BankUnited, Inc.
Form 10-Q
May 06, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016
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: 001-35039

BankUnited, Inc.
(Exact name of registrant as specified in its charter)

Delaware	27-0162450
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14817 Oak Lane, Miami Lakes, FL	33016
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (305) 569-2000

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 ý No o

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

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

Large accelerated filer ý Accelerated filer o
Non-accelerated filer o Smaller reporting company o

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

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

Class	May 4, 2016
Common Stock, $0.01 Par Value	104,136,900

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For the Quarter Ended March 31, 2016
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GLOSSARY OF DEFINED TERMS

The following acronyms and terms may be used throughout this Form 10-Q, including the consolidated financial statements and related notes.

ACI	Loans acquired with evidence of deterioration in credit quality since origination (Acquired Credit Impaired)
ALCO	Asset/Liability Committee
ALLL	Allowance for loan and lease losses
AOCI	Accumulated other comprehensive income
ARM	Adjustable rate mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BKU	BankUnited, Inc.
BankUnited	BankUnited, National Association
The Bank	BankUnited, National Association
Bridge	Bridge Funding Group, Inc.
CET1	Common Equity Tier 1 risk-based capital
CMOs	Collateralized mortgage obligations
Commercial Shared-Loss Agreement	A commercial and other loans shared-loss agreement entered into with the FDIC in connection with the FSB Acquisition
Covered assets	Assets covered under the Loss Sharing Agreements
Covered loans	Loans covered under the Loss Sharing Agreements
EVE	Economic value of equity
FASB	Financial Accounting Standards Board
FDIA	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FRB	Federal Reserve Bank
FSB Acquisition	Acquisition of substantially all of the assets and assumption of all of the non-brokered deposits and substantially all of the other liabilities of BankUnited, FSB from the FDIC on May 21, 2009
GAAP	U.S. generally accepted accounting principles
GDP	Gross Domestic Product
HAMP	Home Affordable Modification Program
IPO	Initial public offering
ISDA	International Swaps and Derivatives Association
LIBOR	London InterBank Offered Rate
Loss Sharing Agreements	Two loss sharing agreements entered into with the FDIC in connection with the FSB Acquisition
LTV	Loan-to-value
MBS	Mortgage-backed securities
MSA	Metropolitan Statistical Area
MSRs	Mortgage servicing rights
New Loans	Loans originated or purchased since the FSB Acquisition
Non-ACI	Loans acquired without evidence of deterioration in credit quality since origination
OCC	Office of the Comptroller of the Currency
OREO	Other real estate owned
OTTI	Other-than-temporary impairment

PSU	Performance Unit
Pinnacle	Pinnacle Public Finance, Inc.
Re-Remics	Resecuritized real estate mortgage investment conduits
RSU	Restricted Share Unit
SBA	Small Business Administration
SBF	Small Business Finance Unit
SEC	Securities and Exchange Commission
Single Family Shared-Loss Agreement	A single-family loan shared-loss agreement entered into with the FDIC in connection with the FSB Acquisition
TDR	Troubled-debt restructuring
UCBL	United Capital Business Lending, Inc.
UPB	Unpaid principal balance
VIEs	Variable interest entities
2010 Plan	2010 Omnibus Equity Incentive Plan
2014 Plan	2014 Omnibus Equity Incentive Plan

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - UNAUDITED
(In thousands, except share and per share data)

	March 31, 2016	December 31, 2015
ASSETS		
Cash and due from banks:		
Non-interest bearing	$33,256	$31,515
Interest bearing	73,874	39,613
Interest bearing deposits at Federal Reserve Bank	130,208	192,366
Federal funds sold	8,473	4,006
Cash and cash equivalents	245,811	267,500
Investment securities available for sale, at fair value	5,350,825	4,859,539
Investment securities held to maturity	10,000	10,000
Non-marketable equity securities	242,622	219,997
Loans held for sale	50,849	47,410
Loans (including covered loans of $766,262 and $809,540)	17,115,107	16,636,603
Allowance for loan and lease losses	(125,644)	(125,828)
Loans, net	16,989,463	16,510,775
FDIC indemnification asset	683,867	739,880
Bank owned life insurance	226,624	225,867
Equipment under operating lease, net	479,490	483,518
Deferred tax asset, net	101,987	105,577
Goodwill and other intangible assets	78,255	78,330
Other assets	359,695	335,074
Total assets	$24,819,488	$23,883,467
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Demand deposits:		
Non-interest bearing	$2,950,979	$2,874,533
Interest bearing	1,373,146	1,167,537
Savings and money market	8,167,252	8,288,340
Time	5,022,957	4,608,091
Total deposits	17,514,334	16,938,501
Federal Home Loan Bank advances	4,258,683	4,008,464
Notes and other borrowings	402,737	402,545
Other liabilities	379,482	290,059
Total liabilities	22,555,236	21,639,569
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01 per share, 400,000,000 shares authorized; 104,149,115 and 103,626,255 shares issued and outstanding	1,041	1,036
Paid-in capital	1,411,295	1,406,786
Retained earnings	846,288	813,894

Accumulated other comprehensive income	5,628	22,182
Total stockholders' equity	2,264,252	2,243,898
Total liabilities and stockholders' equity	$24,819,488	$23,883,467

The accompanying notes are an integral part of these consolidated financial statements.
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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED
(In thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Interest income:		
Loans	$214,576	$171,379
Investment securities	33,541	28,220
Other	2,690	2,283
Total interest income	250,807	201,882
Interest expense:		
Deposits	26,626	20,004
Borrowings	17,340	9,150
Total interest expense	43,966	29,154
Net interest income before provision for loan losses	206,841	172,728
Provision for (recovery of) loan losses (including $(731) and $(451) for covered loans)	3,708	8,147
Net interest income after provision for loan losses	203,133	164,581
Non-interest income:		
Income from resolution of covered assets, net	7,998	15,154
Net loss on FDIC indemnification	(6,289)	(20,265)
Service charges and fees	4,562	4,451
Gain on sale of loans, net (including gain (loss) related to covered loans of $(712) and $10,006)	1,490	10,166
Gain on investment securities available for sale, net	3,199	2,022
Lease financing	10,600	6,237
Other non-interest income	1,638	2,976
Total non-interest income	23,198	20,741
Non-interest expense:		
Employee compensation and benefits	55,460	49,479
Occupancy and equipment	18,991	18,170
Amortization of FDIC indemnification asset	39,694	22,005
Deposit insurance expense	3,692	2,918
Professional fees	2,631	3,298
Telecommunications and data processing	3,333	3,471
Depreciation of equipment under operating lease	6,502	3,438
Other non-interest expense	11,805	11,365
Total non-interest expense	142,108	114,144
Income before income taxes	84,223	71,178
Provision for income taxes	29,349	24,721
Net income	$54,874	$46,457
Earnings per common share, basic (see Note 2)	$0.51	$0.44
Earnings per common share, diluted (see Note 2)	$0.51	$0.44
Cash dividends declared per common share	$0.21	$0.21

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

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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - UNAUDITED
(In thousands)

	Three Months Ended March 31,	
	2016	2015
Net income	$54,874	$46,457
Other comprehensive income (loss), net of tax:		
Unrealized gains on investment securities available for sale:		
Net unrealized holding gain arising during the period	7,719	12,987
Reclassification adjustment for net securities gains realized in income	(1,936)	(1,223)
Net change in unrealized gains on securities available for sale	5,783	11,764
Unrealized losses on derivative instruments:		
Net unrealized holding loss arising during the period	(25,365)	(12,707)
Reclassification adjustment for net losses realized in income	3,028	4,019
Net change in unrealized losses on derivative instruments	(22,337)	(8,688)
Other comprehensive income (loss)	(16,554)	3,076
Comprehensive income	$38,320	$49,533

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

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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
(In thousands)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	$54,874	$ 46,457
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and accretion, net	(29,895)	(43,497)
Provision for loan losses	3,708	8,147
Income from resolution of covered assets, net	(7,998)	(15,154)
Net loss on FDIC indemnification	6,289	20,265
Gain on sale of loans, net	(1,490)	(10,166)
Increase in cash surrender value of bank owned life insurance	(757)	(865)
Gain on investment securities available for sale, net	(3,199)	(2,022)
Equity based compensation	4,215	3,151
Depreciation and amortization	13,219	9,296
Deferred income taxes	14,398	20,731
Proceeds from sale of loans held for sale	41,104	6,995
Loans originated for sale, net of repayments	(43,150)	(7,311)
Realized tax (benefits) deficiency from dividend equivalents and equity based compensation	(243)	235
Other:		
Increase in other assets	(8,364)	(9,855)
Increase in other liabilities	15,112	1,723
Net cash provided by operating activities	57,823	28,130
Cash flows from investing activities:		
Purchase of investment securities	(810,983)	(367,175)
Proceeds from repayments and calls of investment securities available for sale	112,742	135,214
Proceeds from sale of investment securities available for sale	221,347	334,917
Purchase of non-marketable equity securities	(63,000)	(17,363)
Proceeds from redemption of non-marketable equity securities	40,375	25,088
Purchases of loans	(254,016)	(169,380)
Loan originations, repayments and resolutions, net	(196,868)	(616,078)
Proceeds from sale of loans, net	42,536	47,695
Decrease in FDIC indemnification asset for claims filed	10,029	21,902
Purchase of premises and equipment, net	(2,630)	(2,241)
Acquisition of equipment under operating lease, net	(2,474)	(54,913)
Proceeds from sale of OREO and repossessed assets	5,906	4,360
Other investing activities	(12,066)	(7,700)
Net cash used in investing activities	(909,102)	(665,674)

(Continued)

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

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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In thousands)

	Three Months Ended March 31, 2016	2015
Cash flows from financing activities:		
Net increase in deposits	575,833	749,487
Additions to Federal Home Loan Bank advances	4,120,000	1,045,000
Repayments of Federal Home Loan Bank advances	(3,870,000)	(1,070,000)
Dividends paid	(22,380)	(21,968)
Realized tax benefits (deficiency) from dividend equivalents and equity based compensation	243	(235)
Exercise of stock options	56	32,955
Other financing activities	25,838	19,276
Net cash provided by financing activities	829,590	754,515
Net increase (decrease) in cash and cash equivalents	(21,689)	116,971
Cash and cash equivalents, beginning of period	267,500	187,517
Cash and cash equivalents, end of period	$245,811	$304,488
Supplemental disclosure of cash flow information:		
Interest paid	$38,112	$27,226
Income taxes received, net	$(306)	$(350)
Supplemental schedule of non-cash investing and financing activities:		
Transfers from loans to other real estate owned and other repossessed assets	$6,804	$2,254
Dividends declared, not paid	$22,480	$22,321
Unsettled purchases of investment securities available for sale	$5,855	$75,000

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

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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - UNAUDITED
(In thousands, except share data)

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2015	103,626,255	$1,036	$1,406,786	$813,894	$ 22,182	$2,243,898
Comprehensive income	—	—	—	54,874	(16,554)	38,320
Dividends	—	—	—	(22,480)	—	(22,480)
Equity based compensation	572,205	6	4,209	—	—	4,215
Forfeiture of unvested shares	(51,845)	(1)	1	—	—	—
Exercise of stock options	2,500	—	56	—	—	56
Tax benefits from dividend equivalents and equity based compensation	—	—	243	—	—	243
Balance at March 31, 2016	104,149,115	$1,041	$1,411,295	$846,288	$ 5,628	$2,264,252
Balance at December 31, 2014	101,656,702	$1,017	$1,353,538	$651,627	$ 46,352	$2,052,534
Comprehensive income	—	—	—	46,457	3,076	49,533
Dividends	—	—	—	(22,321)		(22,321)
Equity based compensation	545,455	5	3,146	—		3,151
Forfeiture of unvested shares	(26,108)	—	—	—		—
Exercise of stock options	1,237,965	12	32,943	—		32,955
Tax deficiency from dividend equivalents and equity based compensation	—	—	(235)	—		(235)
Balance at March 31, 2015	103,414,014	$1,034	$1,389,392	$675,763	$ 49,428	$2,115,617

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

Note 1 Basis of Presentation and Summary of Significant Accounting Policies

BankUnited, Inc. is a national bank holding company with one wholly-owned subsidiary, BankUnited, collectively, the Company. BankUnited, a national banking association headquartered in Miami Lakes, Florida, provides a full range of banking and related services to individual and corporate customers through 98 branches located in 15 Florida counties and 6 banking centers located in the New York metropolitan area at March 31, 2016. The Bank also offers certain commercial lending products through national platforms.

In connection with the FSB Acquisition, BankUnited entered into two loss sharing agreements with the FDIC. The Loss Sharing Agreements consist of the Single Family Shared-Loss Agreement and the Commercial Shared-Loss Agreement. Assets covered by the Loss Sharing Agreements are referred to as covered assets or, in certain cases, covered loans. The Single Family Shared-Loss Agreement provides for FDIC loss sharing and the Bank's reimbursement for recoveries to the FDIC through May 21, 2019 for single family residential loans and OREO. Loss sharing under the Commercial Shared-Loss Agreement terminated on May 21, 2014. The Commercial Shared-Loss Agreement continues to provide for the Bank's reimbursement of recoveries to the FDIC through May 21, 2017 for all other covered assets, including commercial real estate, commercial and industrial and consumer loans, certain investment securities and commercial OREO. Gains realized on the sale of formerly covered investment securities are included in recoveries subject to reimbursement. Pursuant to the terms of the Loss Sharing Agreements, the covered assets are subject to a stated loss threshold whereby the FDIC will reimburse BankUnited for 80% of losses related to the covered assets up to $4.0 billion and 95% of losses in excess of this amount, beginning with the first dollar of loss incurred.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Accordingly, they do not include all of the information and footnotes required for a fair presentation of financial position, results of operations and cash flows in conformity with GAAP and should be read in conjunction with the Company's consolidated financial statements and the notes thereto appearing in BKU's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected in future periods.

Certain amounts presented for prior periods have been reclassified to conform to the current period presentation.

Accounting Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosures of contingent assets and liabilities. Actual results could differ significantly from these estimates.

Significant estimates include the ALLL, the amount and timing of expected cash flows from covered assets and the FDIC indemnification asset, and the fair values of investment securities and other financial instruments. Management has used information provided by third party valuation specialists to assist in the determination of the fair values of investment securities.

Loan Servicing Assets

Effective January 1, 2016, the Company made an irrevocable election to subsequently measure residential MSRs at fair value. Previously, residential MSRs were subsequently measured using the amortization method. This change had no impact on opening retained earnings at January 1, 2016.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Accounting Standards Codification. The amendments in this update affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts, including leases and insurance contracts, are within the scope of other standards. The amendments establish a core principle requiring the recognition of revenue to depict the transfer of goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services. The amendments also require expanded disclosures concerning the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. Financial instruments and lease contracts are generally outside the scope of the ASU. The FASB has issued subsequent ASUs to clarify certain aspects of ASU 2014-09, without changing the core principle of the guidance and to defer the effective date of ASU 2014-09 to annual periods and interim periods within fiscal years beginning after December 15, 2017. Management continues to evaluate the impact of adoption.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in the ASU that are expected to be most applicable to the Company 1) require 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, 2) eliminate the requirement 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, and 3) require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. The amendments in this ASU are effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2017. Management has not completed its evaluation of the impact of adoption of this ASU.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The amendments in this ASU require a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for lease terms longer than one year. Accounting for leases by a lessor will not be significantly impacted by this ASU. The amendments in this ASU are effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2018. Management has not yet made an evaluation of the impact of adoption of this ASU.

In March 2016, the FASB issued ASU No. 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments. The amendments in this ASU clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. A company performing the assessment under these amendments is required to assess the embedded call (put) options solely in accordance with a four-step decision sequence, without consideration of whether the contingency is related to interest rates or credit risks. The amendments in this ASU are effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2016 and will be applied on a modified retrospective basis. While management does not currently expect adoption to have a material impact on the Company's consolidated financial position, results of operations or cash flows, management has not completed its evaluation of the impact of adoption of this ASU.

In March 2016, the FASB issued No. ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this ASU simplify several aspects of the accounting for share-based payment transactions. The amendments provide, among other items, that a) excess tax benefits and deficiencies be recognized as income tax expense or benefit in the income statement, as opposed to additional paid-in-capital; b) excess tax benefits and deficiencies be classified with other income tax cash flows as an operating activity in the statement of cash flows; and c) an entity may make an entity-wide election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. The amendments in this ASU are effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2016. Management is currently evaluating the impact of this ASU on the financial statements and related disclosures, including the alternative methods of adoption. The adoption is not expected to materially impact the Company's consolidated financial position, results of operations, or cash flows.

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BANKUNITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
March 31, 2016

Note 2 Earnings Per Common Share

The computation of basic and diluted earnings per common share is presented below for the periods indicated(in thousands, except share and per share data):

	Three Months Ended March 31,	
c	2016	2015
Basic earnings per common share:		
Numerator:		
Net income	$54,874	$ 46,457
Distributed and undistributed earnings allocated to participating securities	(2,212)	(1,772)
Income allocated to common stockholders for basic earnings per common share	$52,662	$ 44,685
Denominator:		
Weighted average common shares outstanding	103,919,006	102,231,870
Less average unvested stock awards	(1,144,795)	(1,013,346)
Weighted average shares for basic earnings per common share	102,774,211	101,218,524
Basic earnings per common share	$0.51	$ 0.44
Diluted earnings per common share:		
Numerator:		
Income allocated to common stockholders for basic earnings per common share	$52,662	$ 44,685
Adjustment for earnings reallocated from participating securities	9	4
Income used in calculating diluted earnings per common share	$52,671	$ 44,689
Denominator:		
Weighted average shares for basic earnings per common share	102,774,211	101,218,524
Dilutive effect of stock options	778,841	615,846
Weighted average shares for diluted earnings per common share	103,553,052	101,834,370
Diluted earnings per common share	$0.51	$ 0.44

Included in participating securities above are 3,023,314 dividend equivalent rights outstanding at March 31, 2016 that were issued in conjunction with the IPO of the Company's common stock. These dividend equivalent rights expire in 2021 and participate in dividends on a one-for-one basis.

The following potentially dilutive securities were outstanding at March 31, 2016 and 2015, but excluded from the calculation of diluted earnings per common share for the periods indicated because their inclusion would have been anti-dilutive:

	Three Months Ended March 31,	
	2016	2015
Unvested shares	1,383,686	1,202,933
Stock options and warrants	1,851,376	1,851,376

Note 3 Investment Securities

Investment securities available for sale consisted of the following at the dates indicated (in thousands):

	March 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$4,997	$8	$—	$5,005
U.S. Government agency and sponsored enterprise residential MBS	1,372,857	19,368	(2,886)	1,389,339
U.S. Government agency and sponsored enterprise commercial MBS	95,816	2,051	—	97,867
Re-Remics	74,711	1,010	(35)	75,686
Private label residential MBS and CMOs	520,336	45,265	(457)	565,144
Private label commercial MBS	1,210,657	12,035	(11,641)	1,211,051
Single family rental real estate-backed securities	724,381	1,554	(13,509)	712,426
Collateralized loan obligations	309,630	38	(4,903)	304,765
Non-mortgage asset-backed securities	52,699	984	—	53,683
Preferred stocks	85,762	6,950	—	92,712
State and municipal obligations	519,379	17,576	(523)	536,432
SBA securities	297,894	2,085	(954)	299,025
Other debt securities	3,891	3,799	—	7,690
	$5,273,010	$112,723	$(34,908)	$5,350,825

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$4,997	$—	$—	$4,997
U.S. Government agency and sponsored enterprise residential MBS	1,167,197	15,376	(4,255)	1,178,318
U.S. Government agency and sponsored enterprise commercial MBS	95,997	944	(127)	96,814
Re-Remics	88,658	1,138	(105)	89,691
Private label residential MBS and CMOs	502,723	44,822	(2,933)	544,612
Private label commercial MBS	1,219,355	5,533	(6,148)	1,218,740
Single family rental real estate-backed securities	646,156	284	(9,735)	636,705
Collateralized loan obligations	309,615	—	(2,738)	306,877
Non-mortgage asset-backed securities	54,981	1,519	—	56,500
Preferred stocks	75,742	7,467	—	83,209
State and municipal obligations	351,456	10,297	—	361,753
SBA securities	270,553	3,343	(560)	273,336
Other debt securities	3,854	4,133	—	7,987
	$4,791,284	$94,856	$(26,601)	$4,859,539

Investment securities held to maturity at March 31, 2016 and December 31, 2015 consisted of one State of Israel bond with a carrying value of $10 million. Fair value approximated carrying value at March 31, 2016 and December 31, 2015. The bond matures in 2024.

At March 31, 2016, contractual maturities of investment securities available for sale, adjusted for anticipated prepayments of mortgage-backed and other pass-through securities, were as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$1,259,707	$1,255,932
Due after one year through five years	1,990,312	2,014,922
Due after five years through ten years	1,165,299	1,183,844
Due after ten years	771,930	803,415
Preferred stocks with no stated maturity	85,762	92,712
	$5,273,010	$5,350,825

Based on the Company’s proprietary assumptions, the estimated weighted average life of the investment portfolio as of March 31, 2016 was 4.7 years. The effective duration of the investment portfolio as of March 31, 2016 was 1.8 years. The model results are based on assumptions that may differ from actual results.

The carrying value of securities pledged as collateral for FHLB advances, public deposits, interest rate swaps and to secure borrowing capacity at the FRB totaled $1.9 billion and $1.5 billion at March 31, 2016 and December 31, 2015, respectively.

The following table provides information about gains and losses on investment securities available for sale for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2016	2015
Proceeds from sale of investment securities available for sale	$221,347	$334,917
Gross realized gains	$3,199	$2,497
Gross realized losses	—	(475)
Gain on investment securities available for sale, net	$3,199	$2,022

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The following tables present the aggregate fair value and the aggregate amount by which amortized cost exceeded fair value for investment securities in unrealized loss positions, aggregated by investment category and length of time that individual securities had been in continuous unrealized loss positions at the dates indicated (in thousands):

	March 31, 2016					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agency and sponsored enterprise residential MBS	$300,874	$(2,436)	$9,736	$(450)	$310,610	$(2,886)
Re-Remics	5,571	(35)	—	—	5,571	(35)
Private label residential MBS and CMOs	99,069	(293)	9,986	(164)	109,055	(457)
Private label commercial MBS	610,200	(9,497)	138,224	(2,144)	748,424	(11,641)
Single family rental real estate-backed securities	391,043	(7,736)	211,766	(5,773)	602,809	(13,509)
Collateralized loan obligations	240,488	(4,143)	49,240	(760)	289,728	(4,903)
State and municipal obligations	75,765	(523)	—	—	75,765	(523)
SBA securities	61,567	(954)	—	—	61,567	(954)
	$1,784,577	$(25,617)	$418,952	$(9,291)	$2,203,529	$(34,908)

	December 31, 2015					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agency and sponsored enterprise residential MBS	$321,143	$(3,065)	$54,290	$(1,190)	$375,433	$(4,255)
U.S. Government agency and sponsored enterprise commercial MBS	5,273	(127)	—	—	5,273	(127)
Re-Remics	20,421	(105)	—	—	20,421	(105)
Private label residential MBS and CMOs	289,312	(2,401)	16,342	(532)	305,654	(2,933)
Private label commercial MBS	739,376	(4,476)	106,280	(1,672)	845,656	(6,148)
Single family rental real estate-backed securities	381,033	(4,499)	212,491	(5,236)	593,524	(9,735)
Collateralized loan obligations	257,442	(2,173)	49,435	(565)	306,877	(2,738)
SBA securities	41,996	(543)	868	(17)	42,864	(560)
	$2,055,996	$(17,389)	$439,706	$(9,212)	$2,495,702	$(26,601)

The Company monitors its investment securities available for sale for OTTI on an individual security basis. No securities were determined to be other-than-temporarily impaired during the three months ended March 31, 2016 or 2015. The Company does not intend to sell securities that are in significant unrealized loss positions and it is not more likely than not that the Company will be required to sell these securities before recovery of the amortized cost basis, which may be at maturity. At March 31, 2016, 75 securities were in unrealized loss positions. The amount of impairment related to 15 of these securities was considered insignificant, totaling approximately $157 thousand and no further analysis with respect to these securities was considered necessary. The basis for concluding that impairment of the remaining securities was not other-than-temporary is further described below:

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U.S. Government agency and sponsored enterprise residential MBS

At March 31, 2016, nine U.S. Government agency and sponsored enterprise residential MBS were in unrealized loss positions. The substantial majority of the securities had been in unrealized loss positions for six months or less and the amount of impairment was 1% or less of amortized cost. The timely payment of principal and interest on these securities is explicitly or implicitly guaranteed by the U.S. Government. Given the generally limited severity and duration of impairment and the expectation of timely payment of principal and interest, the impairments were considered to be temporary.

Private label residential MBS and CMOs

At March 31, 2016, four private label residential MBS were in unrealized loss positions. The unrealized losses were primarily due to widening credit spreads and an increase in medium and long-term market interest rates subsequent to acquisition. The amount of impairment of each of the individual securities was less than 2% of amortized cost. These securities were assessed for OTTI using credit and prepayment behavioral models that incorporate CUSIP level constant default rates, voluntary prepayment rates and loss severity and delinquency assumptions. The results of these assessments were not indicative of credit losses that would result in the Company recovering less than its amortized cost basis related to any of these securities as of March 31, 2016. Given the limited severity of impairment and the expectation of timely recovery of outstanding principal, the impairments were considered to be temporary.

Private label commercial MBS:

At March 31, 2016, 20 private label commercial MBS were in unrealized loss positions. The unrealized losses were primarily attributable to widening credit spreads and, for certain securities, the assumed exercise of extension options, lengthening spread duration. These securities were assessed for OTTI using credit and prepayment behavioral models incorporating assumptions consistent with the collateral characteristics of each security. The results of this analysis were not indicative of expected credit losses. Each of the securities has greater than 30% current credit enhancement. Given the expectation of timely recovery of outstanding principal, the impairments were considered to be temporary.

Single family rental real estate-backed securities:

At March 31, 2016, 16 single family rental real estate-backed securities were in unrealized loss positions. The unrealized losses were primarily due to widening credit spreads, leading to increased extension risk. The amount of impairment of each of the individual securities was less than 4% of amortized cost. Management's analysis of the credit characteristics, including loan-to-value and debt service coverage ratios, and levels of subordination for each of the securities is not indicative of projected credit losses. Given the limited severity of impairment and the absence of projected credit losses, the impairments were considered to be temporary.

Collateralized loan obligations:

At March 31, 2016, five collateralized loan obligations were in unrealized loss positions, due to widening credit spreads. The amount of impairment of each of the individual securities was 4% or less of amortized cost. Given the limited severity of impairment, levels of subordination and the results of independent analyses of the credit quality of loans underlying the securities, the impairments were considered to be temporary.

State and municipal obligations:

At March 31, 2016, two state and municipal obligation securities were in unrealized loss positions. The amount of impairment was less than 1% of amortized cost and the securities had been in unrealized loss positions for less than two months. Given the limited severity and duration of impairment, the investment grade rating of the securities and the results of credit surveillance performed by an independent third party, the impairments were considered to be temporary.

SBA securities:
At March 31, 2016, four SBA securities were in unrealized loss positions. The amount of impairment for each of the securities was less than 3% of amortized cost and was attributable primarily to increased prepayment speeds. The timely payment of principal and interest on these securities is guaranteed by this U.S. Government agency. Given the limited severity of impairment and the expectation of timely payment of principal and interest, the impairments were considered to be temporary.

Note 4 Loans and Allowance for Loan and Lease Losses

The Company segregates its loan portfolio between covered and non-covered loans. Non-covered loans include those originated or purchased since the FSB Acquisition ("new loans") and loans acquired in the FSB Acquisition for which loss share coverage has terminated. Loans acquired in the FSB Acquisition are further segregated between ACI loans and non-ACI loans.

Loans consisted of the following at the dates indicated (dollars in thousands):

	March 31, 2016					
	Non-Covered Loans		Covered Loans			Percent of
	New Loans	ACI	ACI	Non-ACI	Total	Total
Residential:						
1-4 single family residential	$3,022,241	$—	$663,941	$43,941	$3,730,123	21.8 %
Home equity loans and lines of credit	1,167	—	4,175	61,670	67,012	0.4 %
	3,023,408	—	668,116	105,611	3,797,135	22.2 %
Commercial:						
Multi-family	3,541,796	24,498	—	—	3,566,294	20.9 %
Commercial real estate						
Owner occupied	1,431,561	16,173	—	—	1,447,734	8.5 %
Non-owner occupied	3,081,387	16,481	—	—	3,097,868	18.1 %
Construction and land	370,133	—	—	—	370,133	2.2 %
Commercial and industrial	2,678,721	1,087	—	—	2,679,808	15.7 %
Commercial lending subsidiaries	2,082,774	—	—	—	2,082,774	12.2 %
	13,186,372	58,239	—	—	13,244,611	77.6 %
Consumer	34,026	13	—	—	34,039	0.2 %
Total loans	16,243,806	58,252	668,116	105,611	17,075,785	100.0 %
Premiums, discounts and deferred fees and costs, net	46,787	—	—	(7,465)	39,322	
Loans including premiums, discounts and deferred fees and costs	16,290,593	58,252	668,116	98,146	17,115,107	
Allowance for loan and lease losses	(121,759)	—	—	(3,885)	(125,644)	
Loans, net	$16,168,834	$58,252	$668,116	$94,261	$16,989,463	

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	December 31, 2015					
	Non-Covered Loans		Covered Loans			Percent of
	New Loans	ACI	ACI	Non-ACI	Total	Total
Residential:						
1-4 single family residential	$2,883,470	$—	$699,039	$46,110	$3,628,619	21.9 %
Home equity loans and lines of credit	806	—	4,831	67,493	73,130	0.4 %
	2,884,276	—	703,870	113,603	3,701,749	22.3 %
Commercial:						
Multi-family	3,447,526	24,636	—	—	3,472,162	20.9 %
Commercial real estate						
Owner occupied	1,338,184	16,567	—	—	1,354,751	8.2 %
Non-owner occupied	2,885,226	25,101	—	—	2,910,327	17.5 %
Construction and land	347,676	—	—	—	347,676	2.1 %
Commercial and industrial	2,769,813	1,062	—	—	2,770,875	16.7 %
Commercial lending subsidiaries	2,003,984	—	—	—	2,003,984	12.1 %
	12,792,409	67,366	—	—	12,859,775	77.5 %
Consumer	35,173	10	—	—	35,183	0.2 %
Total loans	15,711,858	67,376	703,870	113,603	16,596,707	100.0 %
Premiums, discounts and deferred fees and costs, net	47,829	—	—	(7,933)	39,896	
Loans including premiums, discounts and deferred fees and costs	15,759,687	67,376	703,870	105,670	16,636,603	
Allowance for loan and lease losses	(120,960)	—	—	(4,868)	(125,828)	
Loans, net	$15,638,727	$67,376	$703,870	$100,802	$16,510,775	

Through two subsidiaries, the Bank provides commercial and municipal equipment financing utilizing both loan and lease structures. At March 31, 2016 and December 31, 2015, the commercial lending subsidiaries portfolio included a net investment in direct financing leases of $490 million and $472 million, respectively.

During the three months ended March 31, 2016 and 2015, the Company purchased 1-4 single family residential loans totaling $254 million and $169 million, respectively.

At March 31, 2016, the Company had pledged real estate loans with UPB of approximately $8.6 billion and recorded investment of approximately $7.7 billion as security for FHLB advances.

At March 31, 2016 and December 31, 2015, the UPB of ACI loans was $1.9 billion and $2.0 billion, respectively. The accretable yield on ACI loans represents the amount by which undiscounted expected future cash flows exceed recorded investment. Changes in the accretable yield on ACI loans for the three months ended March 31, 2016 and the year ended December 31, 2015 were as follows (in thousands):

Balance at December 31, 2014	$1,005,312
Reclassifications from non-accretable difference	192,291
Accretion	(295,038)
Balance at December 31, 2015	902,565
Reclassifications from non-accretable difference	26,865
Accretion	(76,112)
Balance at March 31, 2016	$853,318

Loan sales

During the periods indicated, the Company sold covered residential loans to third parties on a non-recourse basis. The following table summarizes the impact of these transactions (in thousands):

	Three Months Ended March 31,	
	2016	2015
UPB of loans sold	$56,853	$55,413
Cash proceeds, net of transaction costs	$42,536	$47,695
Recorded investment in loans sold	43,248	37,689
Gain (loss) on sale of covered loans, net	$(712)	$10,006
Gain (loss) on FDIC indemnification, net	$569	$(8,118)

Allowance for loan and lease losses

Activity in the ALLL is summarized as follows for the periods indicated (in thousands):

	Three Months Ended March 31,							
	2016				2015			
	Residential	Commercial	Consumer	Total	Residential	Commercial	Consumer	Total
Beginning balance	$15,958	$109,617	$ 253	$125,828	$11,325	$84,027	$ 190	$95,542
Provision for (recovery of) loan losses:								
Non-ACI loans	(711)	(20)	—	(731)	(436)	(15)	—	(451)
New loans	(1,381)	5,842	(22)	4,439	2,945	5,658	(5)	8,598
Total provision	(2,092)	5,822	(22)	3,708	2,509	5,643	(5)	8,147
Charge-offs:								
Non-ACI loans	(338)	—	—	(338)	(639)	—	—	(639)
New loans	—	(3,808)	—	(3,808)	—	(3,399)	—	(3,399)
Total charge-offs	(338)	(3,808)	—	(4,146)	(639)	(3,399)	—	(4,038)
Recoveries:								
Non-ACI loans	66	20	—	86	7	15	—	22
New loans	—	165	3	168	—	160	3	163
Total recoveries	66	185	3	254	7	175	3	185
Ending balance	$13,594	$111,816	$ 234	$125,644	$13,202	$86,446	$ 188	$99,836

Beginning in the first quarter of 2016, the methodology for calculation of the ALLL was changed to extend the loss experience period used to calculate an average net charge-off rate from 12 quarters to 16 quarters. We believe this extension of the look back period is appropriate at this time to capture a sufficient range of observations reflecting the performance of our loans, most of which were originated in the current economic cycle, and to reflect recent indications that the U.S. economy continues to move through the credit cycle. Extending the look back period to 16 quarters resulted in an increase in the ALLL of approximately $9 million as of March 31, 2016, as compared to using a 12-quarter look back period at the same date. This increase was largely offset by reductions in certain qualitative factors from December 31, 2015 to March 31, 2016.

The following table presents information about the balance of the ALLL and related loans at the dates indicated (in thousands):

	March 31, 2016				December 31, 2015			
	Residential	Commercial	Consumer	Total	Residential	Commercial	Consumer	Total
Allowance for loan and lease losses:								
Ending balance	$13,594	$111,816	$234	$125,644	$15,958	$109,617	$253	$125,828
Ending balance: non-ACI and new loans individually evaluated for impairment	$580	$8,266	$—	$8,846	$978	$5,439	$—	$6,417
Ending balance: non-ACI and new loans collectively evaluated for impairment	$13,014	$103,550	$234	$116,798	$14,980	$104,178	$253	$119,411
Ending balance: ACI	$—	$—	$—	$—	$—	$—	$—	$—
Ending balance: non-ACI	$3,885	$—	$—	$3,885	$4,868	$—	$—	$4,868
Ending balance: new loans	$9,709	$111,816	$234	$121,759	$11,090	$109,617	$253	$120,960
Loans:								
Ending balance	$3,830,829	$13,250,331	$33,947	$17,115,107	$3,734,967	$12,866,548	$35,088	$16,636,603
Ending balance: non-ACI and new loans individually evaluated for impairment	$11,988	$73,362	$—	$85,350	$12,240	$54,128	$—	$66,368
Ending balance: non-ACI and new loans collectively evaluated for impairment	$3,150,725	$13,118,730	$33,934	$16,303,389	$3,018,857	$12,745,054	$35,078	$15,798,989
Ending balance: ACI loans	$668,116	$58,239	$13	$726,368	$703,870	$67,366	$10	$771,246

Credit quality information

New and non-ACI loans are 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 agreements. Commercial relationships on non-accrual status with committed balances greater than or equal to $1.0 million that have internal risk ratings of substandard or doubtful, as well as loans that have been modified in TDRs, are individually evaluated for impairment. The likelihood of loss related to loans assigned internal risk ratings of substandard or doubtful is considered elevated due to their identified credit weaknesses. Factors considered by management in evaluating impairment include payment status, financial condition of the borrower, collateral value, and other factors impacting the probability of collecting scheduled principal and interest payments when due.

The tables below present information about new and non-ACI loans identified as impaired as of the dates indicated (in thousands):

	March 31, 2016			December 31, 2015		
	Recorded Investment	UPB	Related Specific Allowance	Recorded Investment	UPB	Related Specific Allowance
New loans:						
With no specific allowance recorded:						
Commercial real estate						
Owner occupied	$10,358	$10,341	$ —	$6,194	$6,015	$ —
Non-owner occupied	—	—	—	548	533	—
Commercial and industrial	10,291	10,291	—	3,561	3,559	—
Commercial lending subsidiaries	6,623	6,604	—	3,839	3,821	—
With a specific allowance recorded:						
1-4 single family residential	238	231	4	—	—	—
Non-owner occupied	546	533	6	—	—	—
Commercial and industrial	40,612	40,605	6,828	34,340	34,370	3,799
Commercial lending subsidiaries	4,932	4,913	1,432	5,646	5,628	1,640
Total:						
Residential	$238	$231	$ 4	$—	$—	$ —
Commercial	73,362	73,287	8,266	54,128	53,926	5,439
	$73,600	$73,518	$ 8,270	$54,128	$53,926	$ 5,439
Non-ACI loans:						
With no specific allowance recorded:						
1-4 single family residential	$1,344	$1,578	$ —	$417	$490	$ —
Home equity loans and lines of credit	1,999	2,031	—	1,607	1,633	—
With a specific allowance recorded:						
1-4 single family residential	1,845	2,166	277	3,301	3,828	570
Home equity loans and lines of credit	6,562	6,665	299	6,915	7,028	408
Total:						
Residential	$11,750	$12,440	$ 576	$12,240	$12,979	$ 978
Commercial	—	—	—	—	—	—
	$11,750	$12,440	$ 576	$12,240	$12,979	$ 978

One non-owner occupied commercial real estate ACI loan modified in a TDR with a carrying value of $502 thousand was impaired as of March 31, 2016. Interest income recognized on impaired loans after impairment was not significant during the periods presented.

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The following table presents the average recorded investment in impaired loans for the periods indicated (in thousands):

	Three Months Ended March 31,					
	2016			2015		
	New Loans	Non-ACI Loans	ACI Loans	New Loans	Non-ACI Loans	ACI Loans
Residential:						
1-4 single family residential	$119	$ 3,454	$ —	$55	$ 3,854	$ —
Home equity loans and lines of credit	—	8,542	—	—	3,165	—
	119	11,996	—	55	7,019	—
Commercial:						
Commercial real estate						
Owner occupied	8,276	—	—	3,366	—	—
Non-owner occupied	547	—	501	1,312	—	255
Commercial and industrial	44,402	—	—	15,517	—	—
Commercial lending subsidiaries	10,520	—	—	13,631	—	—
	63,745	—	501	33,826	—	255
	$63,864	$ 11,996	$ 501	$33,881	$ 7,019	$ 255

The following table presents the recorded investment in new and non-ACI loans on non-accrual status as of the dates indicated (in thousands):

	March 31, 2016		December 31, 2015	
	New Loans	Non-ACI Loans	New Loans	Non-ACI Loans
Residential:				
1-4 single family residential	$192	$ 1,707	$2,007	$ 594
Home equity loans and lines of credit	—	3,961	—	4,724
	192	5,668	2,007	5,318
Commercial:				
Commercial real estate				
Owner occupied	11,815	—	8,274	—
Commercial and industrial	37,346	—	37,782	—
Commercial lending subsidiaries	11,946	—	9,920	—
	61,107	—	55,976	—
Consumer	7	—	7	—
	$61,306	$ 5,668	$57,990	$ 5,318

There were no new and non-ACI loans contractually delinquent by 90 days or more and still accruing at March 31, 2016 or December 31, 2015. The amount of additional interest income that would have been recognized on non-accrual loans had they performed in accordance with their contractual terms was approximately $0.8 million for the three months ended March 31, 2016.

Management considers delinquency status to be the most meaningful indicator of the credit quality of 1-4 single family residential, home equity and consumer loans. Delinquency statistics are updated at least monthly. See "Aging of loans" below for more information on the delinquency status of loans. Original LTV and original FICO score are also important indicators of credit quality for the new 1-4 single family residential portfolio.

Internal risk ratings are considered the most meaningful indicator of credit quality for commercial loans. Internal risk ratings are a key factor in identifying loans that are individually evaluated for impairment and impact management's estimates of loss factors used in determining the amount of the ALLL. Internal risk ratings are updated on a continuous basis. Generally, relationships with balances in excess of defined thresholds, ranging from $1 million to $3 million, are re-evaluated at least annually and more frequently if circumstances indicate that a change in risk rating may be warranted. Loans exhibiting potential credit weaknesses that deserve management's close attention and that if left uncorrected may result in deterioration of the repayment capacity of the borrower are categorized as special mention. Loans with well-defined credit weaknesses, including payment defaults, declining collateral values, frequent overdrafts, operating losses, increasing balance sheet leverage, inadequate cash flow, project cost overruns, unreasonable construction delays, past due real estate taxes or exhausted interest reserves, are assigned an internal risk rating of substandard. A loan with a weakness so severe that collection in full is highly questionable or improbable, but because of certain reasonably specific pending factors has not been charged off, will be assigned an internal risk rating of doubtful.

The following tables summarize key indicators of credit quality for the Company's loans at the dates indicated. Amounts include premiums, discounts and deferred fees and costs (in thousands):

1-4 Single Family Residential credit exposure for new loans, based on original LTV and FICO score:

	March 31, 2016				
	FICO				
LTV	720 or less	721 - 740	741 - 760	761 or greater	Total
60% or less	$80,722	$100,540	$145,995	$692,171	$1,019,428
60% - 70%	78,139	82,022	112,148	493,966	766,275
70% - 80%	76,192	116,841	229,394	808,904	1,231,331
More than 80%	26,604	3,904	2,977	12,881	46,366
	$261,657	$303,307	$490,514	$2,007,922	$3,063,400

	December 31, 2015				
	FICO				
LTV	720 or less	721 - 740	741 - 760	761 or greater	Total
60% or less	$78,836	$99,094	$143,864	$667,420	$989,214
60% - 70%	71,046	76,878	111,343	479,344	738,611
70% - 80%	63,380	100,271	211,299	772,646	1,147,596
More than 80%	28,338	3,938	3,481	13,443	49,200
	$241,600	$280,181	$469,987	$1,932,853	$2,924,621

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Commercial credit exposure, based on internal risk rating:

	March 31, 2016						
		Commercial Real Estate					
	Multi-Family	Owner Occupied	Non-Owner Occupied	Construction and Land	Commercial and Industrial	Commercial Lending Subsidiaries	Total
New loans:							
Pass	$3,545,825	$1,399,603	$3,074,038	$ 369,177	$2,487,120	$2,063,603	$12,939,366
Special mention	—	8,975	546	—	27,893	13,191	50,605
Substandard	400	23,441	1,124	169	155,748	13,295	194,177
Doubtful	—	—	—	—	6,512	1,432	7,944
	$3,546,225	$1,432,019	$3,075,708	$ 369,346	$2,677,273	$2,091,521	$13,192,092
ACI loans:							
Pass	$24,202	$15,322	$16,235	$ —	$1,068	$ —	$56,827
Special mention	—	851	—	—	—	—	851
Substandard	296	—	246	—	19	—	561
	$24,498	$16,173	$16,481	$ —	$1,087	$ —	$58,239

	December 31, 2015						
		Commercial Real Estate					
	Multi-Family	Owner Occupied	Non-Owner Occupied	Construction and Land	Commercial and Industrial	Commercial Lending Subsidiaries	Total
New loans:							
Pass	$3,451,571	$1,317,081	$2,879,135	$ 346,795	$2,587,801	$1,981,068	$12,563,451
Special mention	—	4,824	548	—	7,556	18,584	31,512
Substandard	402	17,042	434	176	168,875	11,018	197,947
Doubtful	—	—	—	—	4,296	1,976	6,272
	$3,451,973	$1,338,947	$2,880,117	$ 346,971	$2,768,528	$2,012,646	$12,799,182
ACI loans:							
Pass	$24,338	$15,708	$24,857	$ —	$1,035	$ —	$65,938
Special mention	—	859	—	—	—	—	859
Substandard	298	—	84	—	27	—	409
Doubtful	—	—	160	—	—	—	160
	$24,636	$16,567	$25,101	$ —	$1,062	$ —	$67,366

Aging of loans:

The following table presents an aging of loans at the dates indicated. Amounts include premiums, discounts and deferred fees and costs (in thousands):

	March 31, 2016					December 31, 2015				
	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or More Past Due	Total	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or More Past Due	Total
New loans:										
1-4 single family residential	$3,061,311	$1,897	$4	$188	$3,063,400	$2,922,096	$517	$551	$1,457	$2,924,621
Home equity loans and lines of credit	1,167	—	—	—	1,167	806	—	—	—	806
Multi-family	3,546,225	—	—	—	3,546,225	3,451,973	—	—	—	3,451,973
Commercial real estate										
Owner occupied	1,422,029	7,616	—	2,374	1,432,019	1,329,131	1,433	4,784	3,599	1,338,947
Non-owner occupied	3,074,038	1,670	—	—	3,075,708	2,878,218	1,899	—	—	2,880,117
Construction and land	369,346	—	—	—	369,346	342,477	4,494	—	—	346,971
Commercial and industrial	2,645,752	8,379	3,070	20,072	2,677,273	2,739,357	2,235	4,827	22,109	2,768,528
Commercial lending subsidiaries	2,081,221	5,368	—	4,932	2,091,521	2,003,842	3,839	—	4,965	2,012,646
Consumer	33,934	—	—	—	33,934	35,078	—	—	—	35,078
	$16,235,023	$24,930	$3,074	$27,566	$16,290,593	$15,702,978	$14,417	$10,162	$32,130	$15,759,687
Non-ACI loans:										
1-4 single family residential	$35,513	$214	$141	$1,567	$37,435	$37,249	$1,415	$—	$594	$39,258
Home equity loans and lines of credit	56,079	951	326	3,355	60,711	60,760	1,090	443	4,119	66,412
	$91,592	$1,165	$467	$4,922	$98,146	$98,009	$2,505	$443	$4,713	$105,670
ACI loans:										
1-4 single family	$627,950	$12,575	$3,859	$19,557	$663,941	$661,755	$12,490	$4,950	$19,844	$699,039

residential										
Home equity loans and lines of credit	3,548	144	29	454	4,175	4,243	127	9	452	4,831
Multi-family	24,498	—	—	—	24,498	24,636	—	—	—	24,636
Commercial real estate										
Owner occupied	16,173	—	—	—	16,173	16,567	—	—	—	16,567
Non-owner occupied	16,312	5	—	164	16,481	24,941	—	160	—	25,101
Construction and land	—	—	—	—	—	—	—	—	—	—
Commercial and industrial	1,073	14	—	—	1,087	1,041	—	21	—	1,062
Consumer	13	—	—	—	13	10	—	—	—	10
	$689,567	$12,738	$3,888	$20,175	$726,368	$733,193	$12,617	$5,140	$20,296	$771,246

1-4 single family residential and home equity ACI loans that are contractually delinquent by more than 90 days and accounted for in pools that are on accrual status because discount continues to be accreted totaled $20 million at both March 31, 2016 and December 31, 2015.

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Foreclosure of residential real estate:
The carrying amount of foreclosed residential real estate properties included in "Other assets" in the accompanying consolidated balance sheets, all of which are covered, totaled $9 million at both March 31, 2016 and December 31, 2015. The recorded investment in residential mortgage loans in the process of foreclosure totaled $13 million at both March 31, 2016 and December 31, 2015, substantially all of which were covered loans.
Troubled debt restructurings:
The following table summarizes loans that were modified in TDRs during the periods indicated, as well as loans modified during the twelve months preceding March 31, 2016 and 2015, that experienced payment defaults during the periods indicated (dollars in thousands):

	Three Months Ended March 31,							
	2016				2015			
	Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period		Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period	
	Number of TDRs	Recorded Investment	Number of TDRs	Recorded Investment	Number of TDRs	Recorded Investment	Number of TDRs	Recorded Investment
New loans:								
1-4 single family residential	—	$ —	—	$ —	1	$ 110	—	$ —
Commercial real estate	—	—	1	546	—	—	—	—
Commercial and industrial	24	17,317	4	2,713	—	—	—	—
	24	$ 17,317	5	$ 3,259	1	$ 110	—	$ —
Non-ACI loans:								
Home equity loans and lines of credit	2	$ 314	1	$ 278	7	$ 1,414	1	$ 164
	2	$ 314	1	$ 278	7	$ 1,414	1	$ 164
ACI loans:								
Commercial real estate	—	$ —	—	$ —	1	$ 509	—	$ —
	—	$ —	—	$ —	1	$ 509	—	$ —

Modifications during the three months ended March 31, 2016 and 2015 included interest rate reductions, restructuring of the amount and timing of required periodic payments, extensions of maturity and residential modifications under the U.S. Treasury Department’s HAMP. Included in TDRs are residential loans to borrowers who have not reaffirmed their debt discharged in Chapter 7 bankruptcy. The total amount of such loans is not material. Modified ACI loans accounted for in pools are not considered TDRs, are not separated from the pools and are not classified as impaired loans. The substantial majority of commercial and industrial loans modified in TDRs and of commercial and industrial TDRs experiencing payment defaults during the period ended March 31, 2016 were taxi medallion loans.
Note 5 FDIC Indemnification Asset
When the Company recognizes gains or losses related to covered assets in its consolidated financial statements, changes in the estimated amount recoverable from the FDIC under the Loss Sharing Agreements with respect to those gains or losses are also reflected in the consolidated financial statements. Covered loans may be resolved through prepayment, short sale of the underlying collateral, foreclosure, sale of the loans or charge-off. For loans resolved through prepayment, short sale or foreclosure, the difference between consideration received in satisfaction of the loans and the carrying value of the loans is recognized in the consolidated statement of income line item “Income from resolution of covered assets, net.” Losses from the resolution of covered loans increase the amount recoverable from the FDIC under the Loss Sharing Agreements. Gains from the resolution of covered loans reduce the amount

recoverable from the FDIC under the Loss Sharing Agreements. Similarly, differences in proceeds received on the sale of OREO and covered loans and their carrying amounts result in gains or losses and reduce or increase the amount recoverable from the FDIC under the Loss Sharing Agreements. Increases in valuation allowances or impairment charges related to covered assets also increase the amount estimated to be recoverable from the FDIC. These additions to or reductions in amounts recoverable from the FDIC related to transactions in the covered assets are recorded in the consolidated statement of income line item "Net loss on FDIC indemnification" and reflected as corresponding increases or decreases in the FDIC indemnification asset.

In addition, recoveries of previously indemnified losses on commercial loans and gains on the sale of investment securities that were previously covered under the Commercial Shared-Loss Agreement result in reimbursements due to the FDIC. These transactions are included in the tables below. Amounts payable to the FDIC resulting from these transactions are recognized in other liabilities in the accompanying consolidated balance sheets.

The following table summarize the components of the gains and losses associated with covered assets, along with the related additions to or reductions in the amounts recoverable from the FDIC under the Loss Sharing Agreements, as reflected in the consolidated statements of income for the periods indicated (in thousands):

	Three Months Ended March 31,					
	2016			2015		
	Transaction Income (Loss)	Net Loss on FDIC Indemnification	Net Impact on Pre-tax Earnings	Transaction Income (Loss)	Net Loss on FDIC Indemnification	Net Impact on Pre-tax Earnings
Recovery of losses on covered loans [1]	$757	$ (603)	$ 154	$500	$ (402)	$ 98
Income from resolution of covered assets, net	7,998	(6,398)	1,600	15,154	(12,122)	$ 3,032
Gain (loss) on sale of covered loans	(712)	569	(143)	10,006	(8,118)	$ 1,888
Loss on covered OREO	(162)	143	(19)	(471)	377	$ (94)
	$7,881	$ (6,289)	$ 1,592	$25,189	$ (20,265)	$ 4,924

(1) Transaction income (loss) for the three months ended March 31, 2016 and 2015 includes recoveries of $26 thousand and $49 thousand, respectively, related to unfunded loan commitments included in other non-interest expense in the accompanying consolidated statements of income.

Changes in the FDIC indemnification asset and in the liability to the FDIC for recoveries related to assets previously covered under the Commercial Shared-Loss Agreement for the three months ended March 31, 2016 and the year ended December 31, 2015,were as follows (in thousands):

Balance at December 31, 2014	$974,335
Amortization	(109,411)
Reduction for claims filed	(59,139)
Net loss on FDIC indemnification	(65,942)
Balance at December 31, 2015	739,843
Amortization	(39,694)
Reduction for claims filed	(10,029)
Net loss on FDIC indemnification	(6,289)
Balance at March 31, 2016	$683,831

The balances at March 31, 2016 and December 31, 2015 are reflected in the consolidated balance sheets as follows (in thousands):

	March 31, 2016	December 31, 2015
FDIC indemnification asset	$683,867	$ 739,880
Other liabilities	(36)	(37)
	$683,831	$ 739,843

Note 6 Income Taxes

The Company’s effective income tax rate was 34.8% and 34.7% for the three months ended March 31, 2016 and 2015, respectively. The effective income tax rate differed from the statutory federal income tax rate of 35% primarily due to the impact of tax-exempt income, partially offset by the impact of state income taxes.

The Company has investments in affordable housing limited partnerships which generate federal Low Income Housing Tax Credits and other tax benefits. The balance of these investments, included in other assets in the accompanying consolidated balance sheet, was $73 million and $59 million at March 31, 2016 and December 31, 2015, respectively. Unfunded commitments for affordable housing investments, included in other liabilities in the accompanying consolidated balance sheet, were $61 million and $52 million at March 31, 2016 and December 31, 2015, respectively. The maximum exposure to loss as a result of the Company's involvement with these limited partnerships at March 31, 2016 was approximately $74 million. While the Company believes the likelihood of potential losses from these investments is remote, the maximum exposure was determined by assuming a scenario where the projects completely fail and do not meet certain government compliance requirements resulting in recapture of the related tax credits. These investments did not have a significant impact on income tax expense for the three months ended March 31, 2016 and March 31, 2015.

Note 7 Derivatives and Hedging Activities

The Company uses interest rate swaps to manage interest rate risk related to liabilities that expose the Company to variability in cash flows due to changes in interest rates. The Company enters into LIBOR-based interest rate swaps that are designated as cash flow hedges with the objective of limiting the variability of interest payment cash flows resulting from changes in the benchmark interest rate LIBOR. The effective portion of changes in the fair value of interest rate swaps designated as cash flow hedging instruments is reported in AOCI and subsequently reclassified into interest expense in the same period in which the related interest on the floating-rate debt obligations affects earnings.

The Company also enters into interest rate derivative contracts with certain of its commercial borrowers to enable those borrowers to manage their exposure to interest rate fluctuations. To mitigate interest rate risk associated with these derivative contracts, the Company enters into offsetting derivative contract positions with primary dealers. These interest rate derivative contracts are not designated as hedging instruments; therefore, changes in the fair value of these derivatives are recognized immediately in earnings. The impact on earnings related to changes in fair value of these derivatives for the three months ended March 31, 2016 and 2015 was not material.

The Company may be exposed to credit risk in the event of non-performance by the counterparties to its interest rate derivative agreements. The Company assesses the credit risk of its financial institution counterparties by monitoring publicly available credit rating and financial information. The Company manages dealer credit risk by entering into interest rate derivatives only with primary and highly rated counterparties, the use of ISDA master agreements and counterparty limits. The agreements contain bilateral collateral arrangements with the amount of collateral to be posted generally governed by the settlement value of outstanding swaps. The Company manages the risk of default by its borrower counterparties through its normal loan underwriting and credit monitoring policies and procedures. The Company does not currently anticipate any losses from failure of interest rate derivative counterparties to honor their obligations.

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The following tables set forth certain information concerning the Company's interest rate contract derivative financial instruments and related hedged items at the dates indicated (dollars in thousands):

March 31, 2016

	Hedged Item	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Remaining Life in Years	Notional Amount	Balance Sheet Location	Fair Value Asset	Fair Value Liability
Derivatives designated as cash flow hedges:								
Pay-fixed interest rate swaps	Variability of interest cash flows on variable rate borrowings	1.70%	3-Month Libor	2.8	$1,755,000	Other assets / Other liabilities	$73	$(26,817)
Pay-fixed forward-starting interest rate swaps	Variability of interest cash flows on variable rate borrowings	3.43%	3-Month Libor	11.2	300,000	Other liabilities	—	(44,874)
Derivatives not designated as hedges:								
Pay-fixed interest rate swaps		4.06%	Indexed to 1-month Libor	7.0	736,987	Other liabilities	—	(50,767)
Pay-variable interest rate swaps		Indexed to 1-month Libor	4.06%	7.0	736,987	Other assets	50,767	—
Interest rate caps purchased, indexed to 1-month Libor			2.82%	2.3	104,856	Other assets	43	—
Interest rate caps sold, indexed to 1-month Libor		2.82%		2.3	104,856	Other liabilities	—	(43)
					$3,738,686		$50,883	$(122,501)

December 31, 2015

Hedged Item	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Remaining	Notional Amount	Balance Sheet Location	Fair Value Asset	Fair Value Liability

				Life in Years				
Derivatives designated as cash flow hedges:								
Pay-fixed interest rate swaps	Variability of interest cash flows on variable rate borrowings	1.62%	3-Month Libor	2.6	$1,805,000	Other assets / Other liabilities	$3,442	$(12,347)
Pay-fixed forward-starting interest rate swaps	Variability of interest cash flows on variable rate borrowings	3.43%	3-Month Libor	11.5	300,000	Other liabilities	—	(26,274)
Derivatives not designated as hedges:								
Pay-fixed interest rate swaps		4.08%	Indexed to 1-month Libor	7.0	663,311	Other assets / Other liabilities	225	(30,514)
Pay-variable interest rate swaps		Indexed to 1-month Libor	4.08%	7.0	663,311	Other assets / Other liabilities	30,514	(225)
Interest rate caps purchased, indexed to 1-month Libor			2.85%	2.2	139,786	Other assets	164	—
Interest rate caps sold, indexed to 1-month Libor		2.85%		2.2	139,786	Other liabilities	—	(164)
					$3,711,194		$34,345	$(69,524)

During the three months ended March 31, 2016 and 2015, the amount of loss reclassified from AOCI into interest expense (effective portion) was $5.0 million and $6.5 million, respectively.

During the three months ended March 31, 2016 and 2015, no derivative positions designated as cash flow hedges were discontinued and none of the gains and losses reported in AOCI were reclassified into earnings as a result of the discontinuance of cash flow hedges or because of the early extinguishment of debt. As of March 31, 2016, the amount of loss expected to be reclassified from AOCI into earnings during the next twelve months was $13.2 million.

Some of the Company's ISDA master agreements with financial institution counterparties contain provisions that permit either counterparty to terminate the agreements and require settlement in the event that regulatory capital ratios fall below certain designated thresholds, upon the initiation of other defined regulatory actions or upon suspension or withdrawal of the Bank's credit rating. Currently, there are no circumstances that would trigger these provisions of the agreements.

The Company does not offset assets and liabilities under master netting agreements for financial reporting purposes. Information on interest rate swaps subject to these agreements is as follows at the dates indicated (in thousands):

	March 31, 2016					
	Gross Amounts Recognized	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet: Derivative Instruments	Gross Amounts Not Offset in Balance Sheet: Collateral Pledged	Net Amount
Derivative assets	$116	$ —	$ 116	$ (116)	$ —	$ —
Derivative liabilities	(122,458)	—	(122,458)	116	121,701	(641)
	$(122,342)	$ —	$ (122,342)	$ —	$ 121,701	$ (641)

	December 31, 2015					
	Gross Amounts Recognized	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet: Derivative Instruments	Gross Amounts Not Offset in Balance Sheet: Collateral Pledged	Net Amount
Derivative assets	$3,830	$ —	$ 3,830	$ (3,605)	$ —	$ 225
Derivative liabilities	(69,135)	—	(69,135)	3,605	65,530	—
	$(65,305)	$ —	$ (65,305)	$ —	$ 65,530	$ 225

The difference between the amounts reported for interest rate swaps subject to master netting agreements and the total fair value of interest rate contract derivative financial instruments reported in the consolidated balance sheets is related to interest rate contracts entered into with borrowers not subject to master netting agreements.

At March 31, 2016, the Company had pledged investment securities available for sale with a carrying amount of $75 million and cash on deposit of $74 million as collateral for interest rate swaps in a liability position. No financial collateral was pledged by counterparties to the Company for interest rate swaps in an asset position. The amount of collateral required to be posted varies based on the settlement value of outstanding swaps and in some cases may include initial margin requirements.

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Note 8 Stockholders' Equity
Accumulated Other Comprehensive Income
Changes in AOCI are summarized as follows for the periods indicated (in thousands):

	Three Months Ended March 31,					
	2016			2015		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized gains on investment securities available for sale:						
Net unrealized holding gain arising during the period	$12,759	$(5,040)	$7,719	$23,149	$(10,162)	$12,987
Amounts reclassified to gain on investment securities available for sale, net	(3,199)	1,263	(1,936)	(2,022)	799	(1,223)
Net change in unrealized gains on investment securities available for sale	9,560	(3,777)	5,783	21,127	(9,363)	11,764
Unrealized losses on derivative instruments:						
Net unrealized holding loss arising during the period	(41,926)	16,561	(25,365)	(20,687)	7,980	(12,707)
Amounts reclassified to interest expense on deposits	—	—	—	1,420	(548)	872
Amounts reclassified to interest expense on borrowings	5,004	(1,976)	3,028	5,123	(1,976)	3,147
Net change in unrealized losses on derivative instruments	(36,922)	14,585	(22,337)	(14,144)	5,456	(8,688)
Other comprehensive income (loss)	$(27,362)	$10,808	$(16,554)	$6,983	$(3,907)	$3,076

The categories of AOCI and changes therein are presented below for the periods indicated (in thousands):

	Unrealized Gains on Investment Securities Available for Sale	Unrealized Losses on Derivative Instruments	Total
Balance at December 31, 2015	$ 41,535	$ (19,353)	$22,182
Other comprehensive loss	5,783	(22,337)	(16,554)
Balance at March 31, 2016	$ 47,318	$ (41,690)	$5,628
Balance at December 31, 2014	$ 68,322	$ (21,970)	$46,352
Other comprehensive income	11,764	(8,688)	3,076
Balance at March 31, 2015	$ 80,086	$ (30,658)	$49,428

Note 9 Equity Based and Other Compensation Plans
During the three months ended March 31, 2016, the Company granted 572,205 unvested share awards under the 2014 Plan. All of the shares vest in equal annual installments over a period of three years from the date of grant. The shares granted were valued at the closing price of the Company's common stock on the date of grant of $30.71 and had an aggregate fair value of $17.6 million. The total unrecognized compensation cost of $31.0 million for all unvested share awards outstanding at March 31, 2016 will be recognized over a weighted average remaining period of 2.17 years.

During the three months ended March 31, 2015, the Company granted 545,455 unvested share awards under the 2010 Plan. All of the shares vest in equal annual installments over a period of three years from the date of grant. The shares granted were

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valued at the closing price of the Company’s common stock on the date of grant of $31.35 and had an aggregate fair value of $17.1 million.

Executive share-based awards

Two of the Company's Named Executive Officers are eligible to receive annual awards of RSUs and PSUs (collectively, the "share units"). RSUs represent a fixed number of shares and vest in equal tranches over 3 years. PSUs are initially granted based on a target value. The number of PSUs that ultimately vest at the end of a three-year performance measurement period will be discretionary, based on the achievement of performance criteria pre-established by the Compensation Committee of the Board of Directors. Upon vesting, the share units will be converted to common stock on a one-for-one basis, or may be settled in cash at the Company's option. The share units will accumulate dividends declared on the Company's common stock from the date of grant to be paid subsequent to vesting. During the quarter ended March 31, 2016, 57,873 RSUs and 57,873 PSUs were granted. The RSUs were valued at the closing price of the Company's common stock on the date of grant of $29.85. The performance criteria established for the PSUs granted in 2016 include both performance and market conditions. The grant-date value of the PSUs was determined for varying probabilities of meeting the defined performance conditions based on the closing price of the Company's common stock on the date of grant and a discount related to the market condition.

Certain other of the Company's Named Executive Officers are eligible to receive unvested share awards at the end of one-year performance periods. The dollar value of share awards to be granted is based on the achievement of performance criteria pre-established annually by the Compensation Committee. The number of shares of common stock to be awarded is variable based on the closing price of the Company's stock on the date of grant; therefore, these awards are initially classified as liability instruments in the Company's consolidated balance sheets and compensation cost is recognized from the beginning of the performance period. The awards vest in equal installments over a period of three years from the date of grant.

Compensation cost related to performance based executive share-based awards is recognized during the performance period based on the probable outcome of the respective performance conditions. The total unrecognized compensation cost of $3.5 million for these executive share-based awards at March 31, 2016 will be recognized over a weighted average remaining period of 3.12 years.

Note 10   Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis

Following is a description of the methodologies used to estimate the fair values of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which those measurements are typically classified.

Investment securities available for sale—Fair value measurements are based on quoted prices in active markets when available; these measurements are classified within level 1 of the fair value hierarchy. These securities typically include U.S. Treasury securities and certain preferred stocks. If quoted prices in active markets are not available, fair values are estimated using quoted prices of securities with similar characteristics, quoted prices of identical securities in less active markets, discounted cash flow techniques, or matrix pricing models. These securities are generally classified within level 2 of the fair value hierarchy and include U.S. Government agency securities, U.S. Government agency and sponsored enterprise MBS, preferred stock investments for which level 1 valuations are not available, corporate debt securities, non-mortgage asset-backed securities, single family rental real estate-backed securities, certain private label residential MBS and CMOs, Re-Remics, private label commercial MBS, collateralized loan obligations and state and municipal obligations. Pricing of these securities is generally primarily spread driven. Observable inputs that may impact the valuation of these securities include benchmark yield curves, credit spreads, reported trades, dealer quotes, bids, issuer spreads, current rating, historical constant prepayment rates, historical voluntary prepayment rates, structural and waterfall features of individual securities, published collateral data, and for certain securities, historical constant default rates and default severities. Investment securities available for sale generally classified within level 3 of the fair value hierarchy include certain private label MBS and trust preferred securities. The Company typically values these securities using third-party proprietary pricing models, primarily discounted cash flow valuation techniques, which incorporate both observable and unobservable inputs. Unobservable inputs that may impact the valuation of these securities include risk adjusted discount rates, projected prepayment rates, projected default rates and projected loss severity.

The Company uses third-party pricing services in determining fair value measurements for investment securities. To obtain an understanding of the methodologies and assumptions used, management reviews written documentation provided by the pricing services, conducts interviews with valuation desk personnel and reviews model results and detailed assumptions used to value selected securities as considered necessary. Management has established a robust price challenge process that includes a review by the treasury front office of all prices provided on a monthly basis. Any price evidencing unexpected month over month fluctuations or deviations from expectations is challenged. If considered necessary to resolve any discrepancies, a price will be obtained from an additional independent valuation source. The Company does not typically adjust the prices provided, other than through this established challenge process. The results of price challenges are subject to review by executive management. The Company has also established a quarterly process whereby prices provided by its primary pricing service for a sample of securities are validated. When there are price discrepancies, the final determination of fair value is based on careful consideration of the assumptions and inputs employed by each of the pricing sources.

Servicing rights—Servicing rights for SBA loans are valued using a discounted cash flow methodology incorporating contractually specified servicing fees and market based assumptions about prepayments, default rates and costs of servicing. Prepayment and default assumptions are based on historical industry data for loans with similar characteristics. Assumptions about costs of servicing are based on market convention. Discount rates are based on rates of return implied by observed trades of underlying loans in the secondary market. Fair value of residential MSRs is estimated using a discounted cash flow technique that incorporates market based assumptions including estimated prepayment speeds, contractual servicing fees, cost to service, discount rates, escrow account earnings, ancillary income, and estimated defaults. The significant inputs to these valuations are based on observable market data, therefore, these fair value measurements are classified within level 2 of the fair value hierarchy.

Derivative financial instruments—Interest rate swaps are predominantly traded in over-the-counter markets and, as such, values are determined using widely accepted discounted cash flow modeling techniques. These discounted cash flow models use projections of future cash payments and receipts that are discounted at mid-market rates. Observable inputs that may impact the valuation of these instruments include LIBOR swap rates and LIBOR forward yield curves. These fair value measurements are generally classified within level 2 of the fair value hierarchy. Loan commitment derivatives are priced based on a bid pricing convention adjusted based on the Company’s historical fallout rates. Fallout rates are a significant unobservable input; therefore, these fair value measurements are classified within level 3 of the fair value hierarchy.

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The following tables present assets and liabilities measured at fair value on a recurring basis at the dates indicated (in thousands):

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Investment securities available for sale:				
U.S. Treasury securities	$5,005	$—	$—	$5,005
U.S. Government agency and sponsored enterprise residential MBS	—	1,389,339	—	1,389,339
U.S. Government agency and sponsored enterprise commercial MBS	—	97,867	—	97,867
Re-Remics	—	75,686	—	75,686
Private label residential MBS and CMOs	—	430,050	135,094	565,144
Private label commercial MBS	—	1,211,051	—	1,211,051
Single family rental real estate-backed securities	—	712,426	—	712,426
Collateralized loan obligations	—	304,765	—	304,765
Non-mortgage asset-backed securities	—	53,683	—	53,683
Preferred stocks	81,793	10,919	—	92,712
State and municipal obligations	—	536,432	—	536,432
SBA securities	—	299,025	—	299,025
Other debt securities	—	3,360	4,330	7,690
Servicing rights	—	24,844	—	24,844
Derivative assets		50,883	—	50,883
Total assets at fair value	$86,798	$5,200,330	$139,424	$5,426,552
Derivative liabilities	$—	$122,501	$—	$122,501
Total liabilities at fair value	$—	$122,501	$—	$122,501