980	$ 49,909
Nine Months Ended September 30, 2017									
Balance, beginning of period	$ 3,765	$ 14,869	$ 1,913	$ 8,730	$ 7,854	$ 2,858	$ 1,353	$ 1,456	$ 42,798
Provision (credit) for loan losses	(62)	1,133	170	2,534	566	841	1,820	144	7,146
Loans charged off	(99)	(502)	(162)	(1,452)	(616)	(582)	(1,269)	—	(4,682)
Recoveries of loans previously charged off	—	135	—	558	116	51	246	—	1,106
Balance, end of period	$ 3,604	$ 15,635	$ 1,921	$ 10,370	$ 7,920	$ 3,168	$ 2,150	$ 1,600	$ 46,368

Further information pertaining to the allowance for loan losses and impaired loans at September 30, 2018 and December 31, 2017 follows:

	Owner-Occupied CRE	Investor CRE	Construction	Commercial Business	Residential Real Estate	Home Equity	Other Consumer	Unallocated	Total
	(In thousands)								
September 30, 2018									
Allowance related to loans individually evaluated and deemed impaired	$ —	$ —	$ —	$ 116	$ 84	$ 1	$ —	$ —	$ 201
Allowance related to loans collectively evaluated and not deemed impaired	3,966	17,149	1,596	10,414	7,916	3,209	3,478	1,980	49,708
Total allowance for loan losses	$ 3,966	$ 17,149	$ 1,596	$ 10,530	$ 8,000	$ 3,210	$ 3,478	$ 1,980	$ 49,909
Loans deemed impaired	$ 1,798	$ 7,305	$ 1,092	$ 3,365	$ 18,450	$ 7,600	$ 888	$ —	$ 40,498
Loans not deemed impaired	433,108	1,881,352	109,893	857,665	1,262,678	572,307	367,424	—	5,484,427
Loans acquired with deteriorated credit quality	—	191	—	—	1,998	—	1,469	—	3,658
Total loans	$ 434,906	$1,888,848	$ 110,985	$ 861,030	$1,283,126	$579,907	$369,781	$ —	$ 5,528,583
December 31, 2017									
Allowance related to loans individually evaluated and deemed impaired	$ 60	$ —	$ —	$ 400	$ 60	$ —	$ —	$ —	$ 520
Allowance related to loans collectively evaluated and not deemed impaired	3,694	15,916	1,601	10,208	7,634	3,258	2,523	1,745	46,579
Total allowance for loan losses	$ 3,754	$ 15,916	$ 1,601	$ 10,608	$ 7,694	$ 3,258	$ 2,523	$ 1,745	$ 47,099
Loans deemed impaired	$ 2,300	$ 8,414	$ 2,273	$ 5,681	$ 18,301	$ 8,547	$ 395	$ —	$ 45,911
Loans not deemed impaired	443,520	1,845,815	116,757	834,631	1,186,100	574,633	290,898	—	5,292,354
Loans acquired with deteriorated credit quality	—	230	—	—	—	—	1,488	—	1,718
Total loans	$ 445,820	$1,854,459	$ 119,030	$ 840,312	$1,204,401	$583,180	$292,781	$ —	$ 5,339,983

Management has established the allowance for loan loss in accordance with GAAP at September 30, 2018 based on the current risk assessment and level of loss that is believed to exist within the portfolio. This level of reserve is deemed an appropriate estimate of probable loan losses inherent in the loan portfolio as of September 30, 2018 based upon the analysis conducted and given the portfolio composition, delinquencies, charge offs and risk rating changes experienced during the first nine months of 2018 and the three-year evaluation period utilized in the analysis. Based on the qualitative assessment of the portfolio and in thorough consideration of non-performing loans, management believes that the allowance for loan losses properly supports the level of associated loss and risk.

The following is a summary of past due and non-accrual loans at September 30, 2018 and December 31, 2017, including purchased credit impaired loans:

	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More	Total Past Due	Past Due 90 Days or More and Still Accruing	Loans on Non-accrual
	(In thousands)					
September 30, 2018						
Owner-occupied CRE	$ 864	$ 733	$ 158	$ 1,755	$ —	$ 1,258
Investor CRE	871	171	570	1,612	—	1,525
Construction	—	—	958	958	—	958
Commercial business loans	1,367	490	1,917	3,774	2	2,756
Residential real estate	4,454	3,410	9,270	17,134	1,998	14,488
Home equity	2,149	975	3,412	6,536	—	5,415
Other consumer	632	190	904	1,726	95	812
Total	$ 10,337	$ 5,969	$ 17,189	$ 33,495	$ 2,095	$ 27,212
December 31, 2017						
Owner-occupied CRE	$ 1,195	$ 455	$ 1,297	$ 2,947	$ —	$ 1,735
Investor CRE	849	92	1,212	2,153	206	1,821
Construction	—	—	1,398	1,398	—	1,398
Commercial business loans	1,069	3,465	1,219	5,753	650	4,987
Residential real estate	3,187	2,297	5,633	11,117	—	14,860
Home equity	1,319	498	3,281	5,098	—	6,466
Other consumer	947	241	491	1,679	97	395
Total	$ 8,566	$ 7,048	$ 14,531	$ 30,145	$ 953	$ 31,662

Loans reported as past due 90 days or more and still accruing represent loans that were evaluated by management and maintained on accrual status based on an evaluation of the borrower.

The following is a summary of impaired loans with and without a valuation allowance as of September 30, 2018 and December 31, 2017:

	September 30, 2018			December 31, 2017		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(In thousands)					
Impaired loans without a valuation allowance:						
Owner-occupied CRE	$ 1,798	$ 2,106		$ 2,183	$ 2,891	
Investor CRE	7,305	7,557		8,414	8,577	
Construction	1,092	2,348		2,273	2,658	
Commercial business loans	1,511	1,741		2,446	3,317	
Residential real estate	15,959	16,317		16,645	17,929	
Home equity	7,328	8,833		8,547	9,583	
Other consumer	888	888		395	398	
Total	35,881	39,790		40,903	45,353	
Impaired loans with a valuation allowance:						
Owner-occupied CRE	$ —	$ —	$ —	$ 117	$ 117	$ 60
Commercial business loans	1,854	3,707	116	3,235	3,767	400
Residential real estate	2,491	2,831	84	1,656	1,711	60
Home equity	272	280	1	—	—	—
Total	4,617	6,818	201	5,008	5,595	520
Total impaired loans	$ 40,498	$ 46,608	$ 201	$ 45,911	$ 50,948	$ 520

The following is a summary of average recorded investment in impaired loans and interest income recognized on those loans for the periods indicated:

	For the Three Months Ended September 30, 2018		For the Three Months Ended September 30, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In thousands)			
Owner-occupied CRE	$ 2,291	$ 18	$ 2,790	$ 30
Investor CRE	8,061	41	10,321	86
Construction	1,306	2	1,927	28
Commercial business loans	3,667	65	8,009	85
Residential real estate	18,043	165	17,328	237
Home equity	7,885	59	8,022	68
Other consumer	711	1	1,021	—
Total	$ 41,964	$ 351	$ 49,418	$ 534

	For the Nine Months Ended September 30, 2018		For the Nine Months Ended September 30, 2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Owner-occupied CRE	$ 2,458	$ 91	$ 2,975	$ 90
Investor CRE	8,460	243	1,066	292
Construction	1,590	17	2,468	50
Commercial business loans	4,431	143	8,033	319
Residential real estate	18,647	536	17,324	633
Home equity	8,156	196	7,598	185
Other consumer	550	1	1,397	—
	$ 44,292	$ 1,227	$ 40,861	$ 1,569

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring ("TDR") if both (i) the restructuring constitutes a concession by the creditor and (ii) the debtor is experiencing financial difficulties. A TDR may include (i) a transfer from the debtor to the creditor of receivables from third parties, real estate, or other assets to satisfy fully or partially a debt, (ii) issuance or other granting of an equity interest to the creditor by the debtor to satisfy fully or partially a debt unless the equity interest is granted pursuant to existing terms for converting debt into an equity interest, and (iii) modifications of terms of a debt.

The following table provides detail of TDR balances for the periods presented:

	At September 30, 2018	At December 31, 2017
	(In thousands)	
Recorded investment in TDRs:		
Accrual status	$ 13,286	$ 14,249
Non-accrual status	6,706	8,475
Total recorded investment in TDRs	$ 19,992	$ 22,724
Accruing TDRs performing under modified terms more than one year	$ 12,504	$ 7,783
Specific reserves for TDRs included in the balance of allowance for loan losses	$ 85	$ 520
Additional funds committed to borrowers in TDR status	$ 3	$ 29

Loans restructured as TDRs during the three and nine months ended September 30, 2018 and 2017 are set forth in the following table:

	Three Months Ended			Nine Months Ended		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(Dollars in thousands)					
September 30, 2018						
Construction	—	$ —	$ —	1	$ 965	$ 965
Residential real estate	2	171	173	7	3,061	3,063
Home equity	2	125	125	8	554	568
Total TDRs	4	$ 296	$ 298	16	$ 4,580	$ 4,596
September 30, 2017						
Investor CRE	—	$ —	$ —	1	$ 5,038	$ 5,038
Commercial business	—	—	—	3	247	247
Residential real estate	2	269	269	5	791	791
Home equity	4	822	822	18	2,294	2,301
Total TDRs	6	$ 1,091	$ 1,091	27	$ 8,370	$ 8,377

The following table provides information on loan balances modified as TDRs during the period:

	Three Months Ended September 30,						
	2018			2017			
	Extended Maturity	Adjusted Rate and Extended Maturity	Payment Deferral	Extended Maturity	Adjusted Rate and Extended Maturity	Payment Deferral	Other
	(In thousands)						
Residential real estate	$ 11	$ —	$ 160	$ —	$ —	$ 269	$ —
Home equity	26	99	—	526	296	—	—
Total	$ 37	$ 99	$ 160	$ 526	$ 296	$ 269	$ —

	Nine Months Ended September 30,						
	2018			2017			
	Extended Maturity	Adjusted Rate and Extended Maturity	Payment Deferral	Extended Maturity	Adjusted Rate and Extended Maturity	Payment Deferral	Other
	(In thousands)						
Investor CRE	$ —	$ —	$ —	$ —	$ —	$ —	$ 5,038
Construction	965	—	—	—	—	—	—
Commercial business	—	—	—	—	—	—	247
Residential real estate	11	—	3,050	155	220	416	—
Home equity	87	467	—	838	742	714	—
	$ 1,063	$ 467	$ 3,050	$ 993	$ 962	$ 1,130	$ 5,285

The following table provides information on loans modified as TDRs within the previous 12 months and for which there was a payment default during the periods presented:

	September 30, 2018		September 30, 2017	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(In thousands)			
Construction	1	$ 715	—	$ —
Commercial business	—	—	1	203
Residential real estate	1	399	—	—
Home equity	2	113	2	54
Total	4	$ 1,227	3	$ 257

The majority of restructured loans were on accrual status as of September 30, 2018 and December 31, 2017. Typically, residential loans are restructured with a modification and extension of the loan amortization and maturity at substantially the same interest rate as contained in the original credit extension. As part of the TDR process, the current value of the property is compared to the Company's carrying value and if not fully supported, a charge-off is processed through the allowance for loan losses. Commercial real estate loans, commercial construction loans and commercial business loans also contain payment modification agreements and a like assessment of the underlying collateral value if the borrower's cash flow may be inadequate to service the entire obligation.

Loan Servicing

The Company services certain loans for third parties. The aggregate balance of loans serviced for others was $1.40 billion and $1.25 billion as of September 30, 2018 and December 31, 2017, respectively. The balances of these loans are not included on the accompanying Consolidated Statements of Condition. During the three and nine months ended September 30, 2018, the Company received servicing income of $633,000 and $2.0 million, compared to $618,000 and $1.7 million for the same periods in 2017. This income is included in income from mortgage banking activities in the Consolidated Statements of Net Income.

The risks inherent in mortgage servicing rights relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The fair value of mortgage servicing rights at September 30, 2018 and December 31, 2017 was determined using pretax internal rates of return ranging from 11.7% to 13.7% and 9.7% to 11.7%, for the respective periods, and the Public Securities Association Standard Prepayment model to estimate prepayments on the portfolio with an average prepayment speed of 139 and 180, respectively. The fair value of mortgage servicing rights is obtained from a third party provider.

Mortgage servicing rights are included in other assets on the Consolidated Statements of Condition. Changes in the fair value of mortgage servicing rights are included in income from mortgage banking activities in the Consolidated Statements of Net Income. The following table summarizes mortgage servicing rights activity for the three and nine months ended September 30, 2018 and 2017.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Mortgage servicing rights:				
Balance at beginning of period	$ 13,679	$ 10,172	$ 11,733	$ 10,104
Change in fair value recognized in net income	(240)	(569)	(30)	(1,499)
Issuances	961	1,548	2,697	2,546
Fair value of mortgage servicing rights at end of period	$ 14,400	$ 11,151	$ 14,400	$ 11,151

Note 5. Goodwill and Core Deposit Intangibles

The carrying value of goodwill was $115.3 million at both September 30, 2018 and December 31, 2017. The changes in the carrying amount of core deposit intangible assets are summarized as follows:

	Core Deposit Intangibles
	(In thousands)
Balance at December 31, 2016	$ 5,902
Amortization expense	(1,411)
Balance at December 31, 2017	$ 4,491
Amortization expense	(930)
Balance at September 30, 2018	$ 3,561

Estimated amortization expense for the years ending December 31,	
2018 (remaining three months)	$ 289
2019	1,026
2020	834
2021	642
2022	449
2023 and thereafter	321
Total remaining	$ 3,561

In accordance with ASC 350, Intangibles – Goodwill and Other, goodwill is not amortized, but will be subject to an annual review of qualitative factors to determine if an impairment test is required. The core deposit intangible is being amortized using the sum of the years' digits method over its estimated life of 10 years. Amortization expense of the core deposit intangible was $288,000 and $337,000 for the three months ended September 30, 2018 and 2017, respectively, and was $930,000 and $1.1 million for the nine months ended September 30, 2018 and 2017, respectively.

Note 6. Borrowings

Federal Home Loan Bank of Boston Advances

The Company is a member of the Federal Home Loan Bank of Boston ("FHLBB"). Contractual maturities and weighted-average rates of outstanding advances from the FHLBB as of September 30, 2018 and December 31, 2017 are summarized below:

	September 30, 2018		December 31, 2017	
	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
	(Dollars in thousands)			
2018	$ 640,500	2.24%	$ 929,274	1.56%
2019	160,000	2.14	75,000	1.76
2020	8,000	2.33	8,000	2.33
2021	—	—	—	—
2022	—	—	—	—
Thereafter	4,230	2.54	33,680	1.14
	$ 812,730	2.23%	$ 1,045,954	1.57%

The total carrying value of FHLBB advances at September 30, 2018 was $812.9 million, which includes a remaining fair value adjustment of $218,000 on acquired advances. At December 31, 2017, the total carrying value of FHLBB advances was $1.05 billion, with a remaining fair value adjustment of $504,000.

At September 30, 2018, the Company had no outstanding advances that are callable by the FHLBB. All advances are collateralized by first and second mortgage loans, as well as investment securities with an estimated eligible collateral value of $1.65 billion and $2.28 billion at September 30, 2018 and December 31, 2017, respectively.

In addition to the outstanding advances, the Company has access to an unused line of credit with the FHLBB amounting to $10.0 million at September 30, 2018 and December 31, 2017. In accordance with an agreement with the FHLBB, the qualified collateral must be free and clear of liens, pledges and have a discounted value equal to the aggregate amount of the line of credit and outstanding advances. At September 30, 2018, the Company could borrow immediately an additional $531.6 million from the FHLBB, inclusive of the line of credit.

Other Borrowings

The following table presents other borrowings by category as of the dates indicated:

	September 30, 2018	December 31, 2017
	(In thousands)	
Subordinated debentures	$ 80,139	$ 79,956
Wholesale repurchase agreements	20,000	20,000
Customer repurchase agreements	9,647	14,591
Other	3,858	4,049
Total other borrowings	$ 113,644	$ 118,596

Subordinated Debentures

On September 23, 2014, the Company closed its public offering of $75.0 million of its 5.75% Subordinated Notes due October 1, 2024 (the "Notes"). The Notes were offered to the public at par. Interest on the Notes is payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2015. Issuance costs totaled $1.3 million and are being amortized over the life of the Notes as a component of interest expense. The carrying value, net of issuance costs, totaled $74.2 million and $74.1 million at September 30, 2018 and December 31, 2017, respectively.

The Company assumed junior subordinated debt in the form of trust preferred securities issued through a private placement offering with a face amount of $7.7 million in a merger in 2014. The Company recorded a fair value acquisition discount of $2.3 million on May 1, 2014. The remaining unamortized discount was $1.8 million at September 30, 2018. This issue has a maturity date of March 15, 2036 and bears a floating rate of interest that reprices quarterly at the 3-month LIBOR rate plus 1.85%. A special redemption provision allows the Company to redeem this issue at par on March 15, June 15, September 15, or December 15 of any year subsequent to March 15, 2011.

Repurchase Agreements

The following table presents the Company's outstanding borrowings under repurchase agreements as of September 30, 2018 and December 31, 2017:

	Remaining Contractual Maturity of the Agreements				
	Overnight	Up to 1 Year	1 - 3 Years	Greater than 3 Years	Total
			(In thousands)		
September 30, 2018					
Repurchase Agreements					
U.S. Agency Securities	$ 9,647	$ 20,000	$ —	$ —	$ 29,647
December 31, 2017					
Repurchase Agreements					
U.S. Agency Securities	$ 14,591	$ 10,000	$ 10,000	$ —	$ 34,591

At both September 30, 2018 and December 31, 2017, advances outstanding under wholesale reverse repurchase agreements totaled $20.0 million. The outstanding advances at September 30, 2018 consisted of two individual borrowings with remaining terms of one year or less and a weighted average cost of 2.59%. The outstanding advances at December 31, 2017 consisted of two individual borrowings with remaining terms of two years or less and had a weighted average cost of 2.59%. The Company pledged investment securities with a market value of $23.2 million and $23.0 million as collateral for these borrowings at September 30, 2018 and December 31, 2017, respectively.

Retail repurchase agreements primarily consist of transactions with commercial and municipal customers, are for a term of one day and are backed by the purchasers' interest in certain U.S. Government Agency securities or government-sponsored securities. As of September 30, 2018 and December 31, 2017, retail repurchase agreements totaled $9.6 million and $14.6 million, respectively. The Company pledged investment securities with a market value of $25.8 million and $28.8 million as collateral for these borrowings at September 30, 2018 and December 31, 2017, respectively.

Given that the repurchase agreements are secured by investment securities valued at market value, the collateral position is susceptible to change based upon variation in the market value of the securities that can arise due to fluctuations in interest rates, among other things. In the event that the interest rate changes result in a decrease in the value of the pledged securities, additional securities will be required to be pledged in order to secure the borrowings. Due to the short term nature of the majority of the repurchase agreements, Management believes the risk of further encumbered securities pose a minimal impact to the Company's liquidity position.

Other

At September 30, 2018 and December 31, 2017, other borrowings consist of capital lease obligations the Company has for three of its leased banking branches. At September 30, 2018 and December 31, 2017, the balance of capital lease obligations totaled $3.9 million and $4.0 million, respectively.

Other Sources of Wholesale Funding

The Company has relationships with brokered sweep deposit providers by which funds are deposited by the counterparties at the Company's request. Amounts outstanding under these agreements are reported as interest-bearing deposits and totaled $423.4 million at a cost of 2.16% at September 30, 2018 and $389.1 million at a cost of 1.32% at December 31, 2017. The Company maintains open dialogue with the brokered sweep providers and has the ability to increase the deposit balances upon request, up to certain limits based upon internal policy requirements.

Additionally, the Company has unused federal funds lines of credit with four counterparties totaling $115.0 million and $107.5 million at September 30, 2018 and December 31, 2017, respectively.

Note 7. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposure to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative

financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings. The Company also has interest rate derivatives that result from a service provided to certain qualifying customers. The Company manages a matched book with respect to these derivative instruments in order to minimize its net risk exposure resulting from such transactions.

Information about interest rate swap agreements and non-hedging derivative assets and liabilities as of September 30, 2018 and December 31, 2017 is as follows:

	Notional Amount	Weighted-Average Remaining Maturity	Weighted-Average Rate		Estimated Fair Value, Net Asset (Liability)
			Received	Paid	
	(In thousands)	(In years)			(In thousands)
September 30, 2018					
Cash flow hedges:					
Forward starting interest rate swaps on future borrowings	$ 50,000	7.14	TBD (1)	2.45%	$ 1,884
Interest rate swaps	345,000	3.85	2.33%	2.52%	5,655
Non-hedging derivatives:					
Forward loan sale commitments	128,080	0.00			316
Derivative loan commitments	42,272	0.00			419
Interest rate swap	7,500	7.79			(928)
Loan level swaps - dealer(3)	631,412	7.03	3.93%	4.08%	17,666
Loan level swaps - borrowers(3)	631,412	7.03	4.08%	3.93%	(17,670)
Forward starting loan level swaps - dealer(3)	8,000	8.95	TBD (4)	5.11%	(174)
Forward starting loan level swaps - borrower(3)	8,000	8.95	5.11%	TBD (4)	174
Total	$ 1,851,676				$ 7,342

December 31, 2017					
Cash flow hedges:					
Forward starting interest rate swaps on future borrowings	$ 50,000	7.88	TBD (1)	2.45%	$ (292)
Interest rate swaps	175,000	4.57	1.35%	2.41%	(1,736)
Fair value hedges:					
Interest rate swaps	10,000	0.47	1.00%	1.51% (2)	(28)
Non-hedging derivatives:					
Forward loan sale commitments	137,670	0.00			(92)
Derivative loan commitments	24,430	0.00			530
Interest rate swap	7,500	8.54			(615)
Loan level swaps - dealer(3)	603,447	7.31	3.25%	3.99%	(3,183)
Loan level swaps - borrowers(3)	603,447	7.31	3.99%	3.25%	3,174
Forward starting loan level swaps - dealer(3)	8,000	9.70	TBD (4)	5.11%	105
Forward starting loan level swaps - borrower(3)	8,000	9.70	5.11%	TBD (4)	(105)
Total	$ 1,627,494				$ (2,242)

(1) The receiver leg of the cash flow hedge is floating rate and indexed to the 3-month USD-LIBOR-BBA, as determined two London banking days prior to the first day of each calendar quarter, commencing with the earliest effective trade. The earliest effective trade date for this forward starting cash flow hedge is November 15, 2018.

(2) The paying leg is one month LIBOR plus a fixed spread; above rate in effect as of the date indicated.

(3) The Company offers a loan level hedging product to qualifying commercial borrowers that seek to mitigate risk to rising interest rates. As such, the Company enters into equal and offsetting trades with dealer counterparties.

(4) The floating leg of the forward starting loan level hedge is indexed to the one month USD-LIBOR-BBA, as determined one London banking day prior to the tenth day of each calendar month, commencing with the effective trade date on September 10, 2020.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. The Company expects to reclassify $897,000 from accumulated other comprehensive loss to interest expense during the next 12 months.

The Company is hedging its exposure to the variability in future cash flows for forecasted transactions over a period of approximately 60 months (excluding forecasted transactions related to the payment of variable interest on existing financial instruments).

As of September 30, 2018, the Company had ten outstanding interest rate derivatives with a notional value of $395.0 million that were designated as cash flow hedges of interest rate risk.

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain of its fixed rate obligations due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the benchmark interest rate. Interest rate swaps designated as fair value hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for the Company making variable rate payments over the life of the agreements without the exchange of the underlying notional amount.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in earnings. The Company includes the gain or loss on the hedged items in the same line item as the offsetting gain or loss on the related derivatives. For the three and nine months ended September 30, 2018 and 2017, the Company recognized a negligible net impact to interest expense.

As of September 30, 2018, the Company had no outstanding interest rate derivatives that were designated as a fair value hedge of interest rate risk.

Non-Designated Hedges

Loan Level Interest Rate Swaps

Qualifying derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers. The Company executes interest rate derivatives with commercial banking customers to facilitate their respective risk management strategies. Those interest rate derivatives are simultaneously hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

As of September 30, 2018, the Company had 86 borrower-facing interest rate derivatives with an aggregate notional amount of $631.4 million and 86 broker derivatives with an aggregate notional value amount of $631.4 million related to this program.

As of September 30, 2018, the Company had seven risk participation agreements with four counterparties related to a loan level interest rate swap with seven of its commercial banking customers. Of these agreements, three were entered into in conjunction with credit enhancements provided to the borrowers by the counterparties; therefore, if the borrowers default, the counterparties are responsible for a percentage of the exposure. Four agreements were entered into in conjunction with credit enhancements provided to the borrower by the Company, whereby the Company is responsible for a percentage of the exposure to the counterparty. At September 30, 2018, the notional amount of these risk participation agreements was $22.9 million, reflecting the counterparty

participation of 34.5%. The risk participation agreements are a guarantee of performance on a derivative and accordingly, are recorded at fair value on the Company's Consolidated Statements of Condition. At September 30, 2018, the notional amount of the remaining three risk participation agreements was $24.4 million, reflecting the counterparty participation level of 36.7%.

Forward Starting Loan Level Swaps

As of September 30, 2018, the Company had one borrower-facing forward starting loan level swap with a notional amount of $8.0 million, and one broker derivative with a notional amount of $8.0 million related to this program. These swaps are related to the permanent financing of projects that are currently in the construction phase.

Mortgage Servicing Rights Interest Rate Swap

As of September 30, 2018, the Company had one receive-fixed interest rate derivative with a notional amount of $7.5 million and a maturity date in July 2026. The derivative was executed to protect against a portion of the devaluation of the Company's mortgage servicing right asset that occurs in a falling rate environment. The instrument is marked to market through the Company's Consolidated Statements of Net Income.

Derivative Loan Commitments

Additionally, the Company enters into mortgage loan commitments that are also referred to as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. The Company enters into commitments to fund residential mortgage loans at specified rates and times in the future, with the intention that these loans will subsequently be sold in the secondary market.

Outstanding derivative loan commitments expose the Company to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases.

Forward Loan Sale Commitments

To protect against the price risk inherent in derivative loan commitments, the Company utilizes To Be Announced ("TBA") as well as cash ("mandatory delivery" and "best efforts") forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments.

With TBA and mandatory cash contracts, the Company commits to deliver a certain principal amount of mortgage loans to an investor/counterparty at a specified price on or before a specified date. If the market improves (rate decline) and the Company fails to deliver the amount of mortgages necessary to fulfill the commitment by the specified date, it is obligated to pay a "pair-off" fee, based on then-current market prices, to the investor/counterparty to compensate the investor for the shortfall. Conversely, if the market declines (rates worsen) the investor/counterparty is obligated to pay a "pair-off" fee to the Company based on then-current market prices. The Company expects that these forward loan sale commitments, TBA and mandatory, will experience changes in fair value opposite to the change in fair value of derivative loan commitments.

With best effort cash contracts, the Company commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally best efforts cash contracts have no pair off risk regardless of market movement. The price the investor will pay the seller for an individual loan is specified prior to the loan being funded (e.g., on the same day the lender commits to lend funds to a potential borrower). The Company expects that these forward loan sale commitments, best efforts, will experience a net neutral shift in fair value of derivative loan commitments.

Fair Values of Derivative Instruments on the Statement of Condition

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Statements of Condition as of September 30, 2018 and December 31, 2017:

	Derivative Assets			Derivative Liabilities		
		Fair Value			Fair Value	
	Balance Sheet Location	Sep 30, 2018	Dec 31, 2017	Balance Sheet Location	Sep 30, 2018	Dec 31, 2017
	(In thousands)					
Derivatives designated as hedging instruments:						
Interest rate swap - cash flow hedge	Other Assets	$ 7,539	$ 36	Other Liabilities	$ —	$ 2,064
Interest rate swap - fair value hedge	Other Assets	—	—	Other Liabilities	—	28
Total derivatives designated as hedging instruments		$ 7,539	$ 36		$ —	$ 2,092
Derivatives not designated as hedging instruments:						
Forward loan sale commitments	Other Assets	$ 332	$ 12	Other Liabilities	$ 16	$ 104
Derivative loan commitments	Other Assets	419	530	Other Liabilities	—	—
Interest rate swap	Other Assets	—	—	Other Liabilities	928	615
Interest rate swap - with customers	Other Assets	788	7,117	Other Liabilities	18,458	3,943
Interest rate swap - with counterparties	Other Assets	18,456	3,941	Other Liabilities	790	7,124
Forward starting loan level swap	Other Assets	174	105	Other Liabilities	174	105
Total derivatives not designated as hedging		$ 20,169	$ 11,705		$ 20,366	$ 11,891

Effect of Derivative Instruments in the Company's Consolidated Statements of Net Income and Changes in Stockholders' Equity

The tables below presents the effect of derivative instruments in the Company's Statements of Changes in Stockholders' Equity designated as hedging instruments for the three and nine months ended September 30, 2018 and 2017:

Cash Flow Hedges

	Amount of Gain (Loss) Recognized in AOCI (Effective Portion)			
Derivatives Designated as Cash Flow Hedging Instruments	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Interest rate swaps	$ 2,138	$ (131)	$ 9,021	$ (2,073)

Derivatives Designated as Cash Flow Hedging Instruments	Amount of Losses Reclassified from AOCI into Expense (Effective Portion)		Amount of Losses Reclassified from AOCI into Expense (Effective Portion)	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Interest rate swaps	$ 117	$ 301	$ 546	$ 1,104

The tables below present information pertaining to the Company's derivatives in the Consolidated Statements of Net Income designated as hedging instruments for the three and nine months ended September 30, 2018 and 2017:

Fair Value Hedges

Derivatives Designated as Fair Value Hedging Instruments	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income from Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
		(In thousands)			
Interest rate swaps	Interest income	$ —	$ 8	$ 28	$ (30)

		Amount of Gain (Loss) Recognized in Income from Hedged Items			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
		(In thousands)			
Interest rate swaps	Interest income	$ —	$ 7	$ 29	$ (30)

The table below presents information pertaining to the Company's derivatives not designated as hedging instruments in the Consolidated Statements of Net Income as of September 30, 2018 and 2017:

	Amount of Gain (Loss) Recognized in Income		Amount of Gain (Loss) Recognized in Income	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Derivatives not designated as hedging instruments:				
Derivative loan commitments	$ (160)	$ 181	$ (111)	$ 416
Interest rate swap	(57)	10	(313)	96
Forward loan sale commitments	546	(208)	408	(162)
Loan level swaps	1	(2)	5	(2)
	$ 330	$ (19)	$ (11)	$ 348

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the counterparty defaults on any of its indebtedness or fails to maintain a well-capitalized rating, then the counterparty could also be declared in default on its derivative obligations and could be required to terminate its derivative positions with the counterparty.

As of September 30, 2018, the fair value of derivatives in a net asset position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $6.5 million. As of September 30, 2018, the Company had no securities pledged as collateral under these agreements. A degree of netting occurs on occasions where the Company has exposure to a counterparty and the counterparty has exposure to the Company. If the Company had breached any of these provisions at September 30, 2018, it could have been required to settle its obligations under the agreements at the termination value and would have been required to pay any additional amounts due in excess of amounts previously posted as collateral with the respective counterparty.

Note 8. Stock-Based Compensation Plans

The Company maintains and operates several stock incentive award plans to attract, retain and reward performance of qualified employees and directors who contribute to the success of the Company. These plans include those assumed by the Company in 2014 as a result of merger activity. Current active plans are:

- Rockville Financial, Inc. 2006 Stock Incentive Award Plan (the "2006 Plan");
- Rockville Financial, Inc. 2012 Stock Incentive Plan (the "2012 Plan");
- United Financial Bancorp, Inc. 2008 Equity Incentive Plan; and
- 2015 Omnibus Stock Incentive Plan (the "2015 Plan").

The 2015 Plan became effective on October 29, 2015 upon approval by the Company's Shareholders. As of the effective date of the 2015 Plan, no other awards may be granted from the previously approved or assumed plans. The 2015 Plan allows the Company to use stock options, stock awards, and performance awards to attract, retain and reward performance of qualified employees and directors who contribute to the success of the Company. The 2015 Plan reserves a total of up to 4,050,000 shares (the "Cap") of Company common stock for issuance upon the grant or exercise of awards made pursuant to the 2015 Plan. Of these shares, the Company may grant shares in the form of restricted stock, performance shares and other share-based awards and may grant stock options. However, the number of shares issuable will be adjusted by a "fungible ratio" of 2.35. This means that for each share award other than a stock option share or a stock appreciation right share, each 1 share awarded shall be deemed to be 2.35 shares awarded. As of September 30, 2018, there were 2,870,837 shares available for future grants under the 2015 Plan.

For the nine-month period ended September 30, 2018, total employee and Director stock-based compensation expense recognized for stock options and restricted stock was $12,000 with a related tax benefit of $3,000 and $2.2 million with a related tax benefit of $473,000, respectively. Of the total expense amount for the nine-month period, the amount for Director stock-based compensation expense recognized (in the Consolidated Statements of Net Income as other non-interest expense) was $179,000, and the amount for officer stock-based compensation expense recognized (in the Consolidated Statements of Net Income as salaries and employee benefit expense) was $2.0 million. For the nine-month period ended September 30, 2017, total employee and Director stock-based compensation expense recognized for stock options and restricted stock was $76,000 with a related tax benefit of $27,000 and $2.0 million with a related tax benefit of $712,000, respectively.

For the three months ended September 30, 2018, total employee and Director stock-based compensation expense recognized for stock options and restricted stock was $4,000 with a related tax benefit of $1,000 and $738,000 with a related tax benefit of $163,000, respectively. Of the total expense amount for the three-month period, the amount for Director stock-based compensation expense recognized (in the Consolidated Statements of Net Income as other non-interest expense) was $60,000, and the amount for officer stock-based compensation expense recognized (in the Consolidated Statements of Net Income as salaries and employee benefit expense) was $682,000. For the three months ended September 30, 2017, total employee and Director stock-based compensation expense recognized for stock options and restricted stock was $5,000 with a related tax benefit of $2,000 and $561,000 with a related tax benefit of $202,000, respectively.

The fair values of stock option and restricted stock awards, measured at grant date, are amortized to compensation expense on a straight-line basis over the vesting period.

Stock Options

The following table presents the activity related to stock options outstanding, including options that have stock appreciation rights ("SARs"), under the Plans for the nine months ended September 30, 2018:

	Number of Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2017	1,694,995	$ 11.34		
Granted	—	—		
Exercised	(231,830)	9.56		
Forfeited or expired	(29,453)	8.98		
Outstanding at September 30, 2018	1,433,712	$ 11.68	4.1	$ 7.4
Stock options vested and exercisable at September 30, 2018	1,424,988	$ 11.67	4.1	$ 7.4

As of September 30, 2018, the unrecognized cost related to outstanding stock options was $12,000 and will be recognized over a weighted-average period of 0.7 years.

There were no stock options granted during the nine months ended September 30, 2018 and 2017.

Options exercised may include awards that were originally granted as tandem SARs. Therefore, if the SAR component is exercised, it will not equate to the number of shares issued due to the conversion of the SAR option value to the actual share value at exercise date. There were 55,234 options with a SAR component included in total options exercised during the nine months ended September 30, 2018.

Restricted Stock

Restricted stock provides grantees with rights to shares of common stock upon completion of a service period and in certain cases obtaining a performance metric. During the restriction period, all shares are considered outstanding and dividends are paid on the restricted stock. During the nine months ended September 30, 2018, the Company issued 8,763 shares of restricted stock from shares available under the Company's 2015 Plan to certain employees. During the nine months ended September 30, 2018, the weighted-average grant date fair value was $16.77 per share and the restricted stock awards vest in equal annual installments on the anniversary date over a 3 year period. The following table presents the activity for restricted stock for the nine months ended September 30, 2018:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2017	425,000	$ 15.55
Granted	8,763	16.77
Vested	(15,852)	12.61
Forfeited	(9,698)	16.95
Unvested as of September 30, 2018	408,213	$ 15.65

As of September 30, 2018, there was $2.9 million of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted-average period of 1.8 years.

Employee Stock Ownership Plan

As part of the second-step conversion and stock offering completed in 2011, the Employee Stock Ownership Plan ("ESOP") borrowed an additional $7.1 million from the Company to purchase 684,395 shares of common stock during the initial public offering and in the open market. The outstanding loan balance of $6.0 million at September 30, 2018 will be repaid principally from the Bank's discretionary contributions to the ESOP over a remaining period of 23 years. The loan bears an interest rate of prime plus one percent. The unallocated ESOP shares are pledged as collateral on the loans. As the loans are repaid to the Company, shares will be released from collateral and will be allocated to the accounts of the participants. For the three months ended September 30, 2018 and 2017, ESOP compensation expense was $98,000 and $99,000, respectively. For the nine months ended September 30, 2018 and 2017, ESOP compensation expense was $289,000 and $296,000, respectively.

The Company accounts for its ESOP in accordance with FASB ASC 718-40, *Compensation – Stock Compensation*. Under this guidance, unearned ESOP shares are not considered outstanding and are shown as a reduction of stockholders' equity as unearned compensation. The Company will recognize compensation cost equal to the fair value of the ESOP shares during the periods in which they are committed to be allocated. To the extent that the fair value of the Company's ESOP shares differs from the cost of such shares, this difference will be credited or debited to equity. As the loan is internally leveraged, the loan receivable from the ESOP to the Company is not reported as an asset nor is the debt of the ESOP shown as a liability in the Company's consolidated financial statements. Dividends on unallocated shares are used to pay the ESOP debt.

The ESOP shares as of the period indicated below were as follows:

	September 30, 2018
Allocated shares	1,220,865
Shares allocated for release	17,110
Unreleased shares	507,593
Total ESOP shares	1,745,568
Market value of unreleased shares (in thousands)	$ 8,543

Note 9. Regulatory Matters

Minimum regulatory capital requirements

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve qualitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Federal banking regulations require a minimum ratio of common equity Tier 1 capital to risk-weighted assets of 4.5%, a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0% and a minimum leverage ratio of 4.0% for all banking organizations. Additionally, community banking institutions must maintain a capital conservation buffer of common equity Tier 1 capital in an amount greater than 2.5% of total risk-weighted assets to avoid being subject to limitations on capital distributions and discretionary bonuses. The capital conservation buffer and certain deductions from and adjustments to regulatory capital and risk-weighted assets are being phased in over several years. The required minimum conservation buffer was 1.25% as of December 31, 2017 and increased to 1.875% on January 1, 2018. The required minimum conservation buffer will increase to 2.5% on January 1, 2019. Management believes that the Company's capital levels will remain characterized as "well-capitalized" throughout the phase-in periods.

As of September 30, 2018, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework from prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. Management believes, as of September 30, 2018 and December 31, 2017, that the Company and the Bank meet all capital adequacy requirements to which they are subject. The Company's and the Bank's actual capital amounts and ratios as of September 30, 2018 and December 31, 2017 are also presented in the following table:

	Actual		Minimum For Capital Adequacy Purposes		Minimum To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
United Bank						
September 30, 2018						
Total capital to risk weighted assets	$ 684,488	12.0%	$ 456,325	8.0%	$ 570,407	10.0%
Common equity tier 1 capital to risk weighted assets	632,650	11.1	256,480	4.5	370,471	6.5
Tier 1 capital to risk weighted assets	632,650	11.1	341,973	6.0	455,964	8.0
Tier 1 capital to total average assets	632,650	8.9	284,337	4.0	355,421	5.0
December 31, 2017						
Total capital to risk weighted assets	$ 642,179	11.6%	$ 442,882	8.0%	$ 553,603	10.0%
Common equity tier 1 capital to risk weighted assets	593,155	10.7	249,458	4.5	360,328	6.5
Tier 1 capital to risk weighted assets	593,155	10.7	332,610	6.0	443,480	8.0
Tier 1 capital to total average assets	593,155	8.7	272,715	4.0	340,894	5.0
United Financial Bancorp, Inc.						
September 30, 2018						
Total capital to risk weighted assets	$ 739,739	12.9%	$ 458,753	8.0%	N/A	N/A
Common equity tier 1 capital to risk weighted assets	612,901	10.7	257,762	4.5	N/A	N/A
Tier 1 capital to risk weighted assets	612,901	10.7	343,683	6.0	N/A	N/A
Tier 1 capital to total average assets	612,901	8.5	288,424	4.0	N/A	N/A
December 31, 2017						
Total capital to risk weighted assets	$ 701,794	12.6%	$ 445,583	8.0%	N/A	N/A
Common equity tier 1 capital to risk weighted assets	577,770	10.4	249,997	4.5	N/A	N/A
Tier 1 capital to risk weighted assets	577,770	10.4	333,329	6.0	N/A	N/A
Tier 1 capital to total average assets	577,770	8.4	275,129	4.0	N/A	N/A

Our ability to pay dividends to our stockholders is substantially dependent upon the Bank's ability to pay dividends to the Company. The Federal Reserve guidance sets forth the supervisory expectation that bank holding companies will inform and consult with Federal Reserve staff in advance of issuing a dividend that exceeds earnings for the quarter and should not pay dividends in a rolling four quarter period in an amount that exceeds net income for that period. Federal law also prohibits the Bank from paying dividends that would be greater than its undivided profits after deducting statutory bad debt in excess of its allowance for loan losses. The FDIC may limit a savings bank's ability to pay dividends. No dividends may be paid to the Company's shareholder if such dividends would reduce stockholders' equity below the amount of the liquidation account required by the Connecticut conversion regulations. Connecticut law restricts the amount of dividends that the Bank can pay based on net income included in retained earnings for the current year and the preceding two years. As of September 30, 2018 and December 31, 2017, $120.8 million and $108.3 million, respectively, was available for the payment of dividends. Connecticut banking laws grant banks broad lending authority. With certain limited exceptions, any one obligor under this statutory authority may not exceed 10% and 15%, respectively, of a bank's capital and allowance for loan losses.

Note 10. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, included in stockholders' equity, are as follows:

	September 30, 2018	December 31, 2017
	(In thousands)	
Benefit plans:		
Unrecognized net actuarial loss	$ (7,203)	$ (7,578)
Tax effect	1,587	2,730
Benefit plans, net	(5,616)	(4,848)
Securities available-for-sale:		
Net unrealized loss	(38,800)	(8,896)
Tax effect	8,524	3,201
Securities available-for-sale, net	(30,276)	(5,695)
Interest rate swaps:		
Net unrealized gain (loss)	7,539	(2,028)
Tax effect	(1,661)	731
Interest rate swaps, net	5,878	(1,297)
	$ (30,014)	$ (11,840)

On January 1, 2018, the Company adopted ASU No. 2018-02, *Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,* which addressed the impact of the federal rate tax reduction on deferred taxes that were originally recorded through accumulated other comprehensive income. Through the adoption of this ASU, the Company reclassed the "dangling" difference due to the tax rate differential caused by the enactment of the Tax Cuts and Jobs Act on December 22, 2017. As a result, a one-time reclassification of $2.6 million was made from accumulated other comprehensive loss to retained earnings.

Note 11. Net Income Per Share

The following table sets forth the calculation of basic and diluted net income per share for the three and nine months ended September 30, 2018 and 2017:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands, except share data)			
Net income available to common stockholders	$ 16,308	$ 15,191	$ 47,741	$ 45,117
Weighted-average common shares outstanding	51,136,186	50,797,769	51,052,570	50,786,048
Less: average number of unallocated ESOP award shares	(511,354)	(534,167)	(517,001)	(539,814)
Weighted-average basic shares outstanding	50,624,832	50,263,602	50,535,569	50,246,234
Dilutive effect of stock options	479,944	626,385	490,536	641,941
Weighted-average diluted shares	51,104,776	50,889,987	51,026,105	50,888,175
Net income per share:				
Basic	$ 0.32	$ 0.30	$ 0.94	$ 0.90
Diluted	$ 0.32	$ 0.30	$ 0.94	$ 0.89

There were no anti-dilutive stock options during the three and nine months ended September 30, 2018 and 2017, respectively.

Note 12. Fair Value Measurements

Fair value estimates are made as of a specific point in time based on the characteristics of the assets and liabilities and relevant market information. In accordance with FASB ASC 820, the fair value estimates are measured within the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1

measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices are available in active markets for identical assets and liabilities as of the reporting date. The quoted price is not adjusted because of the size of the position relative to trading volume.

Level 2: Pricing inputs are observable for assets and liabilities, either directly or indirectly, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for assets and liabilities and include situations where there is little, if any, market activity and the determination of fair value requires significant judgment or estimation.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, the determination of which category within the fair value hierarchy is appropriate for any given asset and liability is based on the lowest level of input that is significant to the fair value of the asset and liability.

When available, quoted market prices are used. In other cases, fair values are based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and could be material. Derived fair value estimates may not be substantiated by comparison to independent markets and, in certain cases, could not be realized in an immediate sale of the instrument.

Fair value estimates for financial instrument fair value disclosures are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not financial instruments. Accordingly, the aggregate fair value amounts presented do not purport to represent the underlying market value of the Company.

Loans Held for Sale

The Company has elected the fair value option for its portfolio of residential real estate and government mortgage loans held for sale to reduce certain timing differences and better match changes in fair value of the loans with changes in the fair value of the derivative loan sale contracts used to economically hedge them.

The aggregate principal amount of the residential real estate and government mortgage loans held for sale was $85.8 million and $113.2 million at September 30, 2018 and December 31, 2017, respectively. The aggregate fair value of these loans as of the same dates was $86.9 million and $114.1 million, respectively.

There were no residential real estate mortgage loans held for sale 90 days or more past due at September 30, 2018 and December 31, 2017.

The following table presents the gains (losses) in fair value related to mortgage loans held for sale for the periods indicated. Changes in the fair value of mortgage loans held for sale are reported as a component of income from mortgage banking activities in the Consolidated Statements of Net Income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Mortgage loans held for sale	$ 5	$ (783)	$ (777)	$ 1,993

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables detail the assets and liabilities carried at fair value on a recurring basis as of September 30, 2018 and December 31, 2017 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine the fair value. There were no transfers in and out of Level 1, Level 2 and Level 3 measurements during the nine months ended September 30, 2018 and 2017.

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
September 30, 2018				
Available-for-Sale Securities:				
Government-sponsored residential mortgage-backed securities	$ 207,574	$ —	$ 207,574	$ —
Government-sponsored residential collateralized debt obligations	170,126	—	170,126	—
Government-sponsored commercial mortgage-backed securities	27,192	—	27,192	—
Government-sponsored commercial collateralized debt obligations	148,914	—	148,914	—
Asset-backed securities	98,938	—	—	98,938
Corporate debt securities	80,322	—	80,322	—
Obligations of states and political subdivisions	238,969	—	238,969	—
Total available-for-sale debt securities	$ 972,035	$ —	$ 873,097	$ 98,938
Mortgage loan derivative assets	$ 751	$ —	$ 751	$ —
Mortgage loan derivative liabilities	16	—	16	—
Loans held for sale	86,948	—	86,948	—
Marketable equity securities	437	437	—	—
Mortgage servicing rights	14,400	—	—	14,400
Interest rate swap assets	26,957	—	26,957	—
Interest rate swap liabilities	20,350	—	20,350	—
December 31, 2017				
Available-for-Sale Securities:				
Government-sponsored residential mortgage-backed securities	$ 235,479	$ —	$ 235,479	$ —
Government-sponsored residential collateralized-debt obligations	133,112	—	133,112	—
Government-sponsored commercial mortgage-backed securities	33,255	—	33,255	—
Government-sponsored commercial collateralized-debt obligations	147,242	—	147,242	—
Asset-backed securities	167,139	—	—	167,139
Corporate debt securities	89,136	—	89,136	—
Obligations of states and political subdivisions	245,007	—	245,007	—
Marketable equity securities	417	417	—	—
Total available-for-sale securities	$ 1,050,787	$ 417	$ 883,231	$ 167,139
Mortgage loan derivative assets	$ 542	$ —	$ 542	$ —
Mortgage loan derivative liabilities	104	—	104	—
Loans held for sale	114,073	—	114,073	—
Mortgage servicing rights	11,733	—	—	11,733
Interest rate swap assets	11,199	—	11,199	—
Interest rate swap liabilities	13,879	—	13,879	—

The following table presents additional information about assets measured at fair value on a recurring basis for which the Company utilized Level 3 inputs to determine fair value:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Balance of available-for-sale securities, at beginning of period	$ 105,038	$ 153,180	$ 167,139	$ 155,472
Sales	(6,014)	(14,168)	(67,096)	(14,419)
Principal payments and net accretion	—	(118)	(117)	(2,898)
Total realized gains (losses) included in earnings	—	139	(82)	636
Total unrealized gains (losses) included in other comprehensive income/loss	(86)	323	(906)	565
Balance at end of period	$ 98,938	$ 139,356	$ 98,938	$ 139,356
Balance of mortgage servicing rights, at beginning of period	$ 13,679	$ 10,172	$ 11,733	$ 10,104
Issuances	961	1,548	2,697	2,546
Change in fair value recognized in net income	(240)	(569)	(30)	(1,499)
Balance at end of period	$ 14,400	$ 11,151	$ 14,400	$ 11,151

The following valuation methodologies are used for certain assets that are recorded at fair value on a recurring basis.

Available-for-Sale and Marketable Equity Securities: Securities available-for-sale and marketable equity securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using an independent pricing service. Level 1 securities are those traded on active markets for identical securities including U.S. treasury securities, equity securities and mutual funds. Level 2 securities include U.S. Government agency obligations, U.S. Government-sponsored enterprises, mortgage-backed securities, obligations of states and political subdivisions, corporate and other debt securities. Level 3 securities include private placement securities and thinly traded equity securities. All fair value measurements are obtained from a third party pricing service and are not adjusted by management.

Matrix pricing is used for pricing most obligations of states and political subdivisions, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on securities relationships to other benchmark quoted securities. The grouping of securities is completed according to insurer, credit support, state of issuance and rating to incorporate additional spreads and municipal bond yield curves.

The valuation of the Company's asset-backed securities is obtained from a third party pricing provider and is determined utilizing an approach that combines advanced analytics with structural and fundamental cash flow analysis based upon observed market based yields. The third party provider's model analyzes each instrument's underlying collateral given observable collateral characteristics and credit statistics to extrapolate future performance and project cash flows, by incorporating expectations of default probabilities, recovery rates, prepayment speeds, loss severities and a derived discount rate. The Company has determined that due to the liquidity and significance of unobservable inputs, that asset-backed securities are classified in Level 3 of the valuation hierarchy.

Loans Held for Sale: The fair value of residential and government mortgage loans held for sale is estimated using quoted market prices for loans with similar characteristics provided by government-sponsored entities. Any changes in the valuation of mortgage loans held for sale is based upon the change in market interest rates between closing the loan and the measurement date and an immaterial portion attributable to changes in instrument-specific credit risk. The Company has determined that loans held for sale are classified in Level 2 of the valuation hierarchy.

Mortgage Servicing Rights: A mortgage servicing right ("MSR") asset represents the amount by which the present value of the estimated future net cash flows to be received from servicing loans are expected to more than adequately compensate the Company for performing the servicing. The fair value of servicing rights is provided by a third party and is estimated using a present value cash flow model. The most important assumptions used in the valuation model are the anticipated rate of the loan prepayments and discount rates. Adjustments are recorded monthly as the cash flows derived from the valuation model change the fair value of the asset. Although some assumptions in determining fair value are based on standards used by market participants, some are based on unobservable inputs and therefore are classified in Level 3 of the valuation hierarchy. See Note 4, "Loans Receivable and Allowance for Loan Losses" in the Notes to Consolidated Financial Statements contained elsewhere in this report.

Derivatives: Derivative instruments related to commitments for loans to be sold are carried at fair value. Fair value is determined through quotes obtained from actively traded mortgage markets. Any change in fair value for rate lock commitments to the borrower is based upon the change in market interest rates between making the rate lock commitment and the measurement date and, for forward loan sale commitments to the investor, is based upon the change in market interest rates from entering into the forward loan sales contract and the measurement date. Both the rate lock commitments to the borrowers and the forward loan sale commitments to investors are derivatives pursuant to the requirements of FASB ASC 815-10; however, the Company has not designated them as hedging instruments. Accordingly, they are marked to fair value through earnings.

The Company's intention is to sell the majority of its fixed rate mortgage loans with original terms of 30 years on a servicing retained basis as well as certain 10, 15 and 20 year loans. The servicing value has been included in the pricing of the rate lock commitments. The Company estimates a fallout rate of approximately 15.9% based upon historical averages in determining the fair value of rate lock commitments. Although the use of historical averages is based upon unobservable data, the Company believes that this input is insignificant to the valuation and, therefore, has concluded that the fair value measurements meet the Level 2 criteria. The Company continually reassesses the significance of the fallout rate on the fair value measurement and updates the fallout rate accordingly.

Hedging derivatives include interest rate swaps as part of management's strategy to manage interest rate risk. The valuation of the Company's interest rate swaps is obtained from a third-party pricing service and is determined using a discounted cash flow analysis on the expected cash flows of each derivative. The pricing analysis is based on observable inputs for the contractual terms of the derivatives, including the period to maturity and interest rate curves. The Company has determined that the majority of the inputs used to value its interest rate derivatives fall within Level 2 of the fair value hierarchy.

The following table presents additional quantitative information about assets measured at fair value on a recurring basis for which the Company utilized Level 3 inputs to determine fair value at September 30, 2018:

(Dollars in thousands)

	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Asset-backed securities	$ 98,938	Discounted Cash Flow	Discount Rates	3.8% - 6.6% (4.93%)
			Cumulative Default %	0.6% - 12.9% (6.76%)
			Loss Given Default	0.2% - 3.9% (2.08%)
Mortgage servicing rights	$ 14,400	Discounted Cash Flow	Discount Rate	11.0% - 15.5% (12.73%)
			Cost to Service	$75 - $135 ($87.87)
			Float Earnings Rate	1.5% (1.5%)

Asset-backed securities: Given the level of market activity for the asset-backed securities in the portfolio, the discount rates utilized in the fair value measurement were derived by analyzing current market yields for comparable securities and research reports issued by brokers and dealers in the financial services industry. Adjustments were then made for credit and structural differences between these types of securities. There is an inverse correlation between the discount rate and the fair value measurement. When the discount rate increases, the fair value decreases.

Other significant unobservable inputs to the fair value measurement of the asset backed securities in the portfolio included prospective defaults and recoveries. The cumulative default percentage represents the lifetime defaults assumed. The loss given default percentage represents the percentage of current and projected defaults assumed to be lost. There is an inverse correlation between the default percentages and the fair value measurement. When default percentages increase, the fair value decreases.

Other significant unobservable inputs to the fair value measurement of the collateralized debt obligations included prospective defaults and recoveries. The cumulative default percentage represents the lifetime defaults assumed, excluding currently defaulted collateral and including all performing and currently deferring collateral. As a result, the cumulative default percentage also reflects assumptions of the possibility of currently deferring collateral curing and becoming current. The loss given default percentage represents the percentage of current and projected defaults assumed to be lost. There is an inverse correlation between the cumulative default and loss given default percentages and the fair value measurement. When default percentages increase, the fair value decreases.

Mortgage servicing rights: Given the low level of market activity in the MSR market and the general difficulty in price discovery, even when activity is at historic norms, the discount rate utilized in the fair value measurement was derived by analyzing recent and historical pricing for MSRs. Adjustments were then made for various loan and investor types underlying these

MSRs. There is an inverse correlation between the discount rate and the fair value measurement. When the discount rate increases, the fair value decreases.

Other significant unobservable inputs to the fair value measurement of MSR's include cost to service, an input that is not as simple as taking total costs and dividing by a number of loans. It is a figure informed by marginal cost and pricing for MSRs by competing firms, taking other assumptions into consideration. It is different for different loan types. There is an inverse correlation between the cost to service and the fair value measurement. When the cost assumption increase, the fair value decreases.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company may also be required, from time to time, to measure certain other assets at fair value on a non-recurring basis in accordance with generally accepted accounting principles; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. The following tables detail the assets carried at fair value on a non-recurring basis at September 30, 2018 and December 31, 2017 and indicate the fair value hierarchy of the valuation technique utilized by the Company to determine fair value. There were no liabilities measured at fair value on a non-recurring basis at September 30, 2018 and December 31, 2017.

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
September 30, 2018				
Impaired loans	$ 2,511	$ —	$ —	$ 2,511
Other real estate owned	1,808	—	—	1,808
Total	$ 4,319	$ —	$ —	$ 4,319
December 31, 2017				
Impaired loans	$ 4,488	$ —	$ —	$ 4,488
Other real estate owned	2,154	—	—	2,154
Total	$ 6,642	$ —	$ —	$ 6,642

The following is a description of the valuation methodologies used for certain assets that are recorded at fair value on a non-recurring basis.

Other Real Estate Owned: The Company classifies property acquired through foreclosure or acceptance of deed-in-lieu of foreclosure, as other real estate owned ("OREO") in its financial statements. Upon foreclosure, the property securing the loan is recorded at fair value as determined by real estate appraisals less the estimated selling expense. Appraisals are based upon observable market data such as comparable sales within the real estate market. Assumptions are also made based on management's judgment of the appraisals and current real estate market conditions and therefore these assets are classified as non-recurring Level 3 assets in the fair value hierarchy.

Impaired Loans: Accounting standards require that a creditor recognize the impairment of a loan if the present value of expected future cash flows discounted at the loan's effective interest rate (or, alternatively, the observable market price of the loan or the fair value of the collateral) is less than the recorded investment in the impaired loan. Non-recurring fair value adjustments to collateral dependent loans are recorded, when necessary, to reflect partial write-downs and the specific reserve allocations based upon observable market price or current appraised value of the collateral less selling costs and discounts based on management's judgment of current conditions. Based on the significance of management's judgment, the Company records collateral dependent impaired loans as non-recurring Level 3 fair value measurements.

Losses on assets recorded at fair value on a non-recurring basis for the three and nine months ended September 30, 2018 and 2017 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
		(In thousands)		
Impaired loans	$ (353)	$ (396)	$ (145)	$ (1,174)
Other real estate owned	(144)	(31)	(311)	(201)
Total	$ (497)	$ (427)	$ (456)	$ (1,375)

Disclosures about Fair Value of Financial Instruments:

As of September 30, 2018 and December 31, 2017, the carrying value and estimated fair values of the Company's financial instruments are as described below:

	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
			(In thousands)		
September 30, 2018					
Financial assets:					
Cash and cash equivalents	$ 78,595	$ 78,595	$ —	$ —	$ 78,595
Available-for-sale securities	972,035	—	873,097	98,938	972,035
Loans held for sale	86,948	—	86,948	—	86,948
Loans receivable-net	5,495,277	—	—	5,392,213	5,392,213
FHLBB stock	42,032	—	—	42,032	42,032
Accrued interest receivable	25,485	—	—	25,485	25,485
Derivative assets	27,708	—	27,708	—	27,708
Mortgage servicing rights	14,400	—	—	14,400	14,400
Marketable equity securities	437	437	—	—	437
Financial liabilities:					
Deposits	5,500,363	—	—	5,484,342	5,484,342
Mortgagors' and investors' escrow accounts	9,597	—	—	9,597	9,597
FHLBB advances and other borrowings	926,592	—	925,879	—	925,879
Derivative liabilities	20,366	—	20,366	—	20,366
December 31, 2017					
Financial assets:					
Cash and cash equivalents	$ 88,668	$ 88,668	$ —	$ —	$ 88,668
Available-for-sale securities	1,050,787	417	883,231	167,139	1,050,787
Held-to-maturity securities	13,598	—	14,300	—	14,300
Loans held for sale	114,073	—	114,073	—	114,073
Loans receivable-net	5,307,678	—	—	5,297,381	5,297,381
FHLBB stock	50,194	—	—	50,194	50,194
Accrued interest receivable	22,332	—	—	22,332	22,332
Derivative assets	11,741	—	11,741	—	11,741
Mortgage servicing rights	11,733	—	—	11,733	11,733
Financial liabilities:					
Deposits	5,198,221	—	—	5,191,159	5,191,159
Mortgagors' and investors' escrow accounts	7,545	—	—	7,545	7,545
FHLBB advances and other borrowings	1,165,054	—	1,164,431	—	1,164,431
Derivative liabilities	13,983	—	13,983	—	13,983

Certain financial instruments and all nonfinancial investments are exempt from disclosure requirements. Accordingly, the aggregate fair value of amounts presented above may not necessarily represent the underlying fair value of the Company.

Note 13. Commitments and Contingencies

Financial Instruments With Off-Balance Sheet Risk

In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit through issuing standby letters of credit and undisbursed portions of construction loans and involve, to varying degrees, elements of credit and interest rate risk

in excess of the amounts recognized on the Consolidated Statements of Condition. The contractual amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer defaults and the value of any existing collateral obligations is deemed worthless. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments. Off-balance sheet financial instruments whose contract amounts represent credit risk are as follows at September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
	(In thousands)	
Commitments to extend credit:		
Commitment to grant loans	$ 117,321	$ 110,664
Undisbursed construction loans	123,999	136,149
Undisbursed home equity lines of credit	443,695	412,484
Undisbursed commercial lines of credit	474,882	412,547
Standby letters of credit	13,677	14,680
Unused credit card lines	18,615	16,084
Unused checking overdraft lines of credit	1,661	1,544
Total	$ 1,193,850	$ 1,104,152

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Since these commitments could expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include residential and commercial property, accounts receivable, inventory, property, plant and equipment, deposits, and securities.

Other Commitments

The Company invests in partnerships, including low income housing tax credit, new markets housing tax credit, and alternative energy tax credit partnerships. The net carrying balance of these investments totaled $42.3 million at September 30, 2018 and is included in other assets in the Consolidated Statement of Condition. At September 30, 2018, the Company was contractually committed under these limited partnership agreements to make additional capital contributions of $13.6 million, which constitutes our maximum potential obligation to these partnerships.

Legal Matters

The Company is involved in various legal proceedings that have arisen in the normal course of business. The Company is not involved in any legal proceedings deemed to be material as of September 30, 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements contained in this document that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (referred to as the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (referred to as the Securities Exchange Act), and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You can identify these statements from the use of the words "may," "will," "should," "could," "would," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target" and similar expressions. These forward-looking statements are subject to significant risks, assumptions and uncertainties, including among other things, changes in general economic and business conditions, increased competitive pressures, changes in the interest rate environment, legislative and regulatory change, changes in the financial markets, and other risks and uncertainties disclosed from time to time in documents that United Financial Bancorp, Inc. files with the Securities and Exchange Commission, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and the Risk Factors in Item 1A of this report. Because of these and other uncertainties, United's actual results, performance or achievements, or industry results, may be materially different from the results indicated by these forward-looking statements. In addition, United's past results

of operations do not necessarily indicate United's combined future results. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Except as required by applicable law or regulation, management undertakes no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the Company's operations and present business environment. Management believes accuracy, transparency and clarity are the primary goals of successful financial reporting. Management remains committed to transparency in the Company's financial reporting, providing the Company's stockholders with informative financial disclosures and presenting an accurate view of the Company's financial disclosures, financial position and operating results.

The MD&A is provided as a supplement to—and should be read in conjunction with—the Unaudited Consolidated Financial Statements and the accompanying notes thereto contained in Part I, Item 1, of this report as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The following sections are included in the MD&A:

- *Business* – a general description of the Company's business, objectives and regulatory considerations.
- *Critical Accounting Estimates* – a discussion of accounting estimates that require critical judgments and estimates.
- *Operating Results* – an analysis of the Company's consolidated results of operations for the periods presented in the Unaudited Consolidated Financial Statements.
- *Comparison of Financial Liquidity and Capital Resources* – an overview of financial condition and market interest rate risk.

Business

General

United Financial Bancorp, Inc., a publicly-owned registered financial holding company, is headquartered in Hartford, Connecticut and is a Connecticut corporation. United Financial Bancorp, Inc. is the holding company for United Bank. United's common stock is traded on the NASDAQ Global Select Stock Exchange under the symbol "UBNK." The Company's principal asset at September 30, 2018 is the outstanding capital stock of United Bank, a wholly-owned subsidiary of the Company.

By assets, United Financial Bancorp, Inc. is the third largest publicly traded banking institution headquartered in Connecticut with consolidated assets of $7.21 billion and stockholders' equity of $709.8 million at September 30, 2018.

The Company is a commercially-focused financial institution delivering financial services primarily to small- to mid-sized businesses and individuals throughout Connecticut and Massachusetts through 54 banking offices, commercial loan production offices, mortgage loan production offices, 66 ATMs, telephone banking, mobile banking, and online banking (www.bankatunited.com). In the second quarter of 2018, the Company entered into an agreement with Webster Bank, N.A. to purchase and assume the personal and business banking deposits, including checking, savings, overdraft lines of credit tied to checking accounts, IRAs, and CDs, at six branches located in Connecticut, Massachusetts, and Rhode Island. The deal closed in October 2018, at which time three United Bank branches consolidated into the closest, respective Webster branch.

The Company's vision is to pursue excellence in all things with respect to its customers, employees, shareholders and communities. This pursuit of excellence has helped the Company fulfill the financial needs of its customers while delivering an exceptional banking experience in the market areas that it has served since 1858. The structure of United Bank supports the vision with community banking teams in each market that provide traditional banking products and services to business organizations and individuals, including commercial business loans, commercial and residential real estate loans, consumer loans, financial advisory services and a variety of deposit products.

Our business philosophy is to remain a community-oriented franchise and continue to focus on organic growth supplemented through acquisitions and provide superior customer service to meet the financial needs of the communities in which we operate.

The Company's results of operations depend primarily on net interest income, which is the difference between the income earned on its loan and securities portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by the Company's provision for loan losses, gains and losses from sales of loans and securities, and non-interest income and expenses. Non-interest income primarily consists of fee income from depositors, mortgage banking activities, loan swap fees and increases in cash surrender value of bank-owned life insurance ("BOLI"). Non-interest expenses consist principally of salaries and employee benefits, occupancy, service bureau fees, core deposit intangible amortization, marketing, professional fees, FDIC insurance assessments, and other operating expenses.

Results of operations are also significantly affected by general economic and competitive conditions and changes in interest rates as well as government policies and actions of regulatory authorities. Future changes in applicable laws, regulations or government policies may materially affect the Company.

Our Objectives

The Company seeks to grow organically and through strategic mergers/acquisitions as well as to continually deliver superior value to its customers, stockholders, employees and communities through achievement of its core operating objectives which are to:

- Align earning asset growth with organic capital and low cost core deposit generation to maintain strong capital and liquidity;
- Re-mix cash flows into better yielding risk adjusted return on assets with lower funding costs relative to peers;
- Invest in people, systems, and technology to grow revenue and improve customer experience while maintaining an attractive cost structure;
- Grow operating revenue, maximize operating earnings, grow tangible book value, and pay dividends. Achieve more revenue into non-interest income and core fee income.

Significant factors management reviews to evaluate achievement of the Company's operating objectives and its operating results and financial condition include, but are not limited to: net income and earnings per share, return on tangible common equity and assets, net interest margin, non-interest income, operating expenses related to total average assets and efficiency ratio, pre-tax pre-provision ("PTPP") profitability, asset quality, loan and deposit growth, capital management, liquidity and interest rate sensitivity levels, customer service standards, market share and peer comparisons.

Regulatory Considerations

The Company and its subsidiaries are subject to numerous examinations by federal and state banking regulators, as well as the Securities and Exchange Commission. Please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for additional disclosures with respect to laws and regulations affecting the Company's businesses.

Critical Accounting Estimates

The accounting policies followed by the Company and its subsidiaries conform with accounting principles generally accepted in the United States of America and with general practices within the banking industry. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. The Company bases its assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time the Consolidated Financial Statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that the Consolidated Financial Statements are presented fairly and in accordance with GAAP.

Management believes that the most critical accounting policies, which involve the most complex subjective decisions or assessments, relate to the allowance for loan losses, other-than-temporary impairment of investment securities, derivative instruments and hedging activities, goodwill, and income taxes. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of the Board of Directors. Additional accounting policies are more fully described in Note 1 in the "Notes to Consolidated Financial Statements" presented in our 2017 Annual Report on Form 10-K. A brief description of the Company's current policies involving significant judgment follows:

Allowance for Loan Losses

The allowance for loan losses is maintained at a level that management considers adequate to absorb losses in the loan portfolio. Management's judgment in determining the adequacy of the allowance is inherently subjective and is based on past loan loss experience, known and inherent losses and size of the loan portfolios, an assessment of current economic and real estate market conditions, estimates of the current value of underlying collateral, review of regulatory authority examination reports and other relevant factors.

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: owner-occupied and investor non-owner occupied commercial real estate, commercial and residential construction, commercial business, residential real estate, home equity, and other consumer. The general component of the allowance for loan losses also includes a reserve based upon historical loss experience for loans which were acquired and have subsequently evidenced measured credit deterioration following initial acquisition. Our acquired loan portfolio is comprised of purchased loans that show no evidence of deterioration subsequent to acquisition and are therefore not part of the covered portfolio. Acquired impaired loans are loans with evidence of deterioration subsequent to acquisition and are considered in the covered portfolio in establishing the allowance for loan losses.

Although management believes it uses appropriate available information to establish the allowance for loan losses, future additions to the allowance may be necessary if certain future events occur that cause actual results to differ from the assumptions used in making the evaluation.

Other-than-Temporary Impairment of Securities

The Company maintains a securities portfolio that is classified as available-for-sale. Securities available-for-sale are recorded at estimated fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Management determines the classifications of a security at the time of purchase.

Quarterly, securities with unrealized losses are reviewed as deemed appropriate to assess whether the decline in fair value is temporary or other-than-temporary. The assessment is to determine whether the decline in value is from company-specific events, industry developments, general economic conditions, credit losses on debt or other reasons. Declines in the fair value of available-for-sale securities below their cost or amortized cost that are deemed to be other-than-temporary are reflected in earnings upon the identification of credit loss. Unrealized losses on debt securities with no identified credit loss component are reflected in other comprehensive income.

Derivative Instruments and Hedging Activities

The Company uses derivatives to manage a variety of risks, including risks related to interest rates. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting. The rules and interpretations related to derivatives accounting are complex. Failure to apply this complex guidance correctly will result in the changes in the fair value of the derivative being reported in earnings.

The Company uses interest rate swaps to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. The fair values of interest rate swaps are determined using the standard methodology of netting the discounted future fixed cash receipts (or payment) and the expected variable cash payments (or receipts). The variable cash payment (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rates curves.

At September 30, 2018, derivative assets and liabilities were $27.7 million and $20.4 million, respectively. Further information about our use of derivatives is provided in Note 7, “Derivatives and Hedging Activities” in Notes to Unaudited Consolidated Financial Statements in this report.

Goodwill

The Company is required to record assets and liabilities it has acquired in a business combination, including identifiable intangible assets such as core deposit intangibles, at fair value, which may involve making estimates based on third-party valuations, such as appraisals or internal valuations based on discounted cash flow analyses or other valuation techniques. The resulting goodwill is evaluated for impairment annually or whenever events or changes in circumstances indicate the carrying value of the goodwill may be impaired.

When goodwill is evaluated for impairment, qualitative factors considered include, but are not limited to, industry and market conditions, overall financial performance, and events affecting the reporting unit. If there are no qualitative factors that indicate goodwill may be impaired, the quantitative analysis is not required. For a quantitative analysis, if the carrying amount exceeds the implied fair value, an impairment charge is recorded to income. The fair value is based on observable market prices, when practicable. Other valuation techniques may be used when market prices are unavailable, including estimated discounted cash flows and market multiples analyses. These types of analyses contain uncertainties because they require management to make assumptions and to apply judgment to estimate industry economic factors and the profitability of future business strategies. In the event of future changes in fair value, the Company may be exposed to an impairment charge that could be material.

The carrying value of goodwill at September 30, 2018 was $115.3 million. For further discussion on goodwill see Note 5, “Goodwill and Core Deposit Intangibles” in Notes to Unaudited Consolidated Financial Statements in this report.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Significant management judgment is required in determining income tax expense and deferred tax assets and liabilities. Some judgments are subjective and involve estimates and assumptions about matters that are inherently uncertain. In determining the valuation allowance, we use forecasted future operating results, based upon approved business plans, including a review of the eligible carry forward periods, tax planning opportunities and other relevant considerations. Management believes that the accounting estimate related to the valuation allowance is a critical accounting estimate because the underlying assumptions can

change from period to period. For example, tax law changes or variances in future projected operating performance could result in a change in the valuation allowance.

The reserve for tax contingencies contains uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures associated with our various tax positions. The effective income tax rate is also affected by changes in tax law, entry into new tax jurisdictions, the level of earnings and the results of tax audits.

Operating Results

Executive Overview

Net income of $16.3 million, or $0.32 per diluted share, was recorded for the three months ended September 30, 2018, compared to net income of $15.2 million, or $0.30 per diluted share, for the same period in 2017. Net income for the nine months ended September 30, 2018 was $47.7 million, or $0.94 per diluted share, compared to $45.1 million, or $0.89 per diluted share, for the same period in 2017.

Net interest income increased $1.7 million and $5.8 million for the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017 due to balance sheet growth which was mostly comprised of strong loan originations and loan portfolio purchases. It is the Company’s strategy in the future to increase the relative level of owner-occupied commercial real estate loans while decreasing the relative level of investor non-owner occupied commercial real estate loans to generate more favorable risk-adjusted returns when management is able to identify production that can enhance and maintain net interest margin. Total interest and dividend income increased $9.4 million and $26.3 million for the three and nine months ended September 30, 2018 compared to the same periods in 2017. The increases were partially offset by increases in interest expense of $7.7 million and $20.5 million compared to the same periods in 2017. The Company’s tax-equivalent net interest margin for the three and nine months ended September 30, 2018 was 2.92% and 2.93%, a decrease of eight and nine basis points compared to the prior periods in 2017, respectively.

Non-interest income increased $1.1 million and $220,000 for the three and nine months ended September 30, 2018, as compared to the same periods in 2017. The most significant factors contributing to the increase for the three months ended September 30, 2018 were increases in bank-owned life insurance income and income from mortgage banking activities. There were also lower losses on limited partnership investments as compared to the respective period in 2017 that helped contribute to the overall increase in non-interest income. The increase in non-interest income for the nine months ended September 30, 2018 compared to the prior period was primarily due to an increase in bank-owned life insurance income, as the Company purchased additional BOLI in late December 2017 and early 2018, in addition to income related to death benefits during the first and second quarter of 2018. This increase was primarily offset by decreases in the net gain on sales of securities and income from mortgage banking activities.

Non-interest expense increased $3.7 million to $38.9 million for the three months ended September 30, 2018, and increased $8.5 million to $114.0 million for the nine months ended September 30, 2018, as compared to the same periods in 2017. The largest increases were reflected in salaries and employee benefits and occupancy and equipment, offset primarily by decreases in service bureau fees and FDIC insurance assessments, as compared to the prior periods in 2017. Salaries and employee benefits increased primarily due to an increase in salaries as a result of a greater number of employees, reflecting the Company’s hiring of additional staff for targeted growth. The increase in occupancy and equipment as compared to the prior period was mainly driven by the move of the corporate headquarters to Hartford, CT. These increases were offset in part by lower service bureau fees due to several efficiency and risk mitigation projects related to the Company’s core banking system that occurred in the previous comparable period, as well as lower FDIC insurance assessments.

The provision for income taxes decreased $1.4 million and $4.3 million for the three and nine months ended September 30, 2018 from the prior year periods, primarily due to the Tax Cuts and Jobs Act, which was enacted into law on December 22, 2017. This resulted in, amongst other tax reform items, a reduction in the Company’s applicable U.S. Federal Corporate tax rate to 21% from 35% beginning in the tax year 2018. Additionally, there was an increase in projected tax credit benefits for 2018 due to the closing of two tax credit investments in the second quarter of 2018.

The asset quality of our loan portfolio has remained strong. At September 30, 2018 and December 31, 2017, the allowance for loan losses to total loans ratio were 0.90% and 0.88%, respectively, and the allowance for loan losses to non-performing loans ratio was 183.41% and 148.76%, respectively. The ratio of non-performing loans to total loans were 0.49% and 0.59% at September 30, 2018 and December 31, 2017, respectively. A provision for loan losses of $2.0 million and $6.3 million were recorded for the three and nine months ended September 30, 2018, compared to $2.6 million and $7.1 million for the same prior year periods, reflecting the ongoing assessment of asset quality measures including the estimated exposure on impaired loans and organic loan growth.

The following table presents selected financial data and ratios:

Selected Financial Data	At or For the Three Months Ended September 30,		At or For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in thousands, except share data)			
Share Data:				
Basic net income per share	$ 0.32	$ 0.30	$ 0.94	$ 0.90
Diluted net income per share	0.32	0.30	0.94	0.89
Dividends declared per share	0.12	0.12	0.36	0.36
Key Statistics:				
Total revenue	$ 57,984	$ 55,194	$ 170,357	$ 164,377
Total expense	38,943	35,262	114,049	105,513
Key Ratios (annualized):				
Return on average assets	0.91%	0.88%	0.89%	0.89%
Return on average equity	9.26%	8.92%	9.14%	8.98%
Tax-equivalent net interest margin	2.92%	3.00%	2.93%	3.02%
Non-interest expense to average assets	2.17%	2.04%	2.14%	2.08%
Cost of interest-bearing deposits	1.33%	0.83%	1.16%	0.75%
Non-performing Assets:				
Total non-accrual loans, excluding troubled debt restructures	$ 20,506	$ 24,789	$ 20,506	$ 24,789
Troubled debt restructures - non-accruing	6,706	6,628	6,706	6,628
Total non-performing loans	27,212	31,417	27,212	31,417
Other real estate owned	1,808	2,444	1,808	2,444
Total non-performing assets	$ 29,020	$ 33,861	$ 29,020	$ 33,861
Asset Quality Ratios:				
Non-performing loans to total loans	0.49%	0.60%	0.49%	0.60%
Non-performing assets to total assets	0.40%	0.49%	0.40%	0.49%
Allowance for loan losses to non-performing loans	183.41%	147.59%	183.41%	147.59%
Allowance for loan losses to total loans	0.90%	0.89%	0.90%	0.89%
Non-GAAP Ratio:				
Efficiency ratio (1)	65.73%	60.47%	64.97%	61.37%

(1) Calculations for this non-GAAP metric are provided in the following Non-GAAP Financial Measures section

Non-GAAP Financial Measures

In addition to evaluating the Company’s results of operations in accordance with GAAP, management periodically supplements this evaluation with an analysis of certain non-GAAP financial measures. These non-GAAP measures are intended to provide the reader with additional perspectives on operating results, financial condition, and performance trends, while facilitating comparisons with the performance of other financial institutions. Non-GAAP financial measures are not a substitute for GAAP measures, rather, they should be read and used in conjunction with the Company’s GAAP financial information.

The efficiency ratio is used as a common measure by banks as a comparable metric to understand the Company’s expense structure relative to its total revenue; in other words, for every dollar of total revenue we recognize, how much of that dollar is expended. In order to improve the comparability of the ratio to our peers, we remove non-core items. To improve transparency, and acknowledging that banks are not consistent in their definition of the efficiency ratio, we include our calculation of this non-GAAP measure.

The following is a calculation of our efficiency ratio for the three and nine months ended September 30, 2018 and 2017:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Efficiency Ratio:				
Non-Interest Expense (GAAP)	$ 38,943	$ 35,262	$ 114,049	$ 105,513
Non-GAAP adjustments:				
Other real estate owned expense	(256)	(211)	(586)	(607)
Lease exit/disposal cost obligation	129	—	(86)	—
Non-Interest Expense for Efficiency Ratio (non-GAAP)	$ 38,816	$ 35,051	$ 113,377	$ 104,906
Net Interest Income (GAAP)	$ 48,429	$ 46,768	$ 143,153	$ 137,393
Non-GAAP adjustments:				
Tax equivalent adjustment for tax-exempt loans and investment securities	792	2,069	2,934	5,705
Non-Interest Income (GAAP)	9,555	8,426	27,204	26,984
Non-GAAP adjustments:				
Net loss (gain) on sales of securities	58	(158)	(120)	(710)
Net loss on limited partnership investments	221	864	1,771	1,582
BOLI claim benefit	—	—	(435)	(8)
Total Revenue for Efficiency Ratio (non-GAAP)	$ 59,055	$ 57,969	$ 174,507	$ 170,946
Efficiency Ratio (Non-Interest Expense for Efficiency Ratio (non-GAAP)/Total Revenue for Efficiency Ratio (non-GAAP))	65.73%	60.47%	64.97%	61.37%

Average Balances, Interest, Average Yields\Cost and Rate\Volume Analysis

The tables below sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. A tax-equivalent yield adjustment was made for the three and nine months ended September 30, 2018 and 2017. All average balances are daily average balances. Loans held for sale and non-accrual loans are included in the computation of interest-earning average balances, with non-accrual loans carrying a zero yield. The yields set forth below include the effect of deferred costs, discounts and premiums that are amortized or accreted to interest income or expense.

Average Balance Sheets for the Three Months Ended September 30, 2018 and 2017:

	Three Months Ended September 30,					
	2018			2017		
(Dollars in thousands)	Average Balance	Interest and Dividends	Annualized Yield/Cost	Average Balance	Interest and Dividends	Annualized Yield/Cost
Interest-earning assets:						
Residential real estate loans	$ 1,375,948	$ 12,451	3.65%	$ 1,323,262	$ 11,017	3.33%
Commercial real estate loans	2,320,375	26,105	4.40	2,211,601	23,063	4.08
Construction loans	114,068	1,379	4.73	122,511	1,301	4.16
Commercial business loans	841,936	9,428	4.38	791,547	8,163	4.04
Home equity loans	584,706	7,471	5.07	536,509	5,917	4.38
Other consumer loans	351,892	4,532	5.11	252,532	3,063	4.81
Total loans (1)	5,588,925	61,366	4.33	5,237,962	52,524	3.95
Investment securities	995,405	8,686	3.48	1,090,559	9,621	3.52
Federal Home Loan Bank stock	45,016	715	6.35	51,722	572	4.43
Other earning assets	42,078	216	2.04	43,498	151	1.38
Total interest-earning assets	6,671,424	70,983	4.21	6,423,741	62,868	3.86
Allowance for loan losses	(49,823)			(46,479)		
Non-interest-earning assets	569,471			529,937		
Total assets	$ 7,191,072			$ 6,907,199		
Interest-bearing liabilities:						
NOW and money market accounts	$ 2,515,660	8,461	1.33%	$ 2,105,796	3,992	0.75%
Saving deposits (2)	501,700	75	0.06	527,641	77	0.06
Time deposits	1,691,382	7,231	1.70	1,731,658	5,116	1.17
Total interest-bearing deposits	4,708,742	15,767	1.33	4,365,095	9,185	0.83
Advances from the Federal Home Loan Bank	844,207	4,591	2.13	951,760	3,404	1.40
Other borrowings	111,760	1,404	4.92	135,173	1,442	4.18
Total interest-bearing liabilities	5,664,709	21,762	1.52	5,452,028	14,031	1.02
Non-interest-bearing deposits	750,503			702,916		
Other liabilities	71,554			70,853		
Total liabilities	6,486,766			6,225,797		
Stockholders’ equity	704,306			681,402		
Total liabilities and stockholders’ equity	$ 7,191,072			$ 6,907,199		
Net interest-earning assets (3)	$ 1,006,715			$ 971,713		
Tax-equivalent net interest income		49,221			48,837	
Tax-equivalent net interest rate spread (4)			2.69%			2.84%
Tax-equivalent net interest margin (5)			2.92%			3.00%
Average interest-earning assets to average interest-bearing liabilities			117.77%			117.82%
Less tax-equivalent adjustment		792			2,069	
Net interest income		$ 48,429			$ 46,768	

(1) Total loans includes loans held for sale and nonperforming loans.

(2) Includes mortgagors’ and investors’ escrow accounts.

(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(4) Tax-equivalent net interest rate spread represents the difference between yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(5) Tax-equivalent net interest margin represents tax-equivalent net interest income divided by average interest-earning assets.

Average Balance Sheets for the Nine Months Ended September 30, 2018 and 2017:

	Nine Months Ended September 30,					
	2018			2017		
	Average Balance	Interest and Dividends	Annualized Yield/Cost	Average Balance	Interest and Dividends	Annualized Yield/Cost
	(Dollars in thousands)					
Interest-earning assets:						
Residential real estate loans	$ 1,342,955	$ 35,977	3.59%	$ 1,285,618	$ 32,079	3.33%
Commercial real estate loans	2,303,188	74,522	4.27	2,155,085	65,626	4.02
Construction loans	116,144	4,035	4.58	132,158	4,261	4.25
Commercial business loans	833,612	26,949	4.26	767,738	22,510	3.87
Home equity loans	583,876	21,056	4.82	533,669	16,876	4.23
Other consumer loans	324,802	12,394	5.10	231,892	8,581	4.95
Total loans (1)	5,504,577	174,933	4.22	5,106,160	149,933	3.89
Investment securities	1,018,609	26,305	3.44	1,086,574	28,366	3.48
Federal Home Loan Bank stock	48,513	2,024	5.56	53,005	1,630	4.10
Other earning assets	36,856	487	1.77	36,049	303	1.12
Total interest-earning assets	6,608,555	203,749	4.09	6,281,788	180,232	3.80
Allowance for loan losses	(48,750)			(45,008)		
Non-interest-earning assets	559,792			521,629		
Total assets	$ 7,119,597			$ 6,758,409		
Interest-bearing liabilities:						
NOW and money market accounts	$ 2,307,660	19,517	1.13%	$ 1,960,685	8,996	0.61%
Saving deposits (2)	510,137	225	0.06	532,718	235	0.06
Time deposits	1,745,332	19,916	1.53	1,720,120	14,376	1.12
Total interest-bearing deposits	4,563,129	39,658	1.16	4,213,523	23,607	0.75
Advances from the Federal Home Loan Bank	945,085	13,829	1.93	986,935	9,225	1.23
Other borrowings	113,937	4,175	4.83	138,685	4,302	4.09
Total interest-bearing liabilities	5,622,151	57,662	1.37	5,339,143	37,134	0.93
Non-interest-bearing deposits	734,253			680,786		
Other liabilities	66,491			68,499		
Total liabilities	6,422,895			6,088,428		
Stockholders' equity	696,702			669,981		
Total liabilities and stockholders' equity	$ 7,119,597			$ 6,758,409		
Net interest-earning assets (3)	$ 986,404			$ 942,645		
Tax-equivalent net interest income		146,087			143,098	
Tax-equivalent net interest rate spread (4)			2.72%			2.87%
Tax-equivalent net interest margin (5)			2.93%			3.02%
Average interest-earning assets to average interest-bearing liabilities			117.54%			117.66%
Less tax-equivalent adjustment		2,934			5,705	
Net interest income		$ 143,153			$ 137,393	

(1) Total loans includes loans held for sale and nonperforming loans.
(2) Includes mortgagors' and investors' escrow accounts.
(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(4) Tax-equivalent net interest rate spread represents the difference between yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(5) Tax-equivalent net interest margin represents tax-equivalent net interest income divided by average interest-earning assets.

Rate\Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Three Months Ended September 30, 2018 Compared to September 30, 2017			Nine Months Ended September 30, 2018 Compared to September 30, 2017		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
	(In thousands)					
Interest and dividend income:						
Loans receivable	$ 3,859	$ 4,983	$ 8,842	$ 12,755	$ 12,245	$ 25,000
Securities [1]	(1,259)	467	(792)	(1,903)	236	(1,667)
Other earning assets	(5)	70	65	7	177	184
Total earning assets	2,595	5,520	8,115	10,859	12,658	23,517
Interest expense:						
NOW and money market accounts	898	3,571	4,469	1,825	8,696	10,521
Savings accounts	(4)	2	(2)	(10)	—	(10)
Time deposits	(122)	2,237	2,115	214	5,326	5,540
Total interest-bearing deposits	772	5,810	6,582	2,029	14,022	16,051
FHLBB advances	(415)	1,602	1,187	(401)	5,005	4,604
Other borrowings	(268)	230	(38)	(825)	698	(127)
Total interest-bearing liabilities	89	7,642	7,731	803	19,725	20,528
Change in tax-equivalent net interest income	$ 2,506	$ (2,122)	$ 384	$ 10,056	$ (7,067)	$ 2,989

(1) Includes FHLBB stock

Comparison of Operating Results for the Three and Nine Months Ended September 30, 2018 and 2017

The following discussion provides a summary and comparison of the Company's operating results for the three and nine months ended September 30, 2018 and 2017.

Net Interest Income

Net interest income is the amount that interest and fees on earning assets (loans and investments) exceeds the cost of funds, interest paid to the Company's depositors and interest on external borrowings. Net interest margin is the difference between the income on earning assets and the cost of interest-bearing funds as a percentage of average earning assets. Growth in net interest income has resulted from the growth in interest-earning assets outpacing the growth in interest-bearing liabilities, primarily reflecting organic loan growth and portfolio purchases.

For the three months ended September 30, 2018, tax-equivalent net interest income increased $384,000 from the comparative 2017 period. This was mainly due to an increase in average earning assets of $247.7 million, offset by an increase of $212.7 million in interest-bearing liabilities, due to loan growth which was primarily funded by borrowings and deposits. The increase in interest and dividend income of $8.1 million was partially offset by the increase in interest expense of $7.7 million. The net interest margin decreased eight basis points, the yield on average earning assets increased 35 basis points, and the cost of interest-bearing liabilities increased 50 basis points from the same period in 2017.

For the nine months ended September 30, 2018, tax-equivalent net interest income increased $3.0 million from the comparative 2017 period. This was mainly due to the increase in average earning assets of $326.8 million outpacing the increase of $283.0 million in interest-bearing liabilities, with the remainder funded by an increase in non-interest bearing deposits of $53.5 million. The increase in interest and dividend income of $23.5 million was partially offset by the increase in interest expense of $20.5 million. The net interest margin decreased nine basis points, the yield on average earnings assets increased 29 basis points, and the cost of interest-bearing liabilities increased 44 basis points from the same period in 2017.

The increase in the average balances of loans primarily reflects loan growth and portfolio purchases. The average balance of total loans for the three and nine months ended September 30, 2018 was $5.59 billion and $5.50 billion, and had an average yield of 4.33% and 4.22%, respectively. Increases in average balances for loans were recorded in all categories except construction loans, and increased $351.0 million and $398.4 million for the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017. For the three and nine months ended September 30, 2018, the average balance of commercial real estate loans, commercial business loans, other consumer loans, residential real estate loans, and home equity loans increased $108.8 million and $148.1 million, $50.4 million and $65.9 million, $99.4 million and $92.9 million, $52.7 million and $57.3 million, and $48.2 million and $50.2 million, respectively, from the respective prior period in 2017. The loan portfolio has responded favorably to the increase in the LIBOR and Prime rate indices, as 30% of the portfolio is priced off of the LIBOR index, and 14% of the portfolio is priced off of the Prime rate index.

The average balance of investment securities for the three months ended September 30, 2018 decreased $95.2 million when compared to the same period in 2017, and the average yield decreased by four basis points. The average balance of investment securities decreased $68.0 million, and the average yield decreased four basis points for the nine months ended September 30, 2018 compared to the same period in 2017. The decline in the portfolio balance during the three and nine months ended September 30, 2018 was the result of redirecting portfolio cash flows to more favorable risk adjusted returns on capital achieved in the loan portfolio.

For the three and nine months ended September 30, 2018 compared to the same periods in 2017, the average balance of total interest-bearing deposits increased $343.6 million and $349.6 million, respectively. These increases were primarily due to the Company's continued focus to grow low cost deposits and the continued success in new account acquisition strategies. The average cost of total interest-bearing deposits increased 50 and 41 basis points for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. FHLBB advances decreased $107.6 million and $41.9 million, while the average cost increased 73 and 70 basis points for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, as the Company utilized excess funds to pay down maturing advances. The Company continued to utilize shorter duration advances to align the structure of the advances with the cash flow hedges of interest rate risk to extend the duration of the portfolio. Overnight FHLBB advance and short term rates were elevated due to continued Federal Open Market Committee ("FOMC") rate increases and a flattening yield curve.

Net interest income is affected by changes in interest rates, loan and deposit pricing strategies, competitive conditions, the volume and mix of interest-earning assets and interest-bearing liabilities as well as the level of non-performing assets. The Company manages the risk of changes in interest rates on its net interest income through an Asset/Liability Management Committee and through related interest rate risk monitoring and management policies.

Provision for Loan Losses

The provision for loan losses is a charge to earnings in an amount sufficient to maintain the allowance for loan losses at a level deemed adequate by the Company. The level of the allowance is a critical accounting estimate, which is subject to uncertainty. Acquired loans are recorded at fair value at the time of acquisition, with no carryover of the allowance for loan losses, which

includes adjustments for market interest rates and expected credit losses. Included within the ALL at September 30, 2018 are reserves for acquired loans in accordance with Bank policies.

Management evaluates the adequacy of the allowance for loan losses on a quarterly basis. The adequacy of the loan loss allowance is based on such interrelated factors as the composition of the loan portfolio and its inherent risk characteristics, the level of non-performing loans and charge-offs, both current and historic, local economic and credit conditions, the direction of real estate values, and regulatory guidelines. The provision is charged against earnings in order to maintain an allowance for loan losses that reflects management's best estimate of probable losses inherent in the loan portfolio at the balance sheet date.

Management recorded a provision for loan losses of $2.0 million and $6.3 million for the three and nine months ended September 30, 2018, respectively, compared to $2.6 million and $7.1 million for the same periods of 2017. The primary factors that influenced management's decision to record the provision were organic growth during the period, the on-going assessment of estimated exposure on impaired loans, level of delinquencies, and general economic conditions. Impaired loans totaled $40.5 million at September 30, 2018, compared to $45.9 million at December 31, 2017, a decrease of $5.4 million, or 11.8%, primarily reflecting decreases of $2.3 million in commercial business impaired loans, $1.2 million in construction impaired loans, and $1.1 million in investor non-owner occupied commercial real estate impaired loans, slightly offset by increases in other consumer and residential real estate impaired loans of $493,000 and $149,000, respectively. Troubled debt restructured ("TDR") loans totaled $20.0 million at September 30, 2018, compared to $22.7 million at December 31, 2017, a decrease of $2.7 million. At September 30, 2018, the allowance for loan losses totaled $49.9 million, representing 0.90% of total loans and 183.41% of non-performing loans compared to an allowance for loan losses of $47.1 million, which represented 0.88% of total loans and 148.76% of non-performing loans as of December 31, 2017. There is no carryover of the allowance for loan losses on acquired loans. The repayment of impaired loans is largely dependent upon the sale and value of collateral that may be impacted by current real estate conditions.

Non-Interest Income

Total non-interest income was $9.6 million and $27.2 million for the three and nine months ended September 30, 2018, with non-interest income representing 16.5% and 16.0% of total revenues, respectively. Total non-interest income was $8.4 million and $27.0 million for the three and nine months ended September 30, 2017, with non-interest income representing 15.3% and 16.4% of total revenues, respectively. The following is a summary of non-interest income by major category for the three and nine months ended September 30, 2018 and 2017:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
	(Dollars in thousands)							
Service charges and fees	$ 6,623	$ 6,514	$ 109	1.7 %	$ 19,324	$ 19,343	$ (19)	(0.1)%
(Loss) gain on sale of securities, net	(58)	158	(216)	(136.7)	120	710	(590)	(83.1)
Income from mortgage banking activities	1,486	1,204	282	23.4	4,061	4,355	(294)	(6.8)
Bank-owned life insurance income	1,460	1,167	293	25.1	4,777	3,523	1,254	35.6
Net loss on limited partnership investments	(221)	(864)	643	(74.4)	(1,771)	(1,582)	(189)	11.9
Other income	265	247	18	7.3	693	635	58	9.1
Total non-interest income	$ 9,555	$ 8,426	$ 1,129	13.4 %	$ 27,204	$ 26,984	$ 220	0.8 %

Service Charges and Fees: For the three months ended September 30, 2018, the Company recorded $6.6 million in service charges and fees compared to $6.5 million in the prior year period. Service charges and fees were $19.3 million for both of the nine months ended September 30, 2018 and 2017.

For the three and nine months ended September 30, 2018, the Company recorded increases in revenue generated by the Company's investment advisor, United Wealth Management ("UWM") and deposit and service charges for various products, which was partially offset by a decrease in loan swap fee income. Revenue generated from loan swap fee income decreased as a direct result of lower transactional volume, contributing to the year-to-date decline in service charges and fees. Loan swap fee income is generated as part of the Company's loan level hedge program that is offered to certain commercial banking customers to facilitate their respective risk management strategies.

The increase in revenue generated by UWM is due to the Company's expansion of the financial advisory program that has continued the strategy of acquiring proven talent with deep local relationships, as well as installing Series 6 representatives in select branches to work alongside our retail employees to ensure a coordinated sales approach to meeting the financial needs of

our customers. The increase in deposit and service charges for various customer products is linked to an increase in transactional volume and a modification of the fee structure. Higher transactional volume also had a favorable impact on payments from MasterCard year over year.

(Loss)/Gain on Sales of Securities, Net: For the three months ended September 30, 2018, the Company recorded a $58,000 net loss on security sales compared to a net gain of $158,000 in the same period in 2017. For the nine months ended September 30, 2018, the Company recorded $120,000 in net gains on security sales compared to $710,000 in net gains in the prior year period.

During 2018, the investment portfolio activity was concentrated in the first quarter as the Company pursued a strategy to sell various securities with shortened average lives and lower yields, which were then reinvested into more capital-efficient investments. In the past six months, there has been low transactional volume, primarily reflecting called securities with reinvestments following the Company's goal of maintaining portfolio duration, credit quality and capital efficiency.

For the three and nine months ended September 30, 2017, the Company's investment activity was mainly driven by the sale of shorter-term securities, adding longer duration investments in the portfolio to optimize income as well as improving portfolio efficiency from a credit and regulatory capital perspective.

Income From Mortgage Banking Activities: The Company recorded an increase of $282,000 and a decrease of $294,000 in income from mortgage banking activities for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017.

The increase for the three months ended September 30, 2018 was primarily due to (a) the increase in the fair value recognized in net income for mortgage servicing rights in relation to the prior year due to an increase on long-term rates, (b) an increase in mortgage pairoff fees, and (c) gains on forward loan sales contracts due to market interest rate changes. These increases were partially offset by a decrease in gains on sale of loans largely reflecting fewer loans sold and losses on derivative loan commitments.

The nine months ended September 30, 2018 experienced similar fluctuations as described in the three month period above, however, the nine month period was impacted to a greater extent by decreases in gains on sale of loans related to the change in the fair value adjustment on loans held for sale, which contributed to the year-to-date decline of $294,000.

Bank-Owned Life Insurance ("BOLI") Income: For the three and nine months ended September 30, 2018, the Company recorded BOLI income of $1.5 million and $4.8 million, compared to $1.2 million and $3.5 million for the same periods in 2017, an increase of $293,000 and $1.3 million, respectively. The increase for the three and nine months ended September 30, 2018 was mainly due to purchases of higher yielding BOLI policies in late December 2017 and early January 2018. Additionally, for the nine months ended September 30, 2018, the Company also benefited from recording death benefit proceeds of $435,000.

Net Loss on Limited Partnership Investments: The Company has investments in low income housing, new markets housing and alternative energy tax credit partnerships. In June 2018, the Company invested $2.5 million in two alternative energy tax credit partnerships.

For the three and nine months ended September 30, 2018, the Company recorded net losses of $221,000 and $1.8 million on limited partnership investments, compared to net losses of $864,000 and $1.6 million for the corresponding prior periods as the Company experienced lower levels of impairment on its partnership investments for the three months ended September 30, 2018 when compared to the corresponding prior period. In conjunction with the losses realized on tax credit partnerships, the Company recorded benefits of $1.9 million and $5.6 million for three and nine months ended September 30, 2018 as reflected in the provision for income taxes. For the three and nine months ended September 30, 2017, the Company recorded an offsetting benefit of $2.4 million and $7.2 million, respectively.

Non-Interest Expense

Non-interest expense increased $3.7 million to $38.9 million for the three months ended September 30, 2018 and $8.5 million to $114.0 million for the nine months ended September 30, 2018.

For the three months ended September 30, 2018 and 2017, annualized non-interest expense represented 2.17% and 2.04% of average assets, while annualized non-interest expense represented 2.14% and 2.08% for the nine months ended September 30, 2018 and 2017, respectively. The following table summarizes non-interest expense for the three and nine months ended September 30, 2018 and 2017:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
	(Dollars in thousands)							
Salaries and employee benefits	$ 22,643	$ 20,005	$ 2,638	13.2 %	$ 65,954	$ 59,309	$ 6,645	11.2 %
Service bureau fees	2,209	2,336	(127)	(5.4)	6,592	6,959	(367)	(5.3)
Occupancy and equipment	4,487	3,740	747	20.0	14,104	11,866	2,238	18.9
Professional fees	1,013	1,048	(35)	(3.3)	3,282	3,309	(27)	(0.8)
Marketing and promotions	1,119	1,087	32	2.9	2,993	3,036	(43)	(1.4)
FDIC insurance assessments	655	780	(125)	(16.0)	2,129	2,255	(126)	(5.6)
Core deposit intangible amortization	288	337	(49)	(14.5)	930	1,075	(145)	(13.5)
Other	6,529	5,929	600	10.1	18,065	17,704	361	2.0
Total non-interest expense	$ 38,943	$ 35,262	$ 3,681	10.4 %	$ 114,049	$ 105,513	$ 8,536	8.1 %

Salaries and Employee Benefits: Salaries and employee benefits were $22.6 million for the three months ended September 30, 2018, an increase of $2.6 million from the comparable 2017 period. Salaries and employee benefits were $66.0 million for the nine months ended September 30, 2018, an increase of $6.6 million from the comparable 2017 period.

For the three and nine months ended September 30, 2018, the increases in salaries and benefits of $2.6 million and $6.6 million were attributable to (a) an increase in salaries and FICA with a greater number of employees, mainly reflecting the hiring of additional staff targeted for growth, (b) a decrease in deferred expenses from fewer loan originations, (c) an increase in executive restricted stock expense as a result of stock awards granted in the second half of 2017, and (d) employee parking related expenses associated with the move to our new corporate headquarters in Hartford, Connecticut. These increases were partially offset by decreases in projected bonuses, pension expense due to changes in certain actuarial assumptions, and other benefits. Additionally, there were noted decreases in commissions on product sales and temporary help due to the completion of project work for the year-to-date period, while the quarter-to-date period remained relatively flat.

Service Bureau Fees: Service bureau fees decreased $127,000 for the three months ended September 30, 2018 and $367,000 for the nine months ended September 30, 2018, compared to the same periods in 2017. The decreases were largely driven by a renegotiation of the core banking system contract, which resulted in lower fees.

Occupancy and Equipment: For the three and nine months ended September 30, 2018, the $747,000 and $2.2 million increases in occupancy and equipment expense were driven by the move of the Company's corporate headquarters to Hartford, Connecticut which resulted in an increase in rent expense and depreciation on leasehold improvements, computer hardware and various software programs. These increases were partially offset by an increase in rental income on properties that are subleased and a year-to-date decrease in expenses related to snow removal.

Professional Fees: For the three and nine months ended September 30, 2018, professional fees remained relatively flat, decreasing $35,000 and $27,000 as compared to the same periods in the prior year, driven by a decrease in consulting fees, partially offset by increases in legal fees.

Marketing and Promotions: For the three months ended September 30, 2018, marketing and promotions increased $32,000 when compared to the same period in 2017, which was driven by increases in digital and newspaper advertising. For the nine months ended September 30, 2018, there was a $43,000 decrease as compared to the same period in 2017, which was attributable to decreases in television and direct mail advertising.

FDIC Insurance Assessments: For the three and nine months ended September 30, 2018, the decreases in FDIC insurance assessments of $125,000 and $126,000, compared to the prior year periods, were attributable to the decrease in the assessment rate.

Core Deposit Intangible Amortization: The $49,000 and $145,000 decreases in core deposit intangible amortization for the three and nine months ended September 30, 2018 were directly attributable to the amortization method used by the Company. The Company is amortizing its $10.6 million core deposit intangible established in 2014 over ten years using the sum-of-the-years-digits method.

Other Expenses: For the three and nine months ended September 30, 2018, other expenses recorded by the Company were $6.5 million and $18.1 million, representing increases of $600,000 and $361,000 from the comparable 2017 periods. The increases for the three and nine months ended September 30, 2018 were driven by increased expenses in computer software and maintenance related to technology investments and office equipment, both attributable to the move of the corporate headquarters. Partially offsetting the increase were decreases in corporate travel and conferences.

Income Tax Provision

The provision for income taxes was $726,000 and $2.2 million for the three months ended September 30, 2018 and 2017, and $2.3 million and $6.6 million for the nine months ended September 30, 2018 and 2017, respectively. The Company's effective tax rate for the three months ended September 30, 2018 and 2017 was 4.3% and 12.5%, respectively. The Company's effective tax rate for the nine months ended September 30, 2018 and 2017 was 4.5% and 12.8%, respectively. The effective tax rate is lower than the statutory rate due to favorable permanent differences such as tax exempt income from municipal securities and BOLI, as well as tax credit benefits. The decrease in the tax expense over the prior year periods is primarily due to the Tax Cuts and Jobs Act which was enacted into law at the end of 2017. This resulted in a reduction of the corporate income tax rate from 35% to 21% for tax years 2018 and forward. As such, overall provision for income taxes was less than reflected in the prior year. The Company anticipates the potential for increased periodic volatility in future effective tax rates due to the impact of FASB's ASU No. 2016-09: *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which applies the tax effect of restricted stock vestings and stock option exercises through the tax rate as discrete items in the period in which the tax event occurs. The Company's year-to-date impact on tax expense related to the tax benefit of stock compensation is approximately $277,000.

The Company continually monitors and evaluates the potential impact of current events and circumstances on the estimates used in the analysis of its income tax positions, and accordingly, the Company's effective tax rate may fluctuate in the future. The Company evaluates its income tax positions based on tax laws and appropriate regulations and financial reporting considerations, and records adjustments as appropriate. This evaluation takes into consideration the status of current taxing authorities' examinations of the Company's tax returns and recent positions taken by the taxing authorities on similar transactions, if any. Accordingly, the results of these examinations may alter the timing or amount of taxable income or deductions taken by the Company.

Financial Condition, Liquidity and Capital Resources

Summary

The Company had total assets of $7.21 billion at September 30, 2018 and $7.11 billion at December 31, 2017, an increase of $93.3 million, or 1.3%, primarily due to the increases in net loans of $187.6 million and $33.6 million in the cash surrender value of bank-owned life insurance. These increases were partially offset by a decrease in the total investment securities portfolio of $92.4 million, a decrease in loans held for sale of $27.1 million, as the Company delivered a significant level of loans held for sale to third party investors in the first half of 2018, and a $10.1 million decrease in cash and cash equivalents.

Total net loans of $5.50 billion, with an allowance for loan losses of $49.9 million at September 30, 2018, increased $187.6 million, or 3.5%, when compared to total net loans of $5.31 billion, with an allowance for loan losses of $47.1 million at December 31, 2017. The increase in loans was due primarily to organic loan growth, as well as continued loan portfolio purchases. Net loans increased due to growth in all categories except owner-occupied commercial real estate loans, residential construction loans, and home equity loans.

Total deposits of $5.50 billion at September 30, 2018 increased $302.1 million, or 5.8%, when compared to total deposits of $5.20 billion at December 31, 2017. The increase in deposits was mainly due to growth in money market deposits and NOW accounts, offset primarily by a decrease in certificates of deposits, which is reflective of the Company's strategy to emphasize growth in transactional accounts to drive low-cost core deposit growth. The Company's gross loan-to-deposit ratio was 100.5% at September 30, 2018, compared to 102.7% at December 31, 2017.

At September 30, 2018, total equity of $709.8 million increased $16.5 million when compared to total equity of $693.3 million at December 31, 2017. The increase in equity for the period ended September 30, 2018 was primarily due to year-to-date net income, partially offset by dividends paid to common shareholders, as well as increases in accumulated other comprehensive losses as a result of a decrease in the market value of the Company's investment portfolio as compared to December 31, 2017. At September 30, 2018, the tangible common equity ratio was 8.34%, compared to 8.20% at December 31, 2017.

See Note 9, "Regulatory Matters" in Notes to Unaudited Consolidated Financial Statements contained in this report for information on the Bank and the Company's regulatory capital levels and ratios.

Securities

The Company maintains a securities portfolio that is primarily structured to generate interest income, manage interest-rate sensitivity, and provide a source of liquidity for operating needs. The securities portfolio is managed in accordance with regulatory guidelines and established internal corporate investment policies.

The following table sets forth information regarding the amortized cost and fair value of the Company's investment portfolio at the dates indicated:

Securities

	September 30, 2018		December 31, 2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Available-for-sale:				
Debt securities:				
Government-sponsored residential mortgage-backed securities	$ 215,541	$ 207,574	$ 235,646	$ 235,479
Government-sponsored residential collateralized debt obligations	174,481	170,126	134,652	133,112
Government-sponsored commercial mortgage-backed securities	28,771	27,192	33,449	33,255
Government-sponsored commercial collateralized debt obligations	157,592	148,914	151,035	147,242
Asset-backed securities	99,348	98,938	166,559	167,139
Corporate debt securities	83,486	80,322	88,571	89,136
Obligations of states and political subdivisions	251,616	238,969	249,531	245,007
Total debt securities	1,010,835	972,035	1,059,443	1,050,370
Marketable equity securities, by sector:				
Industrial	—	—	109	209
Oil and gas	—	—	131	208
Total marketable equity securities	—	—	240	417
Total available-for-sale securities	$ 1,010,835	$ 972,035	$ 1,059,683	$ 1,050,787
Held-to-maturity:				
Debt securities:				
Obligations of states and political subdivisions	$ —	$ —	$ 12,280	$ 12,871
Government-sponsored residential mortgage-backed securities	—	—	1,318	1,429
Total held-to-maturity securities	$ —	$ —	$ 13,598	$ 14,300

During the nine months ended September 30, 2018, the available-for-sale securities portfolio decreased $78.8 million to $972.0 million, representing 13.5% of total assets at September 30, 2018, from $1.05 billion and 14.8% of total assets at December 31, 2017. The decrease is partially due to mark-to-market unrealized losses in the portfolio as a result of the increase in the general level of interest rates over the first nine months of 2018, as well as a reduction of reinvestment of principal and interest payments that had been generated by the portfolio. The Company continues to maintain its barbell portfolio management strategy, with any purchases made focusing on maintaining the portfolio duration and ensuring credit diversification. Portfolio activity was marked by low transactional volume over the quarter. There were multiple securities called throughout the first nine months of 2018, and any reinvestment was done with the goal of maintaining portfolio duration, credit quality, and capital efficiency, while attempting to take advantage of relatively higher yields along certain tenors.

Accounting guidance requires the Company to designate its securities as held-to-maturity, available-for-sale, or trading depending on the Company's intent regarding its investments at the time of purchase. The Company does not currently maintain a portfolio of held-to-maturity or trading securities. Given the Company's early adoption of ASU No. 2017-12, *Derivatives & Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, all securities that were previously classified as held-to-maturity at December 31, 2017 were considered pre-payable and were transferred to the available-for-sale classification as of January 1, 2018. As of September 30, 2018, all of the Company's debt securities were classified as available-for-sale.

The Company held $915.6 million in securities that were in an unrealized loss position at September 30, 2018; $497.3 million of this total had been in an unrealized loss position for less than twelve months with the remaining $418.2 million in an unrealized loss position for twelve months or longer. These securities were evaluated by management and were determined not to be other-than-temporarily impaired. The Company does not have the intent to sell these securities, and it is more-likely-than-not that it will not have to sell the securities before the recovery of their cost basis. To the extent that changes in interest rates, credit spread movements and other factors that influence the fair value of securities continue, the Company may be required to record impairment charges for other-than-temporary impairment in future periods. For additional information on the securities portfolio, see Note 3, “Securities” in the Notes to Unaudited Consolidated Financial Statements contained elsewhere in this report.

The Company monitors investment exposures continually, performs credit assessments based on market data available at the time of purchase, and performs ongoing credit due diligence for all collateralized loan obligations, corporate exposures, and municipal securities. The Company’s investment portfolio is regularly monitored for performance enhancements and interest rate risk profiles, with dynamic strategies implemented accordingly.

The Company has the ability to use the investment portfolio, as well as interest-rate financial instruments within internal policy guidelines, to hedge and manage interest-rate risk as part of its asset/liability strategy. See Note 7, “Derivatives and Hedging Activities,” in the Notes to Unaudited Consolidated Financial Statements contained elsewhere in this report for additional information concerning derivative financial instruments.

Lending Activities

The Company’s wholesale lending team includes bankers, cash management specialists and originations, underwriting and servicing staff in each of our disciplines in wholesale lending which includes commercial real estate, commercial business, business banking, cash management, and a shared national credits desk. Our consumer lending team includes the following disciplines which in nearly all channels drive lending activities: retail branches and retail lending, customer contact center which includes outbound calling, direct sales, correspondent lending, LH-Finance, and United Wealth Management (“UWM”).

The Company’s lending activities have historically been conducted principally in Connecticut and Massachusetts; however, as we seek to enhance shareholder value through favorable risk adjusted returns, we often will lend throughout the Northeast and to a lesser extent certain Mid-Atlantic states and other select states. The Company’s experience in our geographic areas we lend in allows us to look at a wide variety of commercial, mortgage, and consumer loans. Opportunities are initially reviewed to determine if they meet the Company’s credit underwriting guidelines. After successfully passing an initial credit review, we then utilize the Company’s risk adjusted return on capital model to determine pricing and structure that supports, or is accretive to, the Company’s return goals. Our systematic approach is intended to create better risk adjusted returns on capital. Through the Company’s Loan and Funds Management Policies, both approved by the Board of Directors, we set limits on loan size, relationship size, and product concentration for both loans and deposits. Creating diversified and granular loan and deposit portfolios is how we diversify risk and create improved return on risk adjusted capital.

The Company can originate, purchase, and sell commercial business loans, commercial real estate loans, residential and commercial construction loans, residential real estate loans collateralized by one-to-four family residences, home equity lines of credit and fixed rate loans, marine floor plan loans and other consumer loans.

The Company’s approach to lending is influenced in large part by its risk adjusted return models. With the high level of competition for high quality earning assets, pricing is often at levels that are not accretive to the Company’s aspirational equity return metrics. The Company utilizes a web-based risk adjusted return model that includes inputs such as internal risk ratings, the marginal cost of funding the origination, contractual loan characteristics such as interest rate and term, and origination and servicing costs. This model allows the Company to understand the life-of-loan impact of the origination, leading to proactive and informed decision making that results in the origination of loans that support the Company’s aspirational return metrics. We seek to acquire, develop, and preserve high quality relationships with customers, prospects, and centers of influence that support our return goals and compensate our commercial bankers and branch management for improving returns on equity for their respective areas of responsibility.

The Company purchases loans to enhance geographical diversification, enhance returns, and gain exposure to loan types that we are unwilling to make infrastructure investments in to originate ourselves. Loans purchased by the Company are underwritten by us, are generally serviced by others (“SBO”), and undergo a robust due diligence process. Management performs a vigorous due diligence exercise on the originator, and visits and observes first hand the servicer and its operational process and controls to ensure that the originator and servicer both meet the standards of the Company. Financial modeling includes reviewing prospective yields, costs associated with purchasing loans, including servicing fees and assumed loss rates to ensure that risk adjusted returns of the target portfolio are accretive to our return goals. The Company has set portfolio and capital limits on each of its purchased portfolios and has hired staff to oversee ongoing monitoring of the respective servicer and performance to ensure the portfolio performance is meeting our initial and ongoing expectations. In the event that our expectations are not met, the Company has many remedies at its disposal, including replacing the servicer, ending its relationship with the originator, and selling the entire target portfolio. Contractually, the Company has the ability to cross sell dissimilar products to customers in its purchased portfolios allowing us to develop a relationship using our existing online and mobile channels that support servicing and acquisition of our current and prospective clients without the need for a brick and mortar branch.

The table below displays the balances of the Company’s loan portfolio as of September 30, 2018 and December 31, 2017:

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Loan Portfolio Analysis

	September 30, 2018		December 31, 2017	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial real estate loans:				
Owner-occupied	$ 434,906	7.9%	$ 445,820	8.3%
Investor non-owner occupied	1,888,848	34.1	1,854,459	34.7
Construction	78,235	1.4	78,083	1.5
Total commercial real estate loans	2,401,989	43.4	2,378,362	44.5
Commercial business loans	861,030	15.6	840,312	15.7
Consumer loans:				
Residential real estate	1,283,126	23.2	1,204,401	22.6
Home equity	579,907	10.5	583,180	10.9
Residential construction	32,750	0.6	40,947	0.8
Other consumer	369,781	6.7	292,781	5.5
Total consumer loans	2,265,564	41.0	2,121,309	39.8
Total loans	5,528,583	100.0%	5,339,983	100.0%
Net deferred loan costs and premiums	16,603		14,794	
Allowance for loan losses	(49,909)		(47,099)	
Loans - net	$ 5,495,277		$ 5,307,678	

As shown above, gross loans were $5.53 billion, an increase of $188.6 million, or 3.5%, at September 30, 2018 from December 31, 2017.

Total commercial real estate loans represent the largest segment of our loan portfolio at 43.4% of total loans and increased $23.6 million, or 1.0%, to $2.40 billion from December 31, 2017. The commercial real estate loan portfolio is comprised of owner-occupied commercial real estate ("OOCRE") and investor non-owner occupied commercial real estate ("Investor CRE"), and to a lesser extent, commercial construction. Investor CRE represents the largest segment of the Company's loan portfolio as of September 30, 2018, comprising 34.1% of total loans and OOCRE represents 7.9% of the portfolio. Commercial real estate construction loans are made for developing commercial real estate properties such as office complexes, apartment buildings and residential subdivisions. Commercial real estate construction loans totaled $78.2 million at September 30, 2018, approximately $26.2 million of which is residential use and $52.0 million of which is commercial use, compared to total commercial real estate construction loans of $78.1 million at December 31, 2017, $25.9 million of which was residential use and $52.2 million of which was commercial use.

Commercial business loans increased $20.7 million to $861.0 million at September 30, 2018 from $840.3 million at December 31, 2017. Mid-sized businesses continue to look to community banks for relationship banking and personalized lending services. Periodically, the Company participates in a shared national credit ("SNC") program, which engages in the participation and purchase of credits with other "supervised" unaffiliated banks or financial institutions, specifically loan syndications and participations. These loans generate earning assets to increase profitability of the Company and diversify commercial loan portfolios by providing opportunities to participate in loans to borrowers in other regions or industries of which the Company might otherwise have no access. The Company offers both term and revolving commercial loans. Term loans have either fixed or adjustable rates of interest and, generally, terms of between three and seven years and amortize on the same basis. Additionally, two market segments the Company has focused on are franchise and educational banking. The franchise lending practice lends to certain franchisees in support of their development, acquisition and expansion needs. The Company typically offers term loans with maturities between three and eight years with amortization from seven to ten years. These loans generally are on a floating rate basis with spreads slightly higher than the standard commercial business loan spreads. The educational banking practice consists of K-12 schools and colleges/universities utilizing both taxable and tax-exempt loan products for campus improvements, expansions and working capital needs. Generally, educational term loans have longer dated maturities that amortize up to 30 years and typically offer the Company a full deposit and cash management relationship. Both the franchise and educational lending areas focus on opportunities across New England and certain Mid-Atlantic states.

Residential real estate loans continue to represent a major segment of the Company's loan portfolio as of September 30, 2018, comprising 23.2% of total loans, increasing $78.7 million from December 31, 2017. The Company had originations of both adjustable and fixed rate mortgages of $378.5 million for the nine months ending September 30, 2018, reflecting both refinancing activity and loans for new home purchases. The Company currently sells the majority of all originated fixed rate residential real estate loans with terms of 30 years, but will also sell 10, 15, and 20 year loans depending on the circumstances. The mortgage origination activity resulted from low market interest rates and competitive pricing.

The Company also offers home equity loans and home equity lines of credit ("HELOCs"), both of which are secured by owner-occupied one-to-four family residences. Home equity loans are offered with fixed rates of interest and with terms up to 15 years. At September 30, 2018, the home equity portfolio totaled $579.9 million compared to $583.2 million at December 31, 2017. During the nine months ended September 30, 2018, the Company purchased HELOC portfolios totaling $62.2 million, compared to purchases totaling $105.2 million for the year ended December 31, 2017. The total principal balance of the HELOC purchased portfolios outstanding at September 30, 2018 and December 31, 2017 was $247.5 million and $246.5 million, respectively. These loans are not serviced by the Company. The purchased HELOC portfolios are secured by second liens. The Company may continue purchasing HELOCs throughout 2018 to maintain its existing exposure.

Residential real estate construction loans are made to individuals for home construction whereby the borrower owns the parcel of land and the funds are advanced in stages until completion. Residential real estate construction loans totaled $32.8 million at September 30, 2018, compared to $40.9 million at December 31, 2017.

Other consumer loans totaled $369.8 million, or 6.7%, of the total loan portfolio at September 30, 2018. Other consumer loans generally consist of loans on retail high-end boats and small yachts, home improvement loans, new and used automobiles, loans collateralized by deposit accounts and unsecured personal loans. During December 2015, the Company purchased two consumer loan portfolios totaling $229.2 million which consisted of marine retail loans and home improvement loans. At September 30, 2018 and December 31, 2017, $102.4 million and $130.9 million of these loans were outstanding, respectively. The marine retail loans are collateralized by premium brand boats. The home improvement loans are 90% backed by the U.S. Department of Housing and Urban Development and consist of loans to install energy efficient upgrades to the borrowers' one-to-four family residences. The Company's plan seeks to marginally increase the level of consumer loans throughout 2018, given these loan types have favorable rate characteristics that will positively impact the net interest margin along with significant granularity and credit metrics that fit within the superior credit quality of its existing portfolio.

LH-finance, the Company's marine lending unit, includes purchased and originated retail loans and dealer floorplan loans. The Company's relationships are limited to well established dealers of global premium brand manufacturers. The Company's top three manufacturer customers have been in business between 30 and 100 years. The Company has generally secured agreements with premium manufacturers to support dealer floor plan loans which may reduce the Company's credit exposure to the dealer, despite our underwriting of each respective dealer. We have developed incentive retail pricing programs with the dealers to drive retail dealer flow. Retail loans are generally limited to premium manufacturers with established relationships with the Company which have a vested interest in the secondary market pricing of their respective brand due to the limited inventory available for resale. Consequently, while not contractually committed, manufacturers will often support secondary resale values which can have the effect of reducing losses from non-performing retail marine loans. Retail borrowers generally have very high credit scores, substantial down payments, substantial net worth, personal liquidity, and excess cash flow. Retail loans have an average life of four years and key markets include Florida, California, and New England.

The Company has employed specific parameters taking into account: geographical considerations; exposure hold levels; qualifying financial partners; and most importantly sound credit quality with strong metrics. A thorough independent analysis of the credit quality of each borrower is made for every transaction whether it is an assignment or participation.

Asset Quality

The Company's lending strategy focuses on direct relationship lending within its primary market area as the quality of assets underwritten is an important factor in the successful operation of a financial institution. Non-performing assets, loan delinquency and credit loss levels are considered to be key measures of asset quality. Management strives to maintain asset quality through its underwriting standards, servicing of loans and management of non-performing assets since asset quality is a key factor in the determination of the level of the allowance for loan losses. See Note 4, "Loans Receivable and Allowance for Loan Losses" contained elsewhere in this report for further information concerning the Allowance for Loan Losses.

The following table details asset quality ratios for the following periods:

Asset Quality Ratios

	At September 30, 2018	At December 31, 2017
Non-performing loans as a percentage of total loans	0.49%	0.59%
Non-performing assets as a percentage of total assets	0.40%	0.48%
Net charge-offs as a percentage of average loans	0.08% [(1)]	0.10%
Allowance for loan losses as a percentage of total loans	0.90%	0.88%
Allowance for loan losses to non-performing loans	183.41%	148.76%

(1) Calculated based on year to date net charge-offs annualized

Non-performing Assets

Generally, loans are placed on non-accrual if collection of principal or interest in full is in doubt, if the loan has been restructured as part of a TDR, or if any payment of principal or interest is past due 90 days or more. A loan may be returned to accrual status if it has demonstrated sustained contractual performance for six continuous months or if all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period. There are, on occasion, circumstances that cause commercial loans to be placed in the 90 days delinquent and accruing category, for example, loans that are considered to be well secured and in the process of collection or renewal. As of September 30, 2018 and December 31, 2017, loans totaling $2.1 million and $953,000, respectively, were greater than 90 days past due and accruing. The loans reported as past due 90 days or more and still accruing represent loans that were evaluated by management and maintained on accrual status based on an evaluation of the borrower.

The following table details non-performing assets for the periods presented:

	At September 30, 2018		At December 31, 2017	
	Amount	%	Amount	%
	(Dollars in thousands)			
Non-accrual loans:				
Owner-occupied commercial real estate	$ 1,202	4.1%	$ 1,664	4.9%
Investor non-owner occupied commercial real estate	1,525	5.3	1,821	5.4
Construction	243	0.8	1,398	4.1
Commercial business	985	3.4	1,477	4.4
Residential real estate	11,949	41.2	11,824	35.0
Home equity	4,005	13.8	4,968	14.7
Other consumer loans	597	2.1	35	0.1
Total non-accrual loans, excluding troubled debt restructured loans	20,506	70.7%	23,187	68.6%
Troubled debt restructurings - non-accruing	6,706	23.1	8,475	25.0
Total non-performing loans	27,212	93.8	31,662	93.6
Other real estate owned	1,808	6.2	2,154	6.4
Total non-performing assets	$ 29,020	100.0%	$ 33,816	100.0%

As displayed in the table above, non-performing assets at September 30, 2018 decreased to $29.0 million compared to $33.8 million at December 31, 2017.

Non-accruing TDR loans decreased by $1.8 million since December 31, 2017, due primarily to decreases of $1.7 million in commercial business non-accruing TDR loans and $498,000 in residential real estate non-accruing TDR loans, offset by an increase in construction non-accruing TDR loans of $715,000. The decrease in commercial business non-accruing TDRs is the result of charge offs and paydowns on loans as compared to December 31, 2017. The increase in construction non-accruing TDR loans is the result of one commercial relationship related to construction for a residential subdivision, which was previously reported as non-accrual and was modified during the year, resulting in the TDR designation.

Home equity non-accrual loans decreased $963,000 to $4.0 million due to improved performance of HELOCs during the nine months ended September 30, 2018.

Residential real estate non-accrual loans increased $125,000 to $11.9 million at September 30, 2018. The Company continues to originate loans with strong credit characteristics and routinely updates non-performing loans in terms of FICO scores and LTV ratios. Through continued heightened account monitoring, collections and workout efforts, the Company is committed to mortgage solution programs designed to assist homeowners to remain in their homes. Consistent with historical practice, the Company does not originate subprime loans.

At September 30, 2018, commercial real estate non-accrual loans (including owner-occupied and investor non-owner occupied commercial real estate loans) decreased $758,000 and commercial business non-accrual loans decreased $492,000. The movements in these categories were the result of several larger relationships which impacted the totals within the categories.

Non-accrual construction loans decreased $1.2 million, and consists of one commercial relationship at September 30, 2018 totaling $243,000, which relates to construction for a residential subdivision. At December 31, 2017, non-accrual construction loans consisted of two commercial relationships and totaled $1.4 million.

Troubled Debt Restructuring

Loans are considered restructured in a troubled debt restructuring when the Company has granted concessions to a borrower due to the borrower's financial condition that it otherwise would not have considered. These concessions include modifications of the terms of the debt such as reduction of the stated interest rate other than normal market rate adjustments, extension of maturity dates, or reduction of principal balance or accrued interest. The decision to restructure a loan, versus aggressively enforcing the collection of the loan, may benefit the Company by increasing the ultimate probability of collection.

TDR loans are classified as accruing or non-accruing based on management's assessment of the collectability of the loan. Loans which are already on non-accrual status at the time of the restructuring generally remain on non-accrual status for a minimum of six months before management considers such loans for return to accruing TDR status. Accruing restructured loans are placed into non-accrual status if and when the borrower fails to comply with the restructured terms and management deems it unlikely that the borrower will return to a status of compliance in the near term**.** Once a loan is classified as a TDR it retains that classification for the life of the loan; however, some TDRs may demonstrate acceptable performance allowing the TDR loan to be placed on accruing TDR status. The increase in TDRs is primarily attributable to the addition of larger commercial loans along with increases in residential and home equity TDRs during the period ended September 30, 2018.

The following table provides detail of TDR balances for the periods presented:

	At September 30, 2018	At December 31, 2017
	(In thousands)	
Recorded investment in TDRs:		
Accrual status	$ 13,286	$ 14,249
Non-accrual status	6,706	8,475
Total recorded investment	$ 19,992	$ 22,724
Accruing TDRs performing under modified terms for more than one year	$ 12,504	$ 7,783
TDR allocated reserves included in the balance of allowance for loan losses	85	520
Additional funds committed to borrowers in TDR status	3	29

The following table provides detail of TDR activity for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
TDRs, beginning of period	$ 21,342	$ 25,135	$ 22,724	$ 23,352
New TDR status	296	1,091	4,580	8,370
Paydowns/draws on existing TDRs, net	(1,420)	(2,353)	(5,981)	(7,638)
Charge-offs post modification	(226)	(13)	(1,331)	(224)
TDRs, end of period	$ 19,992	$ 23,860	$ 19,992	$ 23,860

Allowance for Loan Losses

The allowance for loan losses and the reserve for unfunded credit commitments are maintained at a level estimated by management to provide for probable losses inherent within the loan portfolio. Probable losses are estimated based upon a quarterly review of the loan portfolio, which includes historic default and loss experience, specific problem loans, risk rating profile, economic conditions and other pertinent factors which, in management's judgment, warrant current recognition in the loss estimation process. The Company's Risk Management Committee meets quarterly to review and conclude on the adequacy of the reserves and to present their recommendation to executive management and the Board of Directors.

Management considers the adequacy of the ALL a critical accounting estimate. The adequacy of the ALL is subject to considerable assumptions and judgment used in its determination. Therefore, actual losses could differ materially from management's estimate if actual conditions differ significantly from the assumptions utilized. These conditions include economic factors in the Company's market and nationally, industry trends and concentrations, real estate values and trends, and the financial condition and performance of individual borrowers. While management believes the ALL is adequate as of September 30, 2018, actual results may prove different and the differences could be significant.

The Company's general practice is to identify problem credits early and recognize full or partial charge-offs as promptly as practicable when it is determined that the collection of loan principal is unlikely. The Company recognized full or partial charge-offs on collateral dependent impaired loans when the collateral is deemed to be insufficient to support the carrying value of the loan. The Company does not recognize a recovery when an updated appraisal indicates a subsequent increase in value.

The Company had an allowance for loan losses of $49.9 million, or 0.90% of total loans, at September 30, 2018 as compared to an allowance for loan losses of $47.1 million, or 0.88% of total loans, at December 31, 2017. Management believes that the allowance for loan losses is adequate and consistent with asset quality indicators and that it represents the best estimate of probable losses inherent in the loan portfolio.

The unallocated portion of the ALL represents general valuation allowances that are not allocated to a specific loan portfolio. The unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses and reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio. The unallocated portion of the ALL at September 30, 2018 increased $235,000 to $2.0 million compared to December 31, 2017. See Note 4, "Loans Receivable and Allowance for Loan Losses" in the Notes to the Unaudited Consolidated Financial Statements contained in this report for a table providing the activity in the Company's allowance for loan losses for the three and nine months ended September 30, 2018 and 2017.

In addition to the ALL, the Company maintains a reserve for unfunded credit commitments in other liabilities on the Consolidated Statements of Condition. The allowance for credit losses analysis includes consideration of the risks associated with unfunded loan commitments. The reserve calculation includes factors that are consistent with ALL methodology for funded loans. The combination of ALL and unfunded reserves is calculated in a manner to capture the entirety of the underlying business relationship of the customer. The amounts of unfunded commitments and the associated reserves may be subject to fluctuations due to originations, the timing and volume of loan funding, as well as changes in risk ratings. At September 30, 2018 and December 31, 2017, the reserve for unfunded credit commitments was $1.8 million and $1.7 million, respectively.

Sources of Funds

The primary source of the Company's cash flows, for use in lending and meeting its general operational needs, is deposits. Additional sources of funds are from FHLBB advances, reverse repurchase agreements, federal funds lines, loan and mortgage-backed securities repayments, securities sales proceeds and maturities, subordinated debt, and earnings. While scheduled loan and securities repayments are a relatively stable source of funds, loan and investment security prepayments and deposit inflows are influenced by prevailing interest rates and local economic conditions and are inherently uncertain.

Deposits

The Company offers a wide variety of deposit products to consumer, business and municipal customers. Deposit customers can access their accounts in a variety of ways including branch banking, ATM's, online banking, mobile banking and telephone banking. Effective advertising, direct mail, well-designed product offerings, customer service and competitive pricing policies have been successful in attracting and retaining deposits. A key strategic objective is to grow the base of checking customers by retaining existing relationships while attracting new customers.

Deposits provide an important source of funding for the Bank as well as an ongoing stream of fee revenue. The Company attempts to control the flow of funds in its deposit accounts according to its need for funds and the cost of alternative sources of funding. A Retail Pricing Committee meets weekly and a Management ALCO meets monthly, to determine pricing and marketing initiatives. Actions of these committees influence the flow of funds primarily by the pricing of deposits, which is affected to a large extent by competitive factors in its market area and asset/liability management strategies.

The following table presents deposits by category as of the dates indicated:

	September 30, 2018	December 31, 2017
	(In thousands)	
Demand deposits	$ 759,210	$ 778,576
NOW accounts	841,992	794,828
Regular savings and club accounts	480,901	504,115
Money market accounts	1,756,944	1,325,754
Total core deposits	3,839,047	3,403,273
Time deposits	1,661,316	1,794,948
Total deposits	$ 5,500,363	$ 5,198,221

Deposits totaled $5.50 billion at September 30, 2018, an increase of $302.1 million compared to December 31, 2017. Core deposits increased $435.8 million, or 12.8%, from December 31, 2017 due to the Company's continued strategy to focus on obtaining low cost core deposits.

Time deposits included brokered certificate of deposits of $199.8 million and $259.1 million at September 30, 2018 and December 31, 2017, respectively. The Company utilizes brokered time deposits as part of its overall funding program along with other sources. Excluding out-of-market brokered certificates of deposits, in-market time deposits totaled $1.46 billion and $1.54 billion at September 30, 2018 and December 31, 2017, respectively.

Borrowings

The Company also uses various types of short-term and long-term borrowings in meeting funding needs. While customer deposits remain the primary source for funding loan originations, management uses short-term and long-term borrowings as a supplementary funding source for loan growth and other liquidity needs when the cost of these funds are favorable compared to alternative funding, including deposits.

The following table presents borrowings by category as of the dates indicated:

	September 30, 2018	December 31, 2017
	(In thousands)	
FHLBB advances (1)	$ 812,948	$ 1,046,458
Subordinated debt (2)	80,139	79,956
Wholesale repurchase agreements	20,000	20,000
Customer repurchase agreements	9,647	14,591
Other	3,858	4,049
Total borrowings	$ 926,592	$ 1,165,054

(1) FHLBB advances include $218,000 and $504,000 of purchase accounting discounts at September 30, 2018 and December 31, 2017, respectively.

(2) Subordinated debt includes $7.7 million of acquired junior subordinated debt, net of mark to market discounts of $1.8 million and $1.9 million at September 30, 2018 and December 31, 2017, respectively, and $75.0 million of Subordinated Notes, net of associated deferred costs of $759,000 and $853,000 at September 30, 2018 and December 31, 2017, respectively.

United Bank is a member of the Federal Home Loan Bank System, which consists of twelve district Federal Home Loan Banks, each subject to the supervision and regulation of the Federal Housing Finance Agency. Members are required to own capital stock in the FHLBB in order for the Bank to access advances and borrowings which are collateralized by certain home mortgages or securities of the U.S. Government and its agencies. The capital stock investment is restricted in that there is no market for it, and it can only be redeemed by the FHLBB.

Total FHLBB advances decreased $233.2 million to $812.7 million at September 30, 2018, exclusive of the purchase accounting mark adjustment on the advances, compared to $1.05 billion at December 31, 2017. At September 30, 2018, $687.7 million of the Company's $812.7 million outstanding FHLBB advances were at fixed coupons ranging from 1.39% to 3.35%, with a weighted average cost of 2.18%. Additionally, the Company has four advances with the FHLBB totaling $125.0 million that are underlying hedge instruments; the interest is based on the 3-month LIBOR and adjusts quarterly. The average cost of funds including these

adjustable advances is 2.23%. FHLBB borrowings represented 11.3% and 14.7% of assets at September 30, 2018 and December 31, 2017, respectively.

Borrowings under reverse purchase agreements totaled $20.0 million at both September 30, 2018 and December 31, 2017. The outstanding borrowings at September 30, 2018 consisted of two individual agreements with remaining terms of one year or less and a weighted-average cost of 2.59%. The outstanding borrowings at December 31, 2017 consisted of two individual agreements with remaining terms of two years or less and a weighted-average cost of 2.59%. Retail repurchase agreements, which have a term of one day and are backed by the purchasers' interest in certain U.S. Government or government-sponsored securities, totaled $9.6 million and $14.6 million at September 30, 2018 and December 31, 2017, respectively.

Subordinated debentures totaled $80.1 million and $80.0 million at September 30, 2018 and December 31, 2017, respectively.

Liquidity and Capital Resources

Liquidity is the ability to meet cash needs at all times with available cash or by conversion of other assets to cash at a reasonable price and in a timely manner. The Company maintains liquid assets at levels the Company considers adequate to meet its liquidity needs. The Company adjusts its liquidity levels to fund loan commitments, repay its borrowings, fund deposit outflows, pay escrow obligations on all items in the loan portfolio and to fund operations. The Company also adjusts liquidity as appropriate to meet asset and liability management objectives.

The Company's primary sources of liquidity are deposits, amortization and prepayment of loans, the sale in the secondary market of loans held for sale, maturities and sales of investment securities and other short-term investments, periodic pay downs of mortgage-backed securities, and earnings and funds provided from operations. While scheduled principal repayments on loans are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and rates offered by our competition. The Company sets the interest rates on our deposits to maintain a desired level of total deposits. In addition, the Company invests excess funds in short-term interest-earning assets, which provide liquidity to meet lending requirements.

A portion of the Company's liquidity consists of cash and cash equivalents, which are a product of our operating, investing and financing activities. At September 30, 2018, $78.6 million of the Company's assets were held in cash and cash equivalents compared to $88.7 million at December 31, 2017. The Company's primary sources of cash are principal repayments on loans, proceeds from the calls and maturities of investment securities, increases in deposit accounts, proceeds from residential loan sales and advances from the FHLBB.

Liquidity management is both a daily and longer-term function of business management. If the Company requires funds beyond its ability to generate them internally, borrowing agreements exist with the FHLBB, which provide an additional source of funds. At September 30, 2018, the Company had $812.7 million in advances from the FHLBB and an additional available borrowing limit of $531.6 million based on collateral requirements of the FHLBB inclusive of the line of credit. In addition, the Bank has relationships with brokered sweep deposit providers with outstanding balances of $423.4 million at September 30, 2018. Internal policies limit wholesale borrowings to 40% of total assets, or $2.88 billion, at September 30, 2018. In addition, the Company has uncommitted federal funds lines of credit with four counterparties totaling $115.0 million at September 30, 2018. No federal funds purchased were outstanding at September 30, 2018.

The Company has established access to the Federal Reserve Bank of Boston's discount window through a borrower in custody agreement. As of September 30, 2018, the Bank had pledged 24 commercial loans, with outstanding balances totaling $170.4 million. Based on the amount of pledged collateral, the Bank had available liquidity of $132.9 million.

At September 30, 2018, the Company had outstanding commitments to originate loans of $117.3 million and unfunded commitments under construction loans, lines of credit, stand-by letters of credit, unused checking overdraft lines of credit, and unused credit card lines of $1.08 billion. At September 30, 2018, time deposits scheduled to mature in less than one year totaled $998.2 million. Based on prior experience, management believes that a significant portion of such deposits will remain with the Company, although there can be no assurance that this will be the case. In the event a significant portion of its deposits are not retained by the Company, it will have to utilize other funding sources, such as FHLBB advances in order to maintain its level of assets. Alternatively, we would reduce our level of liquid assets, such as our cash and cash equivalents in order to meet funding needs. In addition, the cost of such deposits may be significantly higher if market interest rates are higher or there is an increased amount of competition for deposits in our market area at the time of renewal.

The main sources of liquidity at the parent company level are dividends from United Bank and the ability to obtain funding through capital market issuances, as evidenced by the Company's issuance of $75.0 million of subordinated notes in September 2014. The main uses of liquidity are payments of dividends to common stockholders, repurchase of United Financial's common stock, payment of subordinated note interest, and corporate operating expenses. There are certain restrictions on the payment of dividends. See Note 17, "Regulatory Matters" in the Company's 2017 Consolidated Financial Statements and notes thereto included

in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for further information on dividend restrictions.

The Company and the Bank are subject to various regulatory capital requirements. As of September 30, 2018, the Bank is categorized as "well-capitalized" under the regulatory framework for prompt corrective action. See Note 9, "Regulatory Matters" in the Notes to the Unaudited Consolidated Financial Statements contained elsewhere in this report for discussion of capital requirements.

The liquidity position of the Company is continuously monitored and adjustments are made to balance between sources and uses of funds as deemed appropriate. Management is not aware of any events that are reasonably likely to have a material adverse effect on the Company's liquidity, capital resources or operations. In addition, management is not aware of any regulatory recommendations regarding liquidity, which if implemented would have a material adverse effect on the Company. The Company has a detailed liquidity contingency plan which is designed to respond to liquidity concerns in a prompt and comprehensive manner. It is designed to provide early detection of potential problems and details specific actions required to address liquidity stress scenarios.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

General: The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage loans, in general have longer contractual maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has established a Risk Committee which is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors. Management monitors the level of interest rate risk on a regular basis and the Risk Committee meets at least quarterly to review our asset/liability policies and interest rate risk position.

We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. During the low interest rate environment that has existed in recent years, we have implemented the following strategies to manage our interest rate risk: (i) emphasizing adjustable rate loans including, adjustable rate one-to-four family, commercial and consumer loans, (ii) selling longer-term 1-4 family fixed rate mortgage loans in the secondary market, (iii) reducing and shortening the expected average life of the investment portfolio, (iv) a forward starting hedge strategy for future dated wholesale funding and (v) a loan level hedging program. These measures should serve to reduce the volatility of our future net interest income in different interest rate environments.

Quantitative Analysis

Income Simulation: Simulation analysis is used to estimate our interest rate risk exposure at a particular point in time. The Company models a static balance sheet when measuring interest rate risk, in which a stable balance sheet is projected throughout the modeling horizon. Under a static approach both the size and mix of the balance sheet remains constant, with maturing loan and deposit balances replaced as "new volumes" within the same loan and deposit category, repricing at the respective scenario's market rate. This adoption was made in a continued effort to align with regulatory best practices and to highlight the current level of risk in the Company's positions without the effects of growth assumptions. We utilize the income simulation method to analyze our interest rate sensitivity position to manage the risk associated with interest rate movements. At least quarterly, our Risk Committee of the Board of Directors reviews the potential effect changes in interest rates could have on the repayment or repricing of rate sensitive assets and funding requirements of rate sensitive liabilities. Our most recent simulation uses projected repricing of assets and liabilities at September 30, 2018 and December 31, 2017 on the basis of contractual maturities, anticipated repayments and scheduled rate adjustments. Prepayment rate assumptions as well as deposit characterization assumptions can have a significant impact on interest income simulation results. Because of the large percentage of loans and mortgage-backed assets we hold, rising or falling interest rates may have a significant impact on the actual prepayment speeds of our mortgage related assets that may in turn effect our interest rate sensitivity position. When interest rates rise, prepayment speeds slow and the average expected life of our assets would tend to lengthen more than the expected average life of our liabilities and therefore would most likely result in a decrease to our asset sensitive position. As a measure of potential market risk arising from a parallel shock of magnitude to the Company's net interest income, Management includes a 300 basis point parallel increase in rates in the quarterly simulation results. In order to observe the impact of a slower and gradual rate increase over the respective 12 and 24-month periods, Management includes a 150 basis point ramp simulation; the simulation assumes that interest rates increase by 25 basis points every other month, totaling a 150 basis point increase by month 12 and a 300 basis point increase by month 24. To highlight the net interest income of a falling rate environment, Management includes a 50 basis point parallel decrease in rates.

	Percentage (Decrease) Increase in Estimated Net Interest Income	
	Over 12 Months	Over 12 -24 Months
At September 30, 2018		
300 basis point increase in rates	(1.71)%	(3.73)%
150 basis point ramp in rates	4.81 %	4.51 %
50 basis point decrease in rates	(3.89)%	(5.50)%
At December 31, 2017		
300 basis point increase in rates	(0.01)%	(6.52)%
150 basis point ramp in rates	5.06 %	4.31 %
50 basis point decrease in rates	(4.09)%	(5.33)%

The Company's Asset/Liability policy currently limits projected changes in net interest income based on a matrix of projected total risk-based capital relative to the interest rate change for each twelve month period measured compared to the flat rate scenario. As a result, the higher a level of projected risk-based capital, the higher the limit of projected net interest income volatility the Company will accept. As the level of projected risk-based capital is reduced, the policy requires that net interest income volatility also is reduced, making the limit dynamic relative to the capital level needed to support it. These policy limits are re-evaluated on a periodic basis (not less than annually) and may be modified, as appropriate. Because of the asset-sensitivity of our balance sheet, income is projected to increase if interest rates rise on a slow, gradual basis as is expected to occur with Federal Open Market Committee rate increases. Also included in the decreasing rate scenario is the assumption that further declines are reflective of a deeper recession as well as narrower credit spreads from Federal Open Market Committee actions. At September 30, 2018, income at risk (i.e., the change in net interest income) decreased 1.71% and 3.89% based on a 300 basis point instantaneous increase or a 50 basis point instantaneous decrease, respectively. When considering the impact of the 150 basis point ramp simulation, income at risk increased 4.81% over the 12-month simulation horizon. The change in sensitivities, as compared to December 31, 2017, has increased due to the growth in the Company's money market deposit base, which is modeled to have a higher beta in rising interest rate simulations. While we believe the assumptions used are reasonable, there can be no assurance that assumed prepayment rates will approximate actual future mortgage-backed security and loan repayment activity.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures: Our disclosure controls and procedures are designed to ensure that information the Company must disclose in its reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported on a timely basis. Our management has evaluated, with the participation and under the supervision of our chief executive officer ("CEO") and chief financial officer ("CFO"), the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our CEO and CFO have concluded that, as of such date, the Company's disclosure controls and procedures are effective in ensuring that information relating to the Company, including its consolidated subsidiaries, required to be disclosed in reports that it files under the Exchange Act is (1) recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls: During the quarter under report, there was no change in the Company's internal control over financial reporting

(as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various legal proceedings that have arisen in the normal course of business. The Company is not involved in any legal proceedings deemed to be material as of September 30, 2018.

Item 1A. Risk Factors

There have been no material changes in the Risk Factors previously disclosed in Item 1A of the Company's annual report on Form 10-K for the period ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information with respect to net purchases made by United Financial Bancorp's, Inc. of its common stock during the period ended September 30, 2018:

Period	Total number of shares purchased	Average[(1)] price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plan
July 1 - 31, 2018	—	—	5,216,815	1,073,636
August 1 - 31, 2018	—	—	5,216,815	1,073,636
September 1 - 30, 2018	—	—	5,216,815	1,073,636
Total	—	$ —	5,216,815	1,073,636

(1) Includes dealer commission expense to purchase the securities.

On January 26, 2016, the Company's Board of Directors approved a fourth share repurchase plan authorizing the Company to repurchase up to 2.5% of outstanding shares, or 1,248,536 shares. As of September 30, 2018, there were 1,073,636 maximum shares that may yet be purchased under this publicly announced plan.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

2.1	Amended and Restated Plan of Conversion and Reorganization (incorporated herein by reference to Exhibit 2.1 to the Registration Statement filed on the Form S-1 for Rockville Financial New, Inc. on September 16, 2010)
2.2	Agreement and Plan of Merger by and between Rockville Financial, Inc. and United Financial Bancorp, Inc. (incorporated herein by reference to Exhibit 99.1 to the Current Report on the Company's Form 8-K filed on November 15, 2013)
3.1	Certificate of Incorporation of United Financial Bancorp, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on May 1, 2014)
3.1.1	Amendment to Certificate of Incorporation increasing authorized common stock from 60,000,000 shares to 120,000,000 shares (incorporated herein by reference to Exhibit B in the definitive proxy statement filed on March 23, 2015)
3.2	The Bylaws, as amended and restated (incorporated herein by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K filed on February 28, 2018)
10.5	Supplemental Savings and Retirement Plan of United Bank as amended and restated effective December 31, 2007 (incorporated herein by reference to Exhibit 10.5 to the Current Report on Form 8-K filed for Rockville Financial Inc. (now United Financial Bancorp, Inc.) filed on December 18, 2007)
10.6	United Bank Officer Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.2.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005 filed on March 31, 2006 (File No. 000-52139))
10.9	United Bank Supplemental Executive Retirement Plan as amended and restated effective December 31, 2007 (incorporated herein by reference to Exhibit 10.9 to the Current Report on Form 8-K filed for Rockville Financial, Inc. (now United Financial Bancorp, Inc.) filed on December 18, 2007)

10.10	United Financial Bancorp, Inc. 2006 Stock Incentive Award Plan (incorporated herein by reference to Appendix B in the Definitive Proxy Statement on Form 14A for Rockville Financial, Inc. (now United Financial Bancorp, Inc.) filed on July 3, 2006 (File No. 000-51239))
10.11.2	Supplemental Executive Retirement Agreement of United Bank for William H.W. Crawford, IV effective December 26, 2012 (incorporated by reference to Exhibit 10.11.2 to the Current Report on the Company's Form 8-K filed on January 2, 2013)
10.11.4	Employment Agreement as amended and restated by and among United Financial Bancorp, Inc., United Bank, and with William H.W. Crawford, IV dated November 20, 2017 (incorporated herein by reference to Exhibit 10.11.4 to the Current Report on the Company's Form 8-K filed on November 21, 2017)
10.12	Supplemental Executive Retirement Agreement of United Bank for Mark A. Kucia effective December 6, 2010 (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed on March 10, 2011)
10.12.1	Employment Agreement as amended and restated by and among United Financial Bancorp, Inc., United Bank and Mark A. Kucia, effective January 1, 2016 (incorporated herein by reference to Exhibit 10.12.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed March 7, 2016)
10.14	United Financial Bancorp, Inc. 2012 Stock Incentive Award Plan (incorporated herein by reference to Appendix A in the Definitive Proxy Statement on Form 14A for Rockville Financial, Inc. (now United Financial Bancorp, Inc.) filed on April 4, 2012 (File No. 0001193125-12-149948)
10.17	Employment Agreement as amended and restated by and among United Financial Bancorp, Inc., United Bank and Eric R. Newell, effective January 1, 2016 (incorporated herein by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed on March 7, 2016)
10.18	Employment Agreement as amended and restated by and among United Financial Bancorp, Inc., United Bank and David Paulson, effective January 1, 2016 (incorporated herein by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed on March 7, 2016)
10.19	Form of United Financial Bancorp, Inc. Executive Change in Control Severance Plan, effective January 21, 2015 (incorporated herein by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed on March 9, 2015)
10.20	United Financial Bancorp, Inc. 2015 Omnibus Stock Incentive Plan (incorporated herein by reference to Appendix A in the Definitive Proxy Statement on Form 14A for the Company filed September 8, 2015)
10.21	Employment Agreement as amended and restated by and among United Financial Bancorp, Inc., United Bank and Brandon C. Lorey, effective January 1, 2016 (incorporated herein by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed August 5, 2016)
10.22	Employment Agreement by and among United Financial Bancorp, Inc., United Bank and John J. Smith effective January 19, 2016 (incorporated herein by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed May 5, 2017)
14.0	United Financial Bancorp, Inc., United Bank, Standards of Conduct Policy Employees (incorporated herein by reference to Exhibit 14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed on March 9, 2015)
21.0	Subsidiaries of United Financial Bancorp, Inc. and United Bank (incorporated by reference to Exhibit 21.0 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed on February 28, 2018)
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer filed herewith
32.0	Section 1350 Certification of the Chief Executive Officer and Chief Financial Officer attached hereto
101.	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Net Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Unaudited Consolidated Financial Statements filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United Financial Bancorp, Inc.

By: /s/ Eric R. Newell
Eric R. Newell
EVP, Chief Financial Officer and Treasurer

Date: November 6, 2018

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Section 2: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Certification

I, William H.W. Crawford, IV, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Financial Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation;
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

November 6, 2018

/s/ William H.W. Crawford, IV

William H.W. Crawford, IV
Chief Executive Officer and President

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Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certification

I, Eric R. Newell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Financial Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation;
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 6, 2018

/s/ Eric R. Newell

Eric R. Newell
EVP, Chief Financial Officer and Treasurer

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Section 4: EX-32.0 (EXHIBIT 32.0)

Exhibit 32.0

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADDED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of United Financial Bancorp, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2018, as filed with the Securities and Exchange Commission (the "Report"), I hereby certify pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in this Report fairly presents, in all material respects, the consolidated financial condition and results of the Company as of and for the period covered by this Report.

By: /s/ William H.W. Crawford, IV

William H.W. Crawford, IV
Chief Executive Officer and President
November 6, 2018

By: /s/ Eric R. Newell

Eric R. Newell
EVP, Chief Financial Officer and Treasurer
November 6, 2018

The forgoing certification is being furnished solely pursuant to 12 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Note: A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to United Financial Bancorp, Inc. and will be retained by United Financial Bancorp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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