Northwest Bancshares, Inc.
Form 10-Q
May 10, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2018

or

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number 001-34582

NORTHWEST BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Maryland	27-0950358
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Liberty Street, Warren, Pennsylvania	16365
(Address of principal executive offices)	(Zip Code)

(814) 726-2140
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

x Large accelerated filer o Accelerated filer
o Non-accelerated filer (Do not check if a smaller reporting company) o Smaller reporting company
o 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. o

Indicate by check mark whether the registrant is a Shell Company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock ($0.01 par value), 102,603,615 shares outstanding as of April 30, 2018

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ITEM 1. FINANCIAL STATEMENTS

NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(in thousands, except share data)

	March 31, 2018	December 31, 2017
Assets		
Cash and due from banks	$192,158	77,710
Marketable securities available-for-sale (amortized cost of $771,110 and $800,094)	757,976	792,535
Marketable securities held-to-maturity (fair value of $27,324 and $29,667)	27,709	29,678
Total cash and cash equivalents and marketable securities	977,843	899,923
Personal Banking loans:		
Residential mortgage loans held-for-sale	—	3,128
Residential mortgage loans	2,772,148	2,773,075
Home equity loans	1,288,361	1,310,355
Consumer loans	686,038	671,389
Total Personal Banking loans	4,746,547	4,757,947
Commercial Banking loans:		
Commercial real estate loans	2,512,257	2,454,726
Commercial loans	623,463	580,736
Total Commercial Banking loans	3,135,720	3,035,462
Total loans	7,882,267	7,793,409
Allowance for loan losses	(55,211)	(56,795)
Total loans, net	7,827,056	7,736,614
Federal Home Loan Bank stock, at cost	7,694	11,733
Accrued interest receivable	23,051	23,352
Real estate owned, net	4,041	5,666
Premises and equipment, net	148,184	151,944
Bank owned life insurance	172,537	171,547
Goodwill	307,420	307,420
Other intangible assets	24,149	25,669
Other assets	29,004	30,066
Total assets	$9,520,979	9,363,934
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing checking deposits	$1,679,853	1,610,409
Interest-bearing checking deposits	1,476,177	1,442,928
Money market deposit accounts	1,707,837	1,707,450
Savings deposits	1,701,022	1,653,579
Time deposits	1,420,600	1,412,623
Total deposits	7,985,489	7,826,989
Borrowed funds	104,558	108,238
Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	111,213	111,213

Advances by borrowers for taxes and insurance	43,654	40,825
Accrued interest payable	528	460
Other liabilities	60,283	68,485
Total liabilities	8,305,725	8,156,210
Shareholders' equity:		
Preferred stock, $0.01 par value: 50,000,000 authorized, no shares issued	—	—
Common stock, $0.01 par value: 500,000,000 shares authorized, 102,599,662 and 102,394,828 shares issued, respectively	1,026	1,027
Paid-in capital	734,065	730,719
Retained earnings	522,384	508,058
Accumulated other comprehensive loss	(42,221)	(32,080)
Total shareholders' equity	1,215,254	1,207,724
Total liabilities and shareholders' equity	$9,520,979	9,363,934

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(in thousands, except per share data)

	Quarter ended March 31,	
	2018	2017
Interest income:		
Loans receivable	$85,220	82,751
Mortgage-backed securities	3,013	2,222
Taxable investment securities	678	1,006
Tax-free investment securities	390	569
FHLB dividends	97	59
Interest-earning deposits	135	660
Total interest income	89,533	87,267
Interest expense:		
Deposits	6,458	5,465
Borrowed funds	1,308	1,225
Total interest expense	7,766	6,690
Net interest income	81,767	80,577
Provision for loan losses	4,209	4,637
Net interest income after provision for loan losses	77,558	75,940
Noninterest income:		
Gain on sale of investments	153	17
Service charges and fees	11,899	11,717
Trust and other financial services income	4,031	4,304
Insurance commission income	2,749	2,794
(Loss)/ gain on real estate owned, net	(546)	(67)
Income from bank owned life insurance	990	1,068
Mortgage banking income	224	240
Other operating income	2,288	1,431
Total noninterest income	21,788	21,504
Noninterest expense:		
Compensation and employee benefits	36,510	38,272
Premises and occupancy costs	7,307	7,516
Office operations	3,408	4,222
Collections expense	512	549
Processing expenses	9,706	9,909
Marketing expenses	2,140	2,148
Federal deposit insurance premiums	717	1,167
Professional services	2,277	2,575
Amortization of intangible assets	1,520	1,749
Real estate owned expense	292	282
Restructuring/ acquisition expense	—	223
Other expenses	3,032	3,034
Total noninterest expense	67,421	71,646
Income before income taxes	31,925	25,798
Federal and state income taxes expense	6,940	8,052
Net income	$24,985	17,746
Basic earnings per share	$0.25	0.18

Diluted earnings per share	$0.24	0.17

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(in thousands)

	Quarter ended March 31, 2018	2017
Net income	$24,985	17,746
Other comprehensive income net of tax:		
Net unrealized holding gains/ (losses) on marketable securities:		
Unrealized holding losses net of tax of $1,587 and $(314), respectively	(3,955)	658
Reclassification adjustment for gains included in net income, net of tax of $7 and $8, respectively	(26)	(11)
Net unrealized holding gains on marketable securities	(3,981)	647
Change in fair value of interest rate swaps, net of tax of $(95) and $(163), respectively	360	303
Defined benefit plan:		
Reclassification adjustments for prior period service costs and net losses included in net income, net of tax of $(90) and $(153), respectively	226	220
Other comprehensive income/ (loss)	(3,395)	1,170
Total comprehensive income	$21,590	18,916

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY (Unaudited)
(dollars in thousands, expect share data)

Quarter ended March 31, 2017

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders’ Equity
Balance at December 31, 2016	101,699,406	$ 1,017	718,834	478,803	(27,991)	1,170,663
Comprehensive income:						
Net income	—	—	—	17,746	—	17,746
Other comprehensive income, net of tax of $(622)	—	—	—	—	1,170	1,170
Total comprehensive income	—	—	—	17,746	1,170	18,916
Exercise of stock options	288,536	3	3,303	—	—	3,306
Stock-based compensation expense	—	—	918	—	—	918
Dividends paid ($0.16 per share)	—	—	—	(16,240)	—	(16,240)
Balance at March 31, 2017	101,987,942	$ 1,020	723,055	480,309	(26,821)	1,177,563

Quarter ended March 31, 2018

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders’ Equity
Balance at December 31, 2017	102,394,828	$1,027	730,719	508,058	(32,080)	1,207,724
Reclassification due to adoption of ASU No. 2018-02	—	$—	—	6,746	(6,746)	—
Comprehensive income:						
Net income	—	—	—	24,985	—	24,985
Other comprehensive loss, net of tax of $1,409	—	—	—	—	(3,395)	(3,395)
Total comprehensive income	—	—	—	31,731	(10,141)	21,590
Exercise of stock options	204,834	2	2,365	—	—	2,367

Stock-based compensation expense	—	—	978	—	—	978
Stock-based compensation forfeited	—	(3)	3	—	—	—
Dividends paid ($0.17 per share)	—	—	—	(17,405)	—	(17,405)
Balance at March 31, 2018	102,599,662	$1,026	734,065	522,384	(42,221)	1,215,254

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	Quarter ended March 31,	
	2018	2017
OPERATING ACTIVITIES:		
Net Income	$24,985	17,746
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	4,209	4,637
Net (gain)/ loss on sale of assets	1,009	(410)
Net depreciation, amortization and accretion	3,753	5,582
Decrease in other assets	1,294	7,634
Decrease in other liabilities	(7,364)	(4,465)
Net amortization on marketable securities	466	518
Noncash write-down of real estate owned	774	418
Origination of loans held for sale	(1,297)	(18,579)
Proceeds from sale of loans held for sale	4,501	26,653
Noncash compensation expense related to stock benefit plans	978	918
Net increase in assets and liabilities held-for-sale	—	3,382
Net cash provided by operating activities	33,308	44,034
INVESTING ACTIVITIES:		
Purchase of marketable securities held-to-maturity	—	(23,621)
Purchase of marketable securities available-for-sale	(14,250)	(80,346)
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	1,965	1,708
Proceeds from maturities and principal reductions of marketable securities available-for-sale	37,721	30,955
Proceeds from sale of marketable securities available-for-sale	5,206	—
Loan originations	(723,096)	(619,637)
Proceeds from loan maturities and principal reductions	624,663	601,464
Net sale of Federal Home Loan Bank stock	4,039	28
Proceeds from sale of real estate owned	2,618	1,217
Sale of real estate owned for investment, net	152	152
Purchase of premises and equipment	(489)	(2,256)
Net cash used in investing activities	(61,471)	(90,336)

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NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (continued)
(in thousands)

	Quarter ended March 31,	
	2018	2017
FINANCING ACTIVITIES:		
Increase in deposits, net	$158,500	103,434
Net decrease in short-term borrowings	(3,680)	(5,708)
Increase in advances by borrowers for taxes and insurance	2,829	3,591
Cash dividends paid	(17,405)	(16,240)
Proceeds from stock options exercised	2,367	3,306
Net cash provided by financing activities	142,611	88,383
Net increase in cash and cash equivalents	$114,448	42,081
Cash and cash equivalents at beginning of period	$77,710	389,867
Net increase in cash and cash equivalents	114,448	42,081
Cash and cash equivalents at end of period	$192,158	431,948
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of $6,171 and $5,412, respectively)	$7,698	6,747
Income taxes	$1,367	—
Non-cash activities:		
Loans foreclosures and repossessions	$2,396	3,251
Sale of real estate owned financed by the Company	$183	168

See accompanying notes to unaudited consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) Basis of Presentation and Informational Disclosures

Northwest Bancshares, Inc. (the “Company”) or (“NWBI”), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Bank, a Pennsylvania-chartered savings bank (“Northwest”). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. Northwest operates 172 community-banking offices throughout Pennsylvania, western New York, and eastern Ohio.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiary, Northwest, and Northwest’s subsidiaries Northwest Capital Group, Inc., Allegheny Services, Inc., Great Northwest Corporation, and The Bert Company. The unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information or footnotes required for complete annual financial statements. In the opinion of management, all adjustments necessary for the fair presentation of the Company’s financial position and results of operations have been included. The consolidated statements have been prepared using the accounting policies described in the financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 updated, as required, for any new pronouncements or changes.

Certain items previously reported have been reclassified to conform to the current year's reporting format.

The results of operations for the quarter ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018, or any other period.

Stock-Based Compensation

Stock-based compensation expense of $978,000 and $918,000 for the quarters ended March 31, 2018 and 2017, respectively, was recognized in compensation expense relating to our stock benefit plans. At March 31, 2018 there was compensation expense of $3.7 million to be recognized for awarded but unvested stock options and $14.6 million for unvested common shares.

Income Taxes- Uncertain Tax Positions

Accounting standards prescribe a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. A tax benefit from an uncertain position may be recognized only if it is “more likely than not” that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. At March 31, 2018 we had no liability for unrecognized tax benefits.

We recognize interest accrued related to: (1) unrecognized tax benefits in other expenses and (2) refund claims in other operating income. We recognize penalties (if any) in other expenses. We are subject to audit by the Internal Revenue Service and any state in which we conduct business for the tax periods ended December 31, 2017, 2016, 2015 and 2014.

Recently Adopted Accounting Standards

In May 2014 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)”. On January 1, 2018, we adopted ASC 606, Revenue from Contracts with Customers and all related amendments to all contracts using the modified retrospective approach, with the cumulative effect recorded as an adjustment to opening retained earnings. Due to immateriality, we had no cumulative effect to record. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We expect the impact of the adoption of the new standard to be immaterial to our net income on an ongoing basis.

Our revenue is comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. The services that fall within the scope of ASC 606 include service charges and fees, trust and other financial services income, insurance commission income, sale of OREO and other operating income.

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Revenue is recognized when performance obligations under the terms of a contract with our customer are satisfied. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. The majority of our revenue continues to be recognized at the point in time when the services are provided to our customers.

Service charges and fees represents income earned on both loan and deposit accounts as well as interchange income. Service charges on deposit accounts primarily consist of overdraft, non-sufficient funds, ATM transaction fees and account management fees. Revenue is recognized at the point in time the transaction occurs or the service is provided to the customer. We earn interchange income from debit and credit cardholders transactions processed through payment networks. Interchange fees represent a percentage of the underlying transaction value and are generally set by the credit card associations. Interchange fees are recognized as transactions occur.

We provide trust management services and investment management services to our customers and recognize revenue as these management services are provided. Trust and investment management services are billed and paid on a monthly or quarterly basis. Additionally, we earn commissions on investment products that are sold to our customers. These commissions are recognized at the time of the sale of the third party’s product or services to our customers.

Our insurance subsidiary is an employee benefits and property and casualty insurance agency specializing in commercial and personal insurance as well as retirement benefit plans. Insurance commission income is earned at the time of sale of the third party’s product or service to our customer.

Loss on real estate owned represents gain and losses on real estate acquired by Northwest through the foreclosure process. Proceeds from the sale of these properties are recognized when control of the property transfer to the buyer. In certain instances the Bank may finance a portion of the purchase price paid by the buyer and an additional evaluation of whether all of the contract criteria are met is required. If it is not probable that we will collect substantially all of the consideration to which we expect, the transaction would not be accounted for as a sale until the concerns about collectability are resolved.

Other operating income consists primarily of revenues earned for providing transaction services to our deposit customers. The revenue is earned at the point in time the transaction occurs.

We have evaluated the nature of our contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Income was not necessary.

In January 2016 the FASB issued ASU 2016-01, “Financial Instruments - Overall (Subtopic 825-10)”. This guidance requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We adopted this guidance as of January 1, 2018 which did not have a material impact on our results of operations and financial position. Additionally, this guidance requires entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. Accordingly, we refined the calculation used to determine the disclosed fair value of our loans held for investment portfolio as part of adopting this standard. The refined calculation did not have a significant impact on our fair value disclosures. Refer to note 9, "Disclosures About Fair Value of Financial Instruments".

In August 2016, the FASB issued ASU No. 2016-15, “Classification of Certain Cash Receipts and Cash Payments”. The main objective of this ASU is to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The amendments in this Update provide guidance on the following eight specific cash flow issues: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of bank-owned life insurance (BOLI) policies, distributions received from equity method investments, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. This guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. We adopted this guidance on January 1, 2018 and are required to apply it on a retrospective basis. No reclassifications were made for the quarter and we do not expect the reclassifications to be material for the full year.

In January 2017 the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". This guidance eliminates the requirement to determine the fair value of individual assets and liabilities of

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a reporting unit to measure goodwill impairment. Under this guidance goodwill impairment testing will be performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This guidance is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017.We have elected to early adopt this standard as of January 1, 2018, the amendments were applied on a prospective basis and the adoption did not have a significant impact on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business”. This guidance provides a more robust framework to use in determining when a set of assets and activities (“set”) is a business and to address stakeholder feedback that the definition of a business in current GAAP is applied too broadly. The primary amendments in the ASU provide a screen to exclude transactions where substantially all of the fair value of the transferred set is concentrated in a single asset, or group of similar assets, from being evaluated as a business. We adopted this standard on January 1, 2018 and will apply the guidance to future transactions.

In March 2017, the FASB issued ASU No. 2017-07, “Compensation Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Costs and Net Periodic Postretirement Benefit Costs". This guidance provides financial statement users with clearer and disaggregated information related to the components of net periodic benefit cost and improve transparency of the presentation of net periodic benefit cost in the financial statements. Employers will present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Employers will present the other components of the net periodic benefit cost separately from the line items that includes the service cost outside of any subtotal of operating income, if one is presented. This guidance is effective for annual and interim periods beginning after December 15, 2017 and should be applied retrospectively. We adopted this standard as of January 1, 2018. The other components of the net periodic benefit cost for the quarter ended March 31, 2017 totaled $517,000 and were reclassified from compensation and employee benefits to other expense.

In March 2017 the FASB issued ASU 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities". This guidance shortens the amortization period for certain callable debt securities held at a premium to the earliest call date from the maturity date. This guidance is effective for annual and interim periods beginning after December 15, 2018. Early adoption is permitted in any interim period. We have elected to early adopt this standard as of January 1, 2018. The adoption did not have a material impact on our results of operations or financial position.

In May 2017 the FASB issued ASU 2017-09, “Compensation - Stock Compensation (Topic 718) - Scope of Modification Accounting”. This guidance clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if all of the following are the same immediately before and after the change: (i) the award's fair value, (ii) the award's vesting conditions and (iii) the award's classification as an equity or liability instrument. This guidance is effective for annual and interim periods beginning after December 15, 2017 and should be applied on a prospective basis to an award modified on or after the adoption date. We adopted this standard as of January 1, 2018 and will apply the guidance to future modifications.

In February 2018 the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This guidance permits a reclassification from accumulated other comprehensive income to retained earnings of the stranded tax effects resulting from the Tax Cuts and Jobs Act. This guidance is effective for annual or interim reporting periods beginning after December 15, 2018 but permits early adoption in a period for which financial statements have not been issued.

We have elected to early adopt the ASU as of January 1, 2018. The reclassification from accumulated other comprehensive income to retained earnings was $6.7 million for the release of standard income tax effects relating to the unrealized gains and losses on available for sale securities and the change in fair value of our interest rate swaps and our pension plan. Our policy for releasing income tax effects from accumulated other comprehensive income is to release them as investments are sold or matured and liabilities are extinguished.

Recently Issued Accounting Standards

In February 2016 the FASB issued ASU 2016-2, "Leases". This guidance requires a lessee to recognize in the statement of financial condition a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the term of the lease. Optional periods should only be recognized if the lessee is reasonably certain to exercise the option. For leases with a term of twelve months or less, the lessee is permitted not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the term of the lease. This guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those years and early adoption is permitted. We lease certain branch and office facilities or land under operating leases. While we are currently evaluating the impact this

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guidance will have on our results of operations and financial position, we expect the primary impact on the consolidated statement of financial position will be the recognition of right-to-use assets and lease obligations under the ASU as a result of our minimum commitments under non-cancellable operating lease. Our current minimum commitments under non-cancellable operating leases are disclosed in Note 7, “Premises and Equipment” on our 2017 Annual Report on Form 10-K.

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments", which eliminates the probable initial recognition threshold for credit losses requiring, instead, that all financial assets (or group of financial assets) measured at amortized cost be presented at the net amount expected to be collected inclusive of the entity’s current estimate of all lifetime expected credit losses. This guidance also applies to certain off-balance-sheet credit exposures such as unfunded commitments and non-derivative financial guarantees. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) in order to present the net carrying value at the amount expected to be collected on the financial asset. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The income statement under this guidance will reflect the initial recognition of current expected credit losses for newly recognized assets, as well as any increases or decreases of expected credit losses that have occurred during the period. This guidance retains many currently-existing disclosures related to the credit quality of an entity’s assets and the related allowance for credit losses amended to reflect the change to an expected credit loss methodology, as well as enhanced disclosures to provide information to users at a more disaggregated level. Upon adoption, ASU 2016-13 provides for a modified retrospective transition by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is effective, except for debt securities for which other-than-temporary impairment has previously been recognized. For these debt securities, a prospective transition is provided in order to maintain the same amortized cost prior to and subsequent to the effective date of the ASU. This guidance is effective for annual reporting periods beginning after December 15, 2019, and interim periods within those annual periods with early adoption permitted for fiscal years beginning after December 15, 2018, and interim periods within those annual periods. Management created a formal working group to govern the implementation of these amendments consisting of key stakeholders from finance, risk, and accounting. We are currently in the process of designing current expected credit loss estimation methodologies and systems, and collecting data to be able to comply with the standard. We are also evaluating the effect this guidance will have on our results of operations, financial position and related disclosures. The impact of the ASU will depend upon the state of the economy and the nature of our portfolios, among other items, at the date of adoption.

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(2) Investment securities and impairment of investment securities

The following table shows the portfolio of investment securities available-for-sale at March 31, 2018 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by the U.S. government and agencies:				
Due in one year or less	$ 1	—	—	1
Debt issued by government sponsored enterprises:				
Due in one year or less	66,007	1	(241)	65,767
Due after one year through five years	135,355	—	(3,139)	132,216
Due after ten years	4,381	—	(69)	4,312
Municipal securities:				
Due in one year or less	2,487	10	—	2,497
Due after one year through five years	5,115	59	(10)	5,164
Due after five years through ten years	15,168	95	(15)	15,248
Due after ten years	18,085	113	(6)	18,192
Corporate debt issues:				
Due after ten years	910	—	—	910
Residential mortgage-backed securities:				
Fixed rate pass-through	142,425	843	(4,605)	138,663
Variable rate pass-through	31,270	1,301	(6)	32,565
Fixed rate non-agency CMOs	1	—	—	1
Fixed rate agency CMOs	278,288	21	(7,833)	270,476
Variable rate agency CMOs	71,617	381	(34)	71,964
Total residential mortgage-backed securities	523,601	2,546	(12,478)	513,669
Total marketable securities available-for-sale	$ 771,110	2,824	(15,958)	757,976

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The following table shows the portfolio of investment securities available-for-sale at December 31, 2017 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by the U.S. government and agencies:				
Due in one year or less	$ 1	—	—	1
Debt issued by government sponsored enterprises:				
Due in one year or less	66,566	14	(289)	66,291
Due after one year through five years	140,624	—	(2,402)	138,222
Due after ten years	4,833	—	(77)	4,756
Equity securities	551	29	(6)	574
Municipal securities:				
Due in one year or less	2,492	7	(1)	2,498
Due after one year through five years	7,072	82	(6)	7,148
Due after five years through ten years	14,576	171	—	14,747
Due after ten years	26,371	292	—	26,663
Corporate debt issues:				
Due after ten years	909	—	—	909
Residential mortgage-backed securities:				
Fixed rate pass-through	144,411	1,108	(2,817)	142,702
Variable rate pass-through	33,079	1,464	(6)	34,537
Fixed rate non-agency CMOs	15	—	—	15
Fixed rate agency CMOs	284,320	37	(5,271)	279,086
Variable rate agency CMOs	74,274	249	(137)	74,386
Total residential mortgage-backed securities	536,099	2,858	(8,231)	530,726
Total marketable securities available-for-sale	$ 800,094	3,453	(11,012)	792,535

The following table shows the portfolio of investment securities held-to-maturity at March 31, 2018 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Residential mortgage-backed securities:				
Fixed rate pass-through	3,489	98	—	3,587
Variable rate pass-through	2,185	58	—	2,243
Fixed rate agency CMOs	21,363	4	(556)	20,811
Variable rate agency CMOs	672	11	—	683
Total residential mortgage-backed securities	27,709	171	(556)	27,324
Total marketable securities held-to-maturity	$ 27,709	171	(556)	27,324

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The following table shows the portfolio of investment securities held-to-maturity at December 31, 2017 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Residential mortgage-backed securities:				
Fixed rate pass-through	3,760	140	—	3,900
Variable rate pass-through	2,283	64	—	2,347
Fixed rate agency CMOs	22,906	20	(248)	22,678
Variable rate agency CMOs	729	13	—	742
Total residential mortgage-backed securities	29,678	237	(248)	29,667
Total marketable securities held-to-maturity	$ 29,678	237	(248)	29,667

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at March 31, 2018 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government sponsored enterprises	$ 4,982	(29)	191,381	(3,420)	196,363	(3,449)
Municipal securities	7,127	(31)	—	—	7,127	(31)
Residential mortgage-backed securities - agency	250,025	(5,178)	190,659	(7,856)	440,684	(13,034)
Total temporarily impaired securities	$ 262,134	(5,238)	382,040	(11,276)	644,174	(16,514)

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2017 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government sponsored enterprises	$ 5,006	(7)	197,695	(2,761)	202,701	(2,768)
Equity Securities	—	—	544	(6)	544	(6)
Municipal Securities	4,563	(7)	—	—	4,563	(7)
Residential mortgage-backed securities - agency	239,703	(2,522)	202,344	(5,957)	442,047	(8,479)
Total temporarily impaired securities	$ 249,272	(2,536)	400,583	(8,724)	649,855	(11,260)

We review our investment portfolio for indications of impairment. This review includes analyzing the length of time and the extent to which amortized costs have exceeded fair values, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer, and the intent and ability to hold the investments for a period of time sufficient to allow for a recovery in value. We do not have the intent to sell these securities and it is more likely than not that we will not have to sell these securities before a recovery of our cost basis. For these reasons, we consider the unrealized losses to be temporary impairment losses.

Credit related impairment on all debt securities is recognized in earnings while noncredit related impairment on available-for-sale debt securities, not expected to be sold, is recognized in other comprehensive income.

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The table below shows a cumulative roll forward of credit losses recognized in earnings for debt securities held and not intended to be sold for the quarter ended March 31:

	2018	2017
Beginning balance at January 1, (1)	$352	7,942
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	—	—
Reduction for securities sold/ called realized during the quarter	(352)	—
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	—	—
Ending balance at March 31,	$—	7,942

(1) The beginning balance represents credit losses included in other-than-temporary impairment charges recognized on debt securities in prior periods.

(3) Loans receivable

The following table shows a summary of our loans receivable at March 31, 2018 and December 31, 2017 (in thousands):

	March 31, 2018			December 31, 2017		
	Originated	Acquired	Total	Originated	Acquired	Total
Personal Banking:						
Residential mortgage loans (1)	$2,658,404	108,570	2,766,974	2,658,726	113,823	2,772,549
Home equity loans	1,040,328	248,033	1,288,361	1,051,558	258,797	1,310,355
Consumer finance loans (2)	12,453	—	12,453	18,619	—	18,619
Consumer loans	574,054	84,147	658,201	540,832	97,877	638,709
Total Personal Banking	4,285,239	440,750	4,725,989	4,269,735	470,497	4,740,232
Commercial Banking:						
Commercial real estate loans	2,383,303	279,640	2,662,943	2,303,179	296,161	2,599,340
Commercial loans	626,821	60,498	687,319	572,341	60,822	633,163
Total Commercial Banking	3,010,124	340,138	3,350,262	2,875,520	356,983	3,232,503
Total loans receivable, gross	7,295,363	780,888	8,076,251	7,145,255	827,480	7,972,735
Deferred loan costs	27,291	1,293	28,584	26,255	1,527	27,782
Allowance for loan losses	(49,123)	(6,088)	(55,211)	(50,572)	(6,223)	(56,795)
Undisbursed loan proceeds:						
Residential mortgage loans	(8,026)	—	(8,026)	(10,067)	—	(10,067)
Commercial real estate loans	(148,059)	(2,627)	(150,686)	(141,967)	(2,647)	(144,614)
Commercial loans	(62,572)	(1,284)	(63,856)	(51,143)	(1,284)	(52,427)
Total loans receivable, net	$7,054,874	772,182	7,827,056	6,917,761	818,853	7,736,614

(1) Includes $0 and $3.1 million of loans held for sale at March 31, 2018 and December 31, 2017, respectively.
(2) Represents loans from our consumer finance subsidiary that was closed in 2017, which are no longer being originated.

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Acquired loans were initially measured at fair value and subsequently accounted for under either Accounting Standards Codification ("ASC") Topic 310-30 or ASC Topic 310-20. The following table provides information related to the outstanding principal balance and related carrying value of acquired loans for the dates indicated (in thousands):

	March 31, 2018	December 31, 2017
Acquired loans evaluated individually for future credit losses:		
Outstanding principal balance	$ 9,453	9,735
Carrying value	6,720	6,875
Acquired loans evaluated collectively for future credit losses:		
Outstanding principal balance	776,923	824,205
Carrying value	771,550	818,201
Total acquired loans:		
Outstanding principal balance	786,376	833,940
Carrying value	778,270	825,076

The following table provides information related to the changes in the accretable discount, which includes income recognized from contractual cash flows for the dates indicated (in thousands):

	Total
Balance at December 31, 2016	$2,187
Accretion	(1,318)
Net reclassification from nonaccretable yield	671
Balance at December 31, 2017	1,540
Accretion	(185)
Net reclassification from nonaccretable yield	—
Balance at March 31, 2018	$1,355

The following table provides information related to acquired impaired loans by portfolio segment and by class of financing receivable at and for the three months ended March 31, 2018 (in thousands):

	Carrying value	Outstanding principal balance	Related impairment reserve	Average recorded investment in impaired loans	Interest income recognized
Personal Banking:					
Residential mortgage loans	$ 1,167	1,858	18	1,175	39
Home equity loans	1,104	2,123	20	1,124	36
Consumer loans	44	125	4	51	16
Total Personal Banking	2,315	4,106	42	2,350	91
Commercial Banking:					
Commercial real estate loans	4,327	5,262	39	4,358	89
Commercial loans	78	85	—	90	5
Total Commercial Banking	4,405	5,347	39	4,448	94
Total	$ 6,720	9,453	81	6,798	185

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The following table provides information related to acquired impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 2017 (in thousands):

	Carrying value	Outstanding principal balance	Related impairment reserve	Average recorded investment in impaired loans	Interest income recognized
Personal Banking:					
Residential mortgage loans	$ 1,182	1,880	24	1,251	181
Home equity loans	1,143	2,219	21	1,253	157
Consumer loans	59	160	4	97	51
Total Personal Banking	2,384	4,259	49	2,601	389
Commercial Banking:					
Commercial real estate loans	4,388	5,363	39	6,992	914
Commercial loans	103	113	—	177	15
Total Commercial Banking	4,491	5,476	39	7,169	929
Total	$ 6,875	9,735	88	9,770	1,318

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended March 31, 2018 (in thousands):

	Balance March 31, 2018	Current period provision	Charge-offs	Recoveries	Balance December 31, 2017
Originated loans:					
Personal Banking:					
Residential mortgage loans	$ 3,724	31	(196)	65	3,824
Home equity loans	3,717	(85)	(301)	31	4,072
Consumer finance loans	3,031	338	(1,553)	278	3,968
Consumer loans	9,140	3,279	(3,177)	563	8,475
Total Personal Banking	19,612	3,563	(5,227)	937	20,339
Commercial Banking:					
Commercial real estate loans	20,218	703	(540)	144	19,911
Commercial loans	9,293	(340)	(828)	139	10,322
Total Commercial Banking	29,511	363	(1,368)	283	30,233
Total originated loans	49,123	3,926	(6,595)	1,220	50,572
Acquired loans:					
Personal Banking:					
Residential mortgage loans	89	(43)	(5)	6	131
Home equity loans	728	202	(310)	74	762
Consumer loans	807	(54)	(72)	43	890
Total Personal Banking	1,624	105	(387)	123	1,783
Commercial Banking:					
Commercial real estate loans	3,430	(130)	(11)	22	3,549
Commercial loans	1,034	308	(197)	32	891

Total Commercial Banking	4,464	178	(208)	54	4,440
Total acquired loans	6,088	283	(595)	177	6,223
Total	$ 55,211	4,209	(7,190)	1,397	56,795

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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended March 31, 2017 (in thousands):

	Balance March 31, 2017	Current period provision	Charge-offs	Recoveries	Balance December 31, 2016
Originated loans:					
Personal Banking:					
Residential mortgage loans	$ 4,638	(33)	(153)	168	4,656
Home equity loans	2,989	(406)	(176)	85	3,486
Consumer finance loans	3,957	1,202	(796)	106	3,445
Consumer loans	6,472	4,147	(2,456)	252	4,529
Total Personal Banking	18,056	4,910	(3,581)	611	16,116
Commercial Banking:					
Commercial real estate loans	20,635	(2,948)	(263)	179	23,667
Commercial loans	15,399	409	(946)	426	15,510
Total Commercial Banking	36,034	(2,539)	(1,209)	605	39,177
Total originated loans	54,090	2,371	(4,790)	1,216	55,293
Acquired loans:					
Personal Banking:					
Residential mortgage loans	78	115	(137)	29	71
Home equity loans	932	180	(473)	178	1,047
Consumer loans	831	403	(408)	183	653
Total Personal Banking	1,841	698	(1,018)	390	1,771
Commercial Banking:					
Commercial real estate loans	3,713	666	(211)	250	3,008
Commercial loans	1,460	902	(321)	12	867
Total Commercial Banking	5,173	1,568	(532)	262	3,875
Total acquired loans	7,014	2,266	(1,550)	652	5,646
Total	$ 61,104	4,637	(6,340)	1,868	60,939

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The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at March 31, 2018 (in thousands):

	Total loans receivable	Allowance for loan losses	Nonaccrual loans (1)	Loans past due 90 days or more and still accruing (2)	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:							
Residential mortgage loans	$2,772,148	3,813	12,828	—	7,756	762	—
Home equity loans	1,288,361	4,445	7,673	89	1,824	467	5
Consumer finance loans	12,453	3,031	3	—	—	—	—
Consumer loans	673,585	9,947	3,557	121	—	—	—
Total Personal Banking	4,746,547	21,236	24,061	210	9,580	1,229	5
Commercial Banking:							
Commercial real estate loans	2,512,257	23,648	28,874	—	16,285	977	328
Commercial loans	623,463	10,327	5,745	—	5,101	367	38
Total Commercial Banking	3,135,720	33,975	34,619	—	21,386	1,344	366
Total	$7,882,267	55,211	58,680	210	30,966	2,573	371

(1) Includes $11.2 million of nonaccrual TDRs.
(2) Represents loans 90 days or more past maturity and still accruing.

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at December 31, 2017 (in thousands):

	Total loans receivable	Allowance for loan losses	Nonaccrual loans (1)	Loans past due 90 days or more and still accruing (2)	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:							
Residential mortgage loans	$2,776,203	3,955	14,791	—	8,000	815	—
Home equity loans	1,310,355	4,834	8,907	120	1,716	462	4
Consumer finance loans	18,619	3,968	199	3	—	—	—
Consumer loans	652,770	9,365	4,673	379	—	—	—
Total Personal Banking	4,757,947	22,122	28,570	502	9,716	1,277	4
Commercial Banking:							
Commercial real estate loans	2,454,726	23,460	28,473	—	15,691	1,125	235
Commercial loans	580,736	11,213	7,412	—	6,697	742	8
Total Commercial Banking	3,035,462	34,673	35,885	—	22,388	1,867	243
Total	$7,793,409	56,795	64,455	502	32,104	3,144	247

(1) Includes $12.3 million of nonaccrual TDRs.
(2) Represents loans 90 days or more past maturity and still accruing.

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The following table provides information related to the composition of originated impaired loans by portfolio segment and by class of financing receivable at and for the three months ended March 31, 2018 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residential mortgage loans	$ 10,660	2,168	505	6,398	19,731	19,912	236
Home equity loans	6,707	966	—	1,560	9,233	9,873	127
Consumer finance loan	3	—	—	—	3	41	2
Consumer loans	2,931	626	—	—	3,557	4,161	55
Total Personal Banking	20,301	3,760	505	7,958	32,524	33,987	420
Commercial Banking:							
Commercial real estate loans	16,145	12,729	4,398	4,035	37,307	36,467	379
Commercial loans	3,144	2,601	720	2,361	8,826	9,595	115
Total Commercial Banking	19,289	15,330	5,118	6,396	46,133	46,062	494
Total	$ 39,590	19,090	5,623	14,354	78,657	80,049	914

The following table provides information related to the composition of originated impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 2017 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residential mortgage loans	$ 13,509	1,282	—	6,814	21,605	21,531	892
Home equity loans	7,251	1,656	—	1,449	10,356	9,150	452
Consumer finance loans	199	—	—	—	199	379	20
Consumer loans	3,617	1,056	—	—	4,673	4,042	188
Total Personal Banking	24,576	3,994	—	8,263	36,833	35,102	1,552
Commercial Banking:							
Commercial real estate loans	15,361	13,112	4,431	4,123	37,027	49,981	1,758
Commercial loans	3,140	4,272	906	2,447	10,765	12,110	672
Total Commercial Banking	18,501	17,384	5,337	6,570	47,792	62,091	2,430
Total	$ 43,077	21,378	5,337	14,833	84,625	97,193	3,982

At March 31, 2018, we expect to fully collect the carrying value of our purchased credit impaired loans and have determined that we can reasonably estimate their future cash flows including those loans that are 90 days or more delinquent. As a result, we do not consider our purchased credit impaired loans that are 90 days or more delinquent to be nonaccrual or impaired and continue to recognize interest income on these loans, including the loans' accretable discount.

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The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at March 31, 2018 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:					
Residential mortgage loans	$ 2,763,824	8,324	8,324	780	—
Home equity loans	1,286,538	1,823	1,823	458	—
Consumer finance loans	12,453	—	—	—	—
Consumer loans	673,525	60	60	16	—
Total Personal Banking	4,736,340	10,207	10,207	1,254	—
Commercial Banking:					
Commercial real estate loans	2,490,757	21,500	16,786	1,668	4,714
Commercial loans	616,142	7,321	5,136	456	2,185
Total Commercial Banking	3,106,899	28,821	21,922	2,124	6,899
Total	$ 7,843,239	39,028	32,129	3,378	6,899

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at December 31, 2017 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:					
Residential mortgage loans	$ 2,767,635	8,568	8,568	816	—
Home equity loans	1,308,639	1,716	1,716	461	—
Consumer finance loans	18,619	—	—	—	—
Consumer loans	652,685	85	85	25	—
Total Personal Banking	4,747,578	10,369	10,369	1,302	—
Commercial Banking:					
Commercial real estate loans	2,433,755	20,971	18,470	1,859	2,501
Commercial loans	571,412	9,324	8,572	829	752
Total Commercial Banking	3,005,167	30,295	27,042	2,688	3,253
Total	$ 7,752,745	40,664	37,411	3,990	3,253

Our loan portfolios include loans that have been modified in a troubled debt restructuring ("TDR"), where concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from our loss mitigation activities and could include: extending the note’s maturity date, permitting interest only payments, reducing the interest rate to a rate lower than current market rates for new debt with similar risk, reducing the principal payment, principal forbearance or other actions. These concessions are applicable to all loan segments and classes. Certain TDRs are classified as nonperforming

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at the time of restructuring and may be returned to performing status after considering the borrower's sustained repayment performance for a period of at least six months.

When we modify loans in a TDR, we evaluate any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, the loan's observable market price or the current fair value of the collateral, less selling costs, for collateral dependent loans. If we determine that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, we evaluate all TDRs, including those that have payment defaults, for possible impairment, using ASC 310-10. As a result, loans modified in a TDR may have the financial effect of increasing the specific allowance associated with the loan.

Loans modified in a TDR are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a TDR subsequently default, we evaluate the loan for possible further impairment. The allowance may be increased, adjustments may be made in the allocation of the allowance, partial charge-offs may be taken to further write-down the carrying value of the loan, or the loan may be charged-off completely.

The following table provides a roll forward of troubled debt restructurings for the periods indicated (dollars in thousands):

	For the quarter ended March 31,			
	2018		2017	
	Number of contracts	Amount	Number of contracts	Amount
Beginning TDR balance:	205	$32,104	225	$42,926
New TDRs	9	4,935	6	3,790
Re-modified TDRs	—	—	—	—
Net paydowns		(947)		(1,222)
Charge-offs:				
Residential mortgage loans	1	(135)	—	—
Home equity loans	—	—	—	—
Commercial real estate loans	1	(203)	—	—
Commercial loans	1	(721)	1	(101)
Paid-off loans:				
Residential mortgage loans	1	(249)	—	—
Home equity loans	1	(12)	1	—
Commercial real estate loans	4	(1,574)	2	(65)
Commercial loans	5	(2,232)	3	(1,750)
Ending TDR balance:	200	$30,966	224	$43,578
Accruing TDRs		$19,749		$25,305
Non-accrual TDRs		11,217		18,273

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The following table provides information related to troubled debt restructurings (including re-modified TDRs) by portfolio segment and by class of financing receivable during the periods indicated (dollars in thousands):

	For the quarter ended March 31, 2018			
	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:				
Personal Banking:				
Residential mortgage loans	2	$ 214	213	21
Home equity loans	3	140	139	36
Total Personal Banking	5	354	352	57
Commercial Banking:				
Commercial real estate loans	1	2,401	2,385	—
Commercial loans	3	2,180	1,431	—
Total Commercial Banking	4	4,581	3,816	—
Total	9	$ 4,935	4,168	57

During the quarter ended March 31, 2018, no TDRs modified within the previous twelve months have subsequently defaulted.

The following table provides information related to troubled debt restructurings (including re-modified TDRs) by portfolio segment and by class of financing receivable during the periods indicated (dollars in thousands):

	For the quarter ended March 31, 2017			
	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:				
Personal Banking:				
Residential mortgage loans	2	$ 448	447	48
Home equity loans	—	—	—	—
Total Personal Banking	2	448	447	48
Commercial Banking:				
Commercial real estate loans	3	3,138	3,119	225
Commercial loans	1	204	199	14
Total Commercial Banking	4	3,342	3,318	239
Total	6	$ 3,790	3,765	287

During the quarter ended March 31, 2017, no TDRs modified within the previous twelve months have subsequently defaulted.

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The following table provides information as of March 31, 2018 for troubled debt restructuring (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the quarter ended March 31, 2018 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	2	$ —	—	178	35	213
Home equity loans	3	30	—	—	109	139
Total Personal Banking	5	30	—	178	144	352
Commercial Banking:						
Commercial real estate loans	1	—	—	—	2,385	2,385
Commercial loans	3	—	—	—	1,431	1,431
Total Commercial Banking	4	—	—	—	3,816	3,816
Total	9	$ 30	—	178	3,960	4,168

The following table provides information as of March 31, 2017 for troubled debt restructuring (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the quarter ended March 31, 2017 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	2	$ 112	—	—	335	447