REPUBLIC BANCORP INC /KY/
Form 10-Q
May 10, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2016

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-24649

REPUBLIC BANCORP, INC.

(Exact name of registrant as specified in its charter)

Kentucky	61-0862051
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

601 West Market Street, Louisville, Kentucky	40202
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (502) 584-3600

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

Indicate by check mark whether the registrant has submitted electronically 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 No

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 Accelerated filer Non-accelerated filer Smaller reporting company

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

The number of shares outstanding of the registrant's Class A Common Stock and Class B Common Stock, as of April 30, 2016, was 18,659,147 and 2,245,250.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands)

	March 31, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$ 198,172	$ 210,082
Securities available for sale	518,764	517,058
Securities held to maturity (fair value of $37,834 in 2016 and $39,196 in 2015)	37,841	38,727
Mortgage loans held for sale, at fair value	7,148	4,083
Other loans held for sale, at the lower of cost or fair value	981	514
Loans	3,351,969	3,326,610
Allowance for loan and lease losses	(31,475)	(27,491)
Loans, net	3,320,494	3,299,119
Federal Home Loan Bank stock, at cost	28,208	28,208
Premises and equipment, net	29,125	29,921
Premises, held for sale	1,152	1,185
Goodwill	10,168	10,168
Other real estate owned	1,280	1,220
Bank owned life insurance	53,156	52,817
Other assets and accrued interest receivable	40,276	37,187
TOTAL ASSETS	$ 4,246,765	$ 4,230,289
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 800,946	$ 634,863
Interest-bearing	1,935,700	1,852,614
Total deposits	2,736,646	2,487,477
Securities sold under agreements to repurchase and other short-term borrowings	319,893	395,433
Federal Home Loan Bank advances	517,500	699,500
Subordinated note	41,240	41,240
Other liabilities and accrued interest payable	39,929	30,092

Total liabilities	3,655,208	3,653,742
Commitments and contingent liabilities (Footnote 10)	—	—
STOCKHOLDERS’ EQUITY		
Preferred stock, no par value	—	—
Class A Common Stock and Class B Common Stock, no par value	4,915	4,915
Additional paid in capital	137,205	136,910
Retained earnings	446,309	432,673
Accumulated other comprehensive income	3,128	2,049
Total stockholders’ equity	591,557	576,547
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 4,246,765	$ 4,230,289

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
INTEREST INCOME:		
Loans, including fees	$ 41,429	$ 31,591
Taxable investment securities	1,855	1,773
Federal Home Loan Bank stock and other	731	397
Total interest income	44,015	33,761
INTEREST EXPENSE:		
Deposits	1,392	1,144
Securities sold under agreements to repurchase and other short-term borrowings	25	38
Federal Home Loan Bank advances	2,953	2,928
Subordinated note	211	629
Total interest expense	4,581	4,739
NET INTEREST INCOME	39,434	29,022
Provision for loan and lease losses	5,186	185
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	34,248	28,837
NONINTEREST INCOME:		
Service charges on deposit accounts	3,140	3,039
Net refund transfer fees	17,078	15,335
Mortgage banking income	1,261	1,353
Interchange fee income	2,123	2,194
Republic Processing Group program fees	319	228
Net gains (losses) on other real estate owned	248	(119)
Increase in cash surrender value of bank owned life insurance	339	349
Other	413	607
Total noninterest income	24,921	22,986
NONINTEREST EXPENSES:		
Salaries and employee benefits	17,083	15,277
Occupancy and equipment, net	5,419	5,201
Communication and transportation	1,073	1,046

Marketing and development	507	585
FDIC insurance expense	658	674
Bank franchise tax expense	2,451	2,401
Data processing	1,333	966
Interchange related expense	904	1,007
Supplies	449	361
Other real estate owned expense	80	219
Legal and professional fees	823	1,615
Other	1,761	1,722
Total noninterest expenses	32,541	31,074
INCOME BEFORE INCOME TAX EXPENSE	26,628	20,749
INCOME TAX EXPENSE	8,893	6,961
NET INCOME	$ 17,735	$ 13,788
BASIC EARNINGS PER SHARE:		
Class A Common Stock	$ 0.86	$ 0.66
Class B Common Stock	0.78	0.65
DILUTED EARNINGS PER SHARE:		
Class A Common Stock	$ 0.85	$ 0.66
Class B Common Stock	0.77	0.64
DIVIDENDS DECLARED PER COMMON SHARE:		
Class A Common Stock	$ 0.198	$ 0.187
Class B Common Stock	0.180	0.170

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	Three Months Ended March 31, 2016	2015
Net income	$ 17,735	$ 13,788
OTHER COMPREHENSIVE INCOME		
Change in fair value of derivatives used for cash flow hedges	(571)	(396)
Reclassification amount for derivative losses realized in income	87	101
Change in unrealized gain (loss) on securities available for sale	2,292	1,238
Change in unrealized gain on security available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	(149)	(22)
Net unrealized gains	1,659	921
Tax effect	(580)	(322)
Total other comprehensive income, net of tax	1,079	599
COMPREHENSIVE INCOME	$ 18,814	$ 14,387

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2016

(in thousands)	Common Stock Class A Shares Outstanding	Class B Shares Outstanding	Amount	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2016	18,652	2,245	$ 4,915	$ 136,910	$ 432,673	$ 2,049	$ 576,547
Net income	—	—	—	—	17,735	—	17,735
Net change in accumulated other comprehensive income	—	—	—	—	—	1,079	1,079
Dividends declared Common Stock:							
Class A Shares	—	—	—	—	(3,695)	—	(3,695)
Class B Shares	—	—	—	—	(404)	—	(404)
Stock options exercised, net of shares redeemed	3	—	—	55	—	—	55
Net change in notes receivable on Class A Common Stock	—	—	—	(83)	—	—	(83)
Deferred director compensation expense - Class A Common Stock	4	—	—	62	—	—	62
Stock based compensation expense - performance	—	—	—	127	—	—	127

stock units							
Stock based compensation expense - restricted stock	—	—	—	72	—	—	72
Stock based compensation expense - stock options	—	—	—	62	—	—	62
Balance, March 31, 2016	18,659	2,245	$ 4,915	$ 137,205	$ 446,309	$ 3,128	$ 591,557

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Three Months Ended March 31,	
	2016	2015
OPERATING ACTIVITIES:		
Net income	$ 17,735	$ 13,788
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization on investment securities, net	135	154
Accretion on loans, net	(873)	(310)
Depreciation of premises and equipment	1,716	1,577
Amortization of mortgage servicing rights	305	338
Provision for loan and lease losses	5,186	185
Net gain on sale of mortgage loans held for sale	(1,095)	(1,222)
Origination of mortgage loans held for sale	(36,992)	(45,835)
Proceeds from sale of mortgage loans held for sale	35,022	40,697
Origination of other loans held for sale	(44,068)	(2,071)
Proceeds from sale of other loans held for sale	43,601	2,071
Net gain realized on sale of other real estate owned	(248)	(365)
Writedowns of other real estate owned	—	484
Deferred director compensation expense - Company Stock	62	67
Stock based compensation expense	261	78
Increase in cash surrender value of bank owned life insurance	(339)	(349)
Net change in other assets and liabilities:		
Accrued interest receivable	(180)	(78)
Accrued interest payable	54	9
Other assets	(2,390)	1,127
Other liabilities	7,878	6,329
Net cash provided by operating activities	25,770	16,674
INVESTING ACTIVITIES:		
Purchases of securities available for sale	(370,084)	(767,299)
Proceeds from calls, maturities and paydowns of securities available for sale	370,390	740,141
Proceeds from calls, maturities and paydowns of securities held to maturity	882	850
Net change in outstanding warehouse lines of credit	(7,257)	(103,724)
Purchase of loans, including premiums paid	(23,188)	(19,531)
Net change in other loans	4,274	10,370
Proceeds from sales of other real estate owned	588	2,630
Net purchases of premises and equipment	(887)	(374)
Net cash used in investing activities	(25,282)	(136,937)
FINANCING ACTIVITIES:		
Net change in deposits	249,169	322,035
	(75,540)	(23,574)

Net change in securities sold under agreements to repurchase and other short-term borrowings		
Payments of Federal Home Loan Bank advances	(182,000)	(198,000)
Proceeds from Federal Home Loan Bank advances	—	87,000
Net proceeds from Common Stock options exercised	55	119
Cash dividends paid	(4,082)	(3,846)
Net cash provided by (used in) financing activities	(12,398)	183,734
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11,910)	63,471
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	210,082	72,878
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 198,172	$ 136,349
SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 4,527	$ 4,730
Income taxes	156	585
SUPPLEMENTAL NONCASH DISCLOSURES:		
Transfers from loans to real estate acquired in settlement of loans	$ 656	$ 332
Loans provided for sales of other real estate owned	256	2,090

See accompanying footnotes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016 and 2015 AND DECEMBER 31, 2015 (UNAUDITED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The consolidated financial statements include the accounts of Republic Bancorp, Inc. (the “Parent Company”) and its wholly-owned subsidiaries, Republic Bank & Trust Company (“RB&T” or the “Bank”) and Republic Insurance Services, Inc. (the “Captive”). The Bank is a Kentucky-based, state chartered non-member financial institution. The Captive is a wholly-owned insurance subsidiary of the Company that provides property and casualty insurance coverage to the Company and the Bank as well as eight other third-party insurance captives for which insurance may not be available or economically feasible. Republic Bancorp Capital Trust (“RBCT”) is a Delaware statutory business trust that is a wholly-owned unconsolidated finance subsidiary of Republic Bancorp, Inc. All companies are collectively referred to as “Republic” or the “Company.” All significant intercompany balances and transactions are eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for 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 for the year ending December 31, 2016. For further information, refer to the consolidated financial statements and footnotes thereto included in Republic’s Form 10-K for the year ended December 31, 2015.

As of March 31, 2016, the Company was divided into four distinct business operating segments: Traditional Banking, Warehouse Lending (“Warehouse”), Mortgage Banking and Republic Processing Group (“RPG”). Management considers the first three segments to collectively constitute “Core Bank” or “Core Banking” activities. The RPG segment includes the following divisions: Tax Refund Solutions (“TRS”), Refund Payment Solutions (“RPS”) and Republic Credit Solutions (“RCS”). TRS generates the majority of RPG’s income, with the relatively smaller divisions of RPG, RPS and RCS, considered immaterial for separate and independent segment reporting. All divisions of the RPG segment operate through the Bank.

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Core Bank (includes Traditional Banking, Warehouse Lending and Mortgage Banking segments)

The Traditional Banking segment provides traditional banking products primarily to customers in the Company's market footprint. As of March 31, 2016, in addition to Internet Banking and Correspondent Lending delivery channels, Republic had 40 full-service banking centers with locations as follows:

- Kentucky — 32
- Metropolitan Louisville — 19
- Central Kentucky — 8
- Elizabethtown — 1
- Frankfort — 1
- Georgetown — 1
- Lexington — 4
- Shelbyville — 1
- Western Kentucky — 2
- Owensboro — 2
- Northern Kentucky — 3
- Covington — 1
- Florence — 1
- Independence — 1
- Southern Indiana — 3
- Floyds Knobs — 1
- Jeffersonville — 1
- New Albany — 1
- Metropolitan Tampa, Florida — 2
- Metropolitan Cincinnati, Ohio — 1
- Metropolitan Nashville, Tennessee — 2

Republic's headquarters are located in Louisville, which is the largest city in Kentucky based on population.

Core Banking results of operations are primarily dependent upon net interest income, which represents the difference between the interest income and fees on interest-earning assets and the interest expense on interest-bearing liabilities. Principal interest-earning Core Banking assets represent investment securities and commercial and consumer loans primarily secured by real estate and/or personal property. Interest-bearing liabilities primarily consist of interest-bearing deposit accounts, securities sold under agreements to repurchase, as well as short-term and long-term borrowing sources. Federal Home Loan Bank ("FHLB") advances have traditionally been a significant borrowing source for the Bank.

Other sources of Core Banking income include service charges on deposit accounts, debit and credit card interchange fee income, title insurance commissions, fees charged to clients for trust services, increases in the cash surrender value of Bank Owned Life Insurance ("BOLI") and revenue generated from Mortgage Banking activities. Mortgage Banking activities represent both the origination and sale of loans in the secondary market and the servicing of loans for others, primarily the Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC").

Core Banking operating expenses consist primarily of salaries and employee benefits, occupancy and equipment expenses, communication and transportation costs, data processing, interchange related expenses, marketing and development expenses, Federal Deposit Insurance Corporation ("FDIC") insurance expense, franchise tax expense and various other general and administrative costs. Core Banking results of operations are significantly impacted by general economic and competitive conditions, particularly changes in market interest rates, government laws and policies and actions of regulatory agencies.

The Core Bank provides short-term, revolving credit facilities to mortgage bankers across the Nation through its Warehouse segment in the form of warehouse lines of credit. These credit facilities are secured by single family, first lien residential real estate loans. Outstanding balances on these credit facilities may be subject to significant fluctuations consistent with the overall market demand for mortgage loans.

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Primarily from its Warehouse clients, the Core Bank acquires for investment single family, first lien mortgage loans that meet the Core Bank's specifications through its Correspondent Lending channel. Substantially all loans purchased through the Correspondent Lending channel are purchased at a premium.

Republic Processing Group

Tax Refund Solutions division — Republic, through its TRS division, is one of a limited number of financial institutions that facilitates the receipt and payment of federal and state tax refund products through third-party tax preparers located throughout the Nation, as well as tax-preparation software providers. Substantially all of the business generated by the TRS division occurs in the first half of the year. The TRS division traditionally operates at a loss during the second half of the year, during which time the division incurs costs preparing for the upcoming year's first quarter tax season.

Refund Transfers ("RTs") are products whereby a tax refund is issued to the taxpayer after the Bank has received the refund from the federal or state government. There is no credit risk or borrowing cost associated with these products because they are only delivered to the taxpayer upon receipt of the tax refund directly from the governmental paying authority. Fees earned on RTs, net of rebates, are reported as noninterest income under the line item "Net refund transfer fees."

TRS offered its new Easy Advance ("EA") tax credit product during the first quarter of 2016. The EA product had the following features during the period it was offered through February 29, 2016:

- An advance amount of $750 per taxpayer customer;
- No fee for the EA charged to the taxpayer customer;
- All fees for the product were paid by the tax preparer or tax software company (collectively, the "Tax Providers") with a restriction prohibiting the Tax Providers from passing along the fees to the taxpayer customer;
- No requirement that the taxpayer customer pay for another bank product, such as an RT;
- Multiple funds disbursement methods, including direct deposit, prepaid card, check or the Walmart Direct2Cash® product, based on the taxpayer customer's election;
- Repayment to the Bank was deducted from the taxpayer customer's tax refund proceeds; and
- If an insufficient refund to repay the EA occurred:
  - there was no recourse to the taxpayer customer,
  - no negative credit reporting on the taxpayer customer, and
  - no collection efforts against the taxpayer customer.

Fees paid by the Tax Providers to the Company for the EA product are reported as interest income on loans under the line item "Loans, including fees." EAs during the first quarter of 2016 were generally repaid within three weeks after the taxpayer customer's tax return was submitted to the applicable tax authority. Unpaid EAs are generally charged-off within 81 days after the taxpayer customer's tax return is submitted to the applicable tax authority.

Republic Payment Solutions division — The RPS division is an issuing bank offering general-purpose reloadable prepaid cards through third-party program managers.

The Company reports fees related to RPS programs under “Republic Processing Group program fees.” Additionally, the Company’s portion of interchange revenue generated by prepaid card transactions is reported as noninterest income under “Interchange fee income.”

Republic Credit Solutions division — The RCS division offers short-term consumer credit products. In general, the credit products are unsecured, small dollar consumer loans with maturities of 30-days-or-more, and are dependent on various factors including the consumer’s ability to repay. Depending on the structure of the RCS loan product, up to 100% of the loans originated may be sold. The RCS division sold \$44 million and \$2 million of short-term consumer loans during the first three months of 2016 and 2015.

The Company reports RCS loans originated for investment under “Loans,” while loans originated for sale are reported under “Other loans held for sale.” The RCS loans that are held for sale are carried at the lower of cost or fair value. The Company reports interest income and loan origination fees earned on RCS loans under “Loans, including fees,” while any premiums or discounts related to RCS loans that are sold are reported as noninterest income under “Republic Processing Group program fees.”

Accounting Standards Update ("ASU") ASU No. 2016-2, Leases (Topic 842)

This ASU is a standard that applies to all lease contracts. A lease contract is defined as a contract, or part of a contract, that conveys the right to control the use of an asset for a period in exchange for consideration. Most leases are considered operating leases, which are not accounted for on the lessees' balance sheets. The significant change under this ASU is that those operating leases will be recorded on the balance sheet.

Under this ASU, after determining that a contract contains a lease, a lessee will need to evaluate whether the lease is a finance or an operating lease at the commencement of a new lease and upon change in the lease term or change in the lessee's option to purchase the asset. The classification criteria for distinguishing between finance leases and operating leases under this ASU are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under previous GAAP. All leases, whether finance or operating, will be on balance sheet unless they are subject to a short-term (12 months or less) lease accounting policy election. The lease term includes periods subject to an option to extend the lease if the lessee is reasonably certain to exercise that option. This means leases of 12 months or less with extension options that meet that criteria will be recorded on the balance sheet.

Finance leases under this ASU will recognize amortization expense on the asset separately from interest expense on the liability, similar to capital lease guidance under existing GAAP. Operating leases under this ASU will recognize lease expense that includes amortization expense on the leased asset and interest on the liability.

The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is a lessee for a material level of operating leases and is analyzing the impact of this ASU on its consolidated financial statements.

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2. PENDING BUSINESS ACQUISITION

Effective October 6, 2015, the Company and Cornerstone Bancorp, Inc. ("Cornerstone"), the parent company of Cornerstone Community Bank ("CCB"), entered into an Agreement and Plan of Merger (the "Agreement") pursuant to which the Company will acquire Cornerstone, with CCB merging into RB&T. Cornerstone and CCB are headquartered in St. Petersburg, Florida.

Under the terms of the Agreement, the Company will acquire all of Cornerstone's outstanding common stock in an all-cash transaction, resulting in a total cash payment to Cornerstone's existing shareholders and stock option holders of approximately $32 million. The Company will fund the cash payment through existing resources on-hand.

The acquisition is expected to close during the second quarter of 2016. On March 31, 2016, Cornerstone operated four banking centers in the Tampa, Florida metropolitan statistical area, with approximately $250 million in total assets, approximately $190 million in loans and approximately $210 million in deposits.

3. INVESTMENT SECURITIES

Securities Available for Sale

The gross amortized cost and fair value of securities available for sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive income ("AOCI") were as follows:

March 31, 2016 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 286,518	$ 1,331	$ (7)	$ 287,842
Private label mortgage backed security	4,037	946	—	4,983
Mortgage backed securities - residential	93,333	3,224	(36)	96,521
Collateralized mortgage obligations	108,057	906	(499)	108,464
Freddie Mac preferred stock	—	166	—	166

Mutual fund	2,500	35	—	2,535
Corporate bonds	15,007	—	(154)	14,853
Trust preferred security	3,416	—	(16)	3,400
Total securities available for sale	$ 512,868	$ 6,608	$ (712)	$ 518,764

December 31, 2015 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 286,914	$ 59	$ (494)	$ 286,479
Private label mortgage backed security	4,037	1,095	—	5,132
Mortgage backed securities - residential	88,968	3,395	(95)	92,268
Collateralized mortgage obligations	113,972	748	(1,052)	113,668
Freddie Mac preferred stock	—	173	—	173
Mutual fund	1,000	11	—	1,011
Corporate bonds	15,009	16	(103)	14,922
Trust preferred security	3,405	—	—	3,405
Total securities available for sale	$ 513,305	$ 5,497	$ (1,744)	$ 517,058

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Securities Held to Maturity

The carrying value, gross unrecognized gains and losses, and fair value of securities held to maturity were as follows:

March 31, 2016 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 513	$ 3	$ —	$ 516
Mortgage backed securities - residential	52	6	—	58
Collateralized mortgage obligations	32,276	139	(58)	32,357
Corporate bonds	5,000	—	(97)	4,903
Total securities held to maturity	$ 37,841	$ 148	$ (155)	$ 37,834

December 31, 2015 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 515	$ 1	$ —	$ 516
Mortgage backed securities - residential	53	6	—	59
Collateralized mortgage obligations	33,159	464	—	33,623
Corporate bonds	5,000	—	(2)	4,998
Total securities held to maturity	$ 38,727	$ 471	$ (2)	$ 39,196

At March 31, 2016 and December 31, 2015, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of stockholders' equity.

Sales of Securities Available for Sale

During the three months ended March 31, 2016 and 2015 there were no sales or calls of securities available for sale.

Investment Securities by Contractual Maturity

The amortized cost and fair value of the investment securities portfolio by contractual maturity at March 31, 2016 follows. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are detailed separately.

	Securities Available for Sale		Securities Held to Maturity	
March 31, 2016 (in thousands)	Amortized Cost	Fair Value	Carrying Value	Fair Value
Due in one year or less	$ —	$ —	$ —	$ —
Due from one year to five years	291,525	292,846	5,513	5,419
Due from five years to ten years	10,000	9,849	—	—
Due beyond ten years	3,416	3,400	—	—
Private label mortgage backed security	4,037	4,983	—	—
Mortgage backed securities - residential	93,333	96,521	52	58
Collateralized mortgage obligations	108,057	108,464	32,276	32,357
Freddie Mac preferred stock	—	166	—	—
Mutual fund	2,500	2,535	—	—
Total securities	$ 512,868	$ 518,764	$ 37,841	$ 37,834

Freddie Mac Preferred Stock

During 2008, the U.S. Treasury, the Federal Reserve Board and the Federal Housing Finance Agency ("FHFA") announced that the FHFA was placing Freddie Mac under conservatorship and giving management control to the FHFA. The Bank contemporaneously determined that its 40,000 shares of Freddie Mac preferred stock were fully impaired and recorded an other-than-temporary impairment ("OTTI") charge of $2.1 million in 2008. The OTTI charge brought the carrying value of the stock to $0. In 2014, based on active trading volume of Freddie Mac preferred stock, the Company determined it appropriate to record an unrealized gain to AOCI related to its Freddie Mac preferred stock holdings. Based on the stock's market closing price as of March 31, 2016, the Company's unrealized gain for its Freddie Mac preferred stock totaled $166,000.

Corporate Bonds

The Bank maintains a portfolio of corporate bonds, all of which were rated "investment grade" by accredited rating agencies as of their respective purchase dates. The total fair value of the Bank's corporate bonds represented 4% of the Bank's investment portfolio as of March 31, 2016 and December 31, 2015.

Mortgage Backed Securities and Collateralized Mortgage Obligations

At March 31, 2016, with the exception of the $5.0 million private label mortgage backed security, all other mortgage backed securities and collateralized mortgage obligations ("CMOs") held by the Bank were issued by U.S. government-sponsored entities and agencies, primarily Freddie Mac and the Federal National Mortgage Association ("Fannie Mae" or "FNMA"), institutions that the government has affirmed its commitment to support. At March 31, 2016 and December 31, 2015, there were gross unrealized losses of $535,000 and $1.1 million related to available for sale mortgage backed securities and CMOs. Because these unrealized losses are attributable to changes in interest rates and illiquidity, and not credit quality, and because the Bank does not have the intent to sell these securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be OTTI.

Trust Preferred Security

During the fourth quarter of 2015, the Parent Company purchased a $3 million floating rate trust preferred security ("TRUP") at a price of 68% of par. The coupon on this security is based on the 3-month LIBOR rate plus 159 basis points, giving the Parent Company an expected yield to maturity of 4.27% when considering the discount. The Company performed an initial analysis prior to acquisition and performs ongoing analysis of the credit risk of the underlying borrower in relation to this security.

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Market Loss Analysis

Securities with unrealized losses at March 31, 2016 and December 31, 2015, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less than 12 months		12 months or more		Total	
March 31, 2016 (in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:						
U.S. Treasury securities and U.S. Government agencies	$ 9,532	$ (7)	$ —	$ —	$ 9,532	$ (7)
Mortgage backed securities - residential	6,590	(36)	—	—	6,590	(36)
Collateralized mortgage obligations	19,429	(256)	16,510	(243)	35,939	(499)
Corporate bonds	14,853	(154)	—	—	14,853	(154)
Trust preferred security	3,400	(16)	—	—	3,400	(16)
Total securities available for sale	$ 53,804	$ (469)	$ 16,510	$ (243)	$ 70,314	$ (712)

	Less than 12 months		12 months or more		Total	
December 31, 2015 (in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:						
U.S. Treasury securities and U.S. Government agencies	$ 191,584	$ (433)	$ 9,914	$ (61)	$ 201,498	$ (494)
Mortgage backed securities - residential	5,727	(95)	—	—	5,727	(95)
Collateralized mortgage obligations	6,831	(212)	35,869	(840)	42,700	(1,052)
Corporate bonds	9,896	(103)	—	—	9,896	(103)
Total securities available for sale	$ 214,038	$ (843)	$ 45,783	$ (901)	$ 259,821	$ (1,744)

	Less than 12 months		12 months or more		Total	
March 31, 2016 (in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities held to maturity:						
Collateralized mortgage obligations	$ 90,577	$ (58)	$ —	$ —	$ 90,577	$ (58)
Corporate bonds	4,903	(97)	—	—	4,903	(97)
Total securities held to maturity	$ 95,480	$ (155)	$ —	$ —	$ 95,480	$ (155)

	Less than 12 months		12 months or more		Total	
December 31, 2015 (in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities held to maturity:						
Corporate bonds	$ 4,998	$ (2)	$ —	—	$ 4,998	$ (2)
Total securities held to maturity	$ 4,998	$ (2)	$ —	$ —	$ 4,998	$ (2)

At March 31, 2016, the Bank’s security portfolio consisted of 169 securities, 19 of which were in an unrealized loss position.

At December 31, 2015, the Bank’s security portfolio consisted of 162 securities, 34 of which were in an unrealized loss position.

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Other-than-temporary impairment ("OTTI")

Unrealized losses for all investment securities are reviewed to determine whether the losses are "other-than-temporary." Investment securities are evaluated for OTTI on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in value below amortized cost is other-than-temporary. In conducting this assessment, the Bank evaluates a number of factors including, but not limited to the following:

- The length of time and the extent to which fair value has been less than the amortized cost basis;
- The Bank's intent to hold until maturity or sell the debt security prior to maturity;
- An analysis of whether it is more-likely-than-not that the Bank will be required to sell the debt security before its anticipated recovery;
- Adverse conditions specifically related to the security, an industry, or a geographic area;
- The historical and implied volatility of the fair value of the security;
- The payment structure of the security and the likelihood of the issuer being able to make payments;
- Failure of the issuer to make scheduled interest or principal payments;
- Any rating changes by a rating agency; and
- Recoveries or additional decline in fair value subsequent to the balance sheet date.

The term "other-than-temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value are not necessarily favorable, or that there is a general lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other-than-temporary, the value of the security is reduced and a corresponding charge to earnings is recognized for the anticipated credit losses.

The Bank owns one private label mortgage backed security with a total carrying value of $5.0 million at March 31, 2016. This security, with an average remaining life currently estimated at five years, is mostly backed by "Alternative A" first lien mortgage loans, but also has an insurance "wrap" or guarantee as an added layer of protection to the security holder. This asset is illiquid, and as such, the Bank determined it to be a Level 3 security in accordance with Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures. Based on this determination, the Bank utilized an income valuation model ("present value model") approach, in determining the fair value of the security. This approach is beneficial for positions that are not traded in active markets or are subject to transfer restrictions, and/or where valuations are adjusted to reflect illiquidity and/or non-transferability. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support for this investment.

See additional discussion regarding the Bank's private label mortgage backed security under Footnote 7 "Fair Value" in this section of the filing.

Pledged Investment Securities

Investment securities pledged to secure public deposits, securities sold under agreements to repurchase and securities held for other purposes, as required or permitted by law are as follows:

(in thousands)	March 31, 2016	December 31, 2015
Carrying amount	$ 447,369	$ 489,598
Fair value	447,455	490,074

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4. LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

The composition of the loan portfolio at period end follows:

(in thousands)	March 31, 2016	December 31, 2015
Residential real estate:		
Owner occupied	$ 1,055,192	$ 1,081,934
Owner occupied - correspondent*	242,902	249,344
Non owner occupied	124,225	116,294
Commercial real estate	835,510	824,887
Commercial real estate - purchased whole loans*	35,878	35,674
Construction & land development	62,405	66,500
Commercial & industrial	239,010	229,721
Lease financing receivables	9,199	8,905
Warehouse lines of credit	393,986	386,729
Home equity	298,063	289,194
Consumer:		
RPG loans*	13,367	7,204
Credit cards	11,862	11,068
Overdrafts	808	685
Purchased whole loans*	7,653	5,892
Other consumer	21,909	12,579
Total loans**	3,351,969	3,326,610
Allowance for loan and lease losses	(31,475)	(27,491)
Total loans, net	$ 3,320,494	$ 3,299,119

*Identifies loans to borrowers located primarily outside of the Bank's market footprint.

**Total loans are presented inclusive of premiums, discounts and net loan origination fees and costs. See table directly below for expanded detail.

The following table reconciles the contractually receivable and carrying amounts of loans at March 31, 2016 and December 31, 2015:

(in thousands)	March 31, 2016	December 31, 2015

Contractual receivable	$ 3,353,152	$ 3,329,741
Unearned income(1)	(741)	(741)
Unamortized premiums(2)	3,461	3,792
Unaccreted discounts(3)	(6,363)	(7,860)
Net unamortized deferred origination fees and costs	2,460	1,678
Carrying value of loans	$ 3,351,969	$ 3,326,610

(1) Unearned income relates to lease financing receivables.
(2) Premiums predominately relate to loans acquired through the Bank's Correspondent Lending channel.
(3) Unaccreted discounts include accretable and non-accretable discounts and predominately relate to loans acquired in the Bank's 2012 FDIC-assisted transactions.

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Loan Purchases

The Core Bank acquires for investment single family, first lien mortgage loans that meet the Core Bank's specifications through its Correspondent Lending channel. The loans acquired through the Correspondent Lending channel are primarily purchased from the Core Bank's Warehouse clients, with substantially all loans purchased at a premium. Loans acquired through the Correspondent Lending channel generally reflect borrowers outside of the Bank's market footprint, with 76% of such loans as of March 31, 2016 secured by collateral in the state of California.

In addition to mortgage loans acquired through its Correspondent Lending channel, the Bank also acquires unsecured consumer installment loans for investment from a third-party originator. Such consumer loans are purchased at par and are selected by the Bank based on certain underwriting specifications.

The following table reflects the purchased activity of single family, first lien mortgage loans and unsecured consumer loans, by class, during the three months ended March 31, 2016 and 2015.

	Three Months Ended March 31,	
(in thousands)	2016	2015
Residential real estate:		
Owner occupied - correspondent*	$ 20,521	$ 19,170
Consumer:		
Purchased whole loans*	2,667	361
Total purchased loans	$ 23,188	$ 19,531

* Represents origination amount, inclusive of applicable purchase premiums.

Purchased Credit Impaired ("PCI") Loans

PCI loans acquired during the Bank's 2012 FDIC-assisted transactions are accounted for under ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality.

The following table reconciles the contractually required and carrying amounts of PCI loans at March 31, 2016 and December 31, 2015:

(in thousands)	March 31, 2016	December 31, 2015
Contractually-required principal	$ 15,742	$ 18,250
Non-accretable amount	(673)	(1,582)
Accretable amount	(3,853)	(4,125)
Carrying value of loans	$ 11,216	$ 12,543

The following table presents a rollforward of the accretable amount on PCI loans for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
(in thousands)	2016	2015
Balance, beginning of period	$ (4,125)	$ (2,297)
Transfers between non-accretable and accretable	(455)	24
Net accretion into interest income on loans, including loan fees	727	103
Other changes	—	—
Balance, end of period	$ (3,853)	$ (2,170)

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Credit Quality Indicators

Based on the Bank's internal analyses performed as of March 31, 2016 and December 31, 2015, the following tables reflect loans by risk category. Risk categories are defined in the Company's Annual Report on Form 10-K for the year ended December 31, 2015:

March 31, 2016 (in thousands)	Pass	Special Mention*	Substandard*	Doubtful / Loss	Purchased Credit Impaired Loans - Group 1	Purchased Credit Impaired Loans - Substandard	Total Rated Loans**
Residential real estate:							
Owner occupied	$ —	$ 22,403	$ 14,104	$ —	$ 549	$ —	$ 37,056
Owner occupied - correspondent	—	—	—	—	—	—	—
Non owner occupied	—	849	1,607	—	661	—	3,117
Commercial real estate	815,487	4,796	6,508	—	8,719	—	835,510
Commercial real estate - purchased whole loans	35,878	—	—	—	—	—	35,878
Construction & land development	61,462	95	817	—	31	—	62,405
Commercial & industrial	236,674	887	193	—	1,256	—	239,010
Lease financing receivables	9,199			—	—	—	9,199
Warehouse lines of credit	393,986	—	—	—	—	—	393,986
Home equity	—	21	2,283	—	—	—	2,304
Consumer:							
RPG loans	—	—	—	—	—	—	—
Credit cards	—	—	—	—	—	—	—
Overdrafts	—	—	—	—	—	—	—
Purchased whole loans	—	—	—	—	—	—	—
Other consumer	—	27	161	—	—	—	188
Total rated loans	$ 1,552,686	$ 29,078	$ 25,673	$ —	$ 11,216	$ —	$ 1,618,653

*Special Mention and Substandard loans included $179,000 and $741,000 that were removed from PCI accounting in accordance with ASC 310-30-35-13 due to a post-acquisition troubled debt restructuring.

** The above table excludes all non-classified residential real estate, home equity and consumer loans at the respective period ends.

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December 31, 2015 (in thousands)	Pass	Special Mention*	Substandard*	Doubtful Loss	Purchased Credit Impaired Loans - Group 1	Purchased Credit Impaired Loans - Substandard	Total Rated Loans**
Residential real estate:							
Owner occupied	$ —	$ 24,301	$ 14,577	$ —	$ 560	$ —	$ 39,438
Owner occupied - correspondent	—	—	—	—	—	—	—
Non owner occupied	—	860	1,557	—	785	—	3,202
Commercial real estate	803,369	5,070	6,530	—	9,918	—	824,887
Commercial real estate - Purchased whole loans	35,674	—	—	—	—	—	35,674
Construction & land development	63,750	96	2,621	—	33	—	66,500
Commercial & industrial	227,344	936	194	—	1,247	—	229,721
Lease financing receivables	8,905	—	—	—	—	—	8,905
Warehouse lines of credit	386,729	—	—	—	—	—	386,729
Home equity	—	21	2,296	—	—	—	2,317
Consumer:							
RPG loans	—	—	—	—	—	—	—
Credit cards	—	—	—	—	—	—	—
Overdrafts	—	—	—	—	—	—	—
Purchased whole loans	—	—	—	—	—	—	—
Other consumer	—	28	58	—	—	—	86
Total rated loans	$ 1,525,771	$ 31,312	$ 27,833	$ —	$ 12,543	$ —	$ 1,597,459

*Special Mention and Substandard loans included $180,000 and $1 million that were removed from PCI accounting in accordance with ASC 310-30-35-13 due to a post-acquisition troubled debt restructuring.

** The above table excludes all non-classified residential real estate, home equity and consumer loans at the respective period ends.

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Allowance for Loan and Lease Losses

Activity in the allowance for loan and lease losses ("Allowance") follows:

	Three Months Ended March 31,	
(in thousands)	2016	2015
Allowance, beginning of period	$ 27,491	$ 24,410
Charge-offs - Core Banking	(612)	(492)
Charge-offs - RPG	(1,251)	(5)
Total charge-offs	(1,863)	(497)
Recoveries - Core Banking	328	338
Recoveries - RPG	333	195
Total recoveries	661	533
Net (charge-offs) recoveries - Core Banking	(284)	(154)
Net (charge-offs) recoveries - RPG	(918)	190
Net (charge-offs) recoveries	(1,202)	36
Provision - Core Banking	498	375
Provision - RPG	4,688	(190)
Total provision	5,186	185
Allowance, end of period	$ 31,475	$ 24,631

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The following tables present the activity in the Allowance by portfolio class for the three months ended March 31, 2016 and 2015:

Three Months Ended March 31, 2016 (in thousands)	Residential Real Estate Owner Occupied	Owner Occupied Correspondent	Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial & Industrial	Lease Financing Receivables
Beginning balance	$ 8,301	$ 623	$ 1,052	$ 7,636	$ 36	$ 1,303	$ 1,455	$ 89
Provision	(182)	(16)	87	20	—	69	(75)	8
Charge-offs	(144)	—	(44)	(41)	—	(44)	—	—
Recoveries	74	—	—	27	—	20	4	—
Ending balance	$ 8,049	$ 607	$ 1,095	$ 7,642	$ 36	$ 1,348	$ 1,384	$ 97

(continued)	Warehouse Lines of Credit	Home Equity	Consumer RPG Loans	Credit Cards	Overdrafts	Purchased Whole Loans	Other Consumer	Total
Beginning balance	$ 967	$ 2,996	$ 1,699	$ 448	$ 351	$ 392	$ 143	$ 27,491
Provision	18	67	4,688	21	184	140	157	5,186
Charge-offs	—	(35)	(1,251)	(12)	(161)	(59)	(72)	(1,863)
Recoveries	—	26	333	9	76	92	—	661
Ending balance	$ 985	$ 3,054	$ 5,469	$ 466	$ 450	$ 565	$ 228	$ 31,475

Three Months Ended	Residential Real Estate Owner Occupied	Owner Occupied Correspondent	Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial & Industrial	Lease Financing Receivables

March 31, 2015
(in thousands)

Beginning balance	$ 8,565	$ 567	$ 837	$ 7,740	$ 34	$ 926	$ 1,167	$ 25
Provision	140	12	80	(189)	1	32	(10)	15
Charge-offs	(136)	—	—	(7)	—	—	(29)	—
Recoveries	60	—	3	9	—	—	29	—
Ending balance	$ 8,629	$ 579	$ 920	$ 7,553	$ 35	$ 958	$ 1,157	$ 40

(continued)	Warehouse Lines of Credit	Home Equity	Consumer RPG Loans	Credit Cards	Overdrafts	Purchased Whole Loans	Other Consumer	Total
Beginning balance	$ 799	$ 2,730	$ 44	$ 285	$ 382	$ 185	$ 124	$ 24,410
Provision	259	(8)	(190)	104	(79)	11	7	185
Charge-offs	—	(51)	(5)	(40)	(146)	(12)	(71)	(497)
Recoveries	—	37	195	13	88	—	99	533
Ending balance	$ 1,058	$ 2,708	$ 44	$ 362	$ 245	$ 184	$ 159	$ 24,631

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Nonperforming Loans and Nonperforming Assets

Detail of nonperforming loans and nonperforming assets follows:

(dollars in thousands)	March 31, 2016		December 31, 2015	
Loans on nonaccrual status*	$ 19,907		$ 21,712	
Loans past due 90-days-or-more and still on accrual**	—		224	
Total nonperforming loans	19,907		21,936	
Other real estate owned	1,280		1,220	
Total nonperforming assets	$ 21,187		$ 23,156	
Credit Quality Ratios:				
Nonperforming loans to total loans	0.59	%	0.66	%
Nonperforming assets to total loans (including OREO)	0.63		0.70	
Nonperforming assets to total assets	0.50		0.55	

*Loans on nonaccrual status include impaired loans.

**For all periods presented, loans past due 90-days-or-more and still accruing consist entirely of PCI loans.

The following table presents the recorded investment in nonaccrual loans and loans past due 90-days-or-more and still on accrual by class of loans:

	Nonaccrual		Past Due 90-Days-or-More and Still Accruing Interest*	
(in thousands)	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Residential real estate:				
Owner occupied	$ 12,948	$ 13,197	$ —	$ —
Owner occupied - correspondent	—	—	—	—
Non owner occupied	990	935	—	—
Commercial real estate	3,788	3,941	—	224
Commercial real estate - purchased whole loans	—	—	—	—
Construction & land development	86	1,589	—	—
Commercial & industrial	193	194	—	—

Lease financing receivables	—	—	—	—
Warehouse lines of credit	—	—	—	—
Home equity	1,840	1,793	—	—
Consumer:				
RPG loans	—	—	—	—
Credit cards	—	—	—	—
Overdrafts	—	—	—	—
Purchased whole loans	—	—	—	—
Other consumer	62	63	—	—
Total	$ 19,907	$ 21,712	$ —	$ 224

*For all periods presented, loans past due 90-days-or-more and still on accrual consist entirely of PCI loans.

Nonaccrual loans and loans past due 90-days-or-more and still on accrual include both smaller balance, primarily retail, homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Nonaccrual loans are typically returned to accrual status when all the principal and interest amounts contractually due are brought current and held current for six consecutive months and future contractual payments are reasonably assured. Troubled Debt Restructurings (“TDRs”) on nonaccrual status are reviewed for return to accrual status on an individual basis, with additional consideration given to performance under the modified terms.

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Delinquent Loans

The following tables present the aging of the recorded investment in loans by class of loans:

March 31, 2016 (dollars in thousands)	30 - 59 Days Delinquent	60 - 89 Days Delinquent	90 or More Days Delinquent*	Total Delinquent**	Total Current	Total
Residential real estate:						
Owner occupied	$ 1,891	$ 757	$ 3,323	$ 5,971	$ 1,049,221	$ 1,055,192
Owner occupied - correspondent	—	—	—	—	242,902	242,902
Non owner occupied	88	—	29	117	124,108	124,225
Commercial real estate	282	176	—	458	835,052	835,510
Commercial real estate - purchased whole loans	—	—	—	—	35,878	35,878
Construction & land development	—	—	—	—	62,405	62,405
Commercial & industrial	—	193	—	193	238,817	239,010
Lease financing receivables	—	—	—	—	9,199	9,199
Warehouse lines of credit	—	—	—	—	393,986	393,986
Home equity	149	107	1,151	1,407	296,656	298,063
Consumer:						
RPG loans	250	—	—	250	13,117	13,367
Credit cards	13	21	—	34	11,828	11,862
Overdrafts	131	—	—	131	677	808
Purchased whole loans	15	17	21	53	7,600	7,653
Other consumer	41	2	—	43	21,866	21,909
Total	$ 2,860	$ 1,273	$ 4,524	$ 8,657	$ 3,343,312	$ 3,351,969
Delinquency ratio***	0.09 %	0.04 %	0.13 %	0.26 %		

December 31, 2015 (dollars in thousands)	30 - 59 Days Delinquent	60 - 89 Days Delinquent	90 or More Days Delinquent*	Total Delinquent**	Total Current	Total
Residential real estate:						
Owner occupied	$ 1,960	$ 1,044	$ 3,878	$ 6,882	$ 1,075,052	$ 1,081,934

Owner occupied - correspondent	—	—	—	—	249,344	249,344
Non owner occupied	14	—	39	53	116,241	116,294
Commercial real estate	178	—	933	1,111	823,776	824,887
Commercial real estate - purchased whole loans	—	—	—	—	35,674	35,674
Construction & land development	—	—	1,500	1,500	65,000	66,500
Commercial & industrial	299	—	—	299	229,422	229,721
Lease financing receivables	—	—	—	—	8,905	8,905
Warehouse lines of credit	—	—	—	—	386,729	386,729
Home equity	206	1	1,186	1,393	287,801	289,194
Consumer:						
RPG loans	246	—	—	246	6,958	7,204
Credit cards	10	2	—	12	11,056	11,068
Overdrafts	133	—	—	133	552	685
Purchased whole loans	5	42	—	47	5,845	5,892
Other consumer	37	18	—	55	12,524	12,579
Total	$ 3,088	$ 1,107	$ 7,536	$ 11,731	$ 3,314,879	$ 3,326,610
Delinquency ratio***	0.09 %	0.03 %	0.23 %	0.35 %		

*All loans past due 90-days-or-more, excluding PCI loans, were on nonaccrual status.

**Delinquent status may be determined by either the number of days past due or number of payments past due.

***Represents total loans 30-days-or-more past due by aging category divided by total loans.

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Information regarding the Bank's impaired loans follows:

(in thousands)	March 31, 2016	December 31, 2015
Loans with no allocated Allowance	$ 25,287	$ 26,143
Loans with allocated Allowance	36,018	39,980
Total impaired loans	$ 61,305	$ 66,123
Amount of the Allowance	$ 5,202	$ 5,427

Approximately $6 million and $7 million of impaired loans at March 31, 2016 and December 31, 2015 were PCI loans. Approximately $920,000 and $1 million of impaired loans at March 31, 2016 and December 31, 2015 were formerly PCI loans that became classified as "Impaired" through a post-acquisition troubled debt restructuring.

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The following tables present the balance in the Allowance and the recorded investment in loans by portfolio class based on impairment method as of March 31, 2016 and December 31, 2015:

March 31, 2016 (in thousands)	Residential Real Estate Owner Occupied	Owner Occupied - Correspondent	Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial & Industrial	Lease Financing Receivable
Allowance:								
Ending Allowance balance:								
Individually evaluated for impairment, excluding PCI loans	$ 3,749	$ —	$ 75	$ 313	$ —	$ 152	$ 193	$ —
Collectively evaluated for impairment	4,279	607	951	6,936	36	1,196	1,069	97
PCI loans with post acquisition impairment	21	—	69	393	—	—	122	—
PCI loans without post acquisition impairment	—	—	—	—	—	—	—	—
Total ending Allowance:	$ 8,049	$ 607	$ 1,095	$ 7,642	$ 36	$ 1,348	$ 1,384	$ 97
Loans:								
Impaired loans individually evaluated, excluding PCI loans	$ 36,666	$ —	$ 2,392	$ 12,351	$ —	$ 912	$ 302	$ —
Loans collectively evaluated for impairment	1,017,977	242,902	121,172	814,440	35,878	61,462	237,452	9,199
PCI loans with post acquisition impairment	461	—	661	3,854	—	—	1,215	—

PCI loans without post acquisition impairment	88	—	—	4,865	—	31	41	—
Total ending loan balance	$ 1,055,192	$ 242,902	$ 124,225	$ 835,510	$ 35,878	$ 62,405	$ 239,010	$ 9,199

(continued)	Warehouse Lines of Credit	Home Equity	Consumer RPG Loans	Credit Cards	Overdrafts	Purchased Whole Loans	Other Consumer	Total
Allowance:								
Ending Allowance balance:								
Individually evaluated for impairment, excluding PCI loans	$ —	$ 94	$ —	$ —	$ —	$ —	$ 21	$ 4,597
Collectively evaluated for impairment	985	2,960	5,469	466	450	565	207	26,273
PCI loans with post acquisition impairment	—	—	—	—	—	—	—	605
PCI loans without post acquisition impairment	—	—	—	—	—	—	—	—
Total ending Allowance:	$ 985	$ 3,054	$ 5,469	$ 466	$ 450	$ 565	$ 228	$ 31,475
Loans:								
Impaired loans individually evaluated, excluding PCI loans	$ —	$ 2,304	$ —	$ —	$ —	$ —	$ 187	$ 55,114
Loans collectively	393,986	295,759	13,367	11,862	808	7,653	21,722	3,285,639

evaluated for impairment								
PCI loans with post acquisition impairment	—	—	—	—	—	—	—	6,191
PCI loans without post acquisition impairment	—	—	—	—	—	—	—	5,025
Total ending loan balance	$ 393,986	$ 298,063	$ 13,367	$ 11,862	$ 808	$ 7,653	$ 21,909	$ 3,351,969

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ecember 31, 2015 n thousands)	Residential Real Estate Owner Occupied	Owner Occupied - Correspondent	Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial & Industrial	Lease Financin Receiva
llowance: nding Allowance alance:								
ndividually valuated for npairment, xcluding PCI oans	$ 3,820	$ —	$ 78	$ 339	$ —	$ 159	$ 196	$ —
ollectively valuated for npairment	4,471	623	878	6,806	36	1,144	1,137	89
CI loans with ost acquisition npairment	10	—	96	491	—	—	122	—
CI loans without ost acquisition npairment	—	—	—	—	—	—	—	—
otal ending llowance:	$ 8,301	$ 623	$ 1,052	$ 7,636	$ 36	$ 1,303	$ 1,455	$ 89
oans:								
npaired loans ndividually valuated, xcluding PCI oans	$ 39,041	$ —	$ 2,351	$ 12,441	$ —	$ 2,717	$ 322	$ —
oans collectively valuated for npairment	1,042,334	249,344	113,158	802,528	35,674	63,750	228,151	8,905
CI loans with ost acquisition npairment	65	—	785	4,806	—	—	1,193	—
CI loans without ost acquisition npairment	494	—	—	5,112	—	33	55	—
otal ending loan alance	$ 1,081,934	$ 249,344	$ 116,294	$ 824,887	$ 35,674	$ 66,500	$ 229,721	$ 8,905

(continued)	Warehouse Lines of Credit	Home Equity	Consumer RPG Loans	Credit Cards	Overdrafts	Purchased Whole Loans	Other Consumer	Total
Allowance:								
Ending Allowance balance:								
Individually evaluated for impairment, excluding PCI loans	$ —	$ 100	$ —	$ —	$ —	$ —	$ 16	$ 4,708
Collectively evaluated for impairment	967	2,896	1,699	448	351	392	127	22,064
PCI loans with post acquisition impairment	—	—	—	—	—	—	—	719
PCI loans without post acquisition impairment	—	—	—	—	—	—	—	—
Total ending Allowance:	$ 967	$ 2,996	$ 1,699	$ 448	$ 351	$ 392	$ 143	$ 27,491
Loans:								
Impaired loans individually evaluated, excluding PCI loans	$ —	$ 2,316	$ —	$ —	$ —	$ —	$ 86	$ 59,274
Loans collectively evaluated for impairment	386,729	286,878	7,204	11,068	685	5,892	12,493	3,254,793
PCI loans with post acquisition impairment	—	—	—	—	—	—	—	6,849
PCI loans without post	—	—	—	—	—	—	—	5,694

acquisition impairment								
Total ending loan balance	$ 386,729	$ 289,194	$ 7,204	$ 11,068	$ 685	$ 5,892	$ 12,579	$ 3,326,610

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The following tables present loans individually evaluated for impairment by class of loans as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015. The difference between the "Unpaid Principal Balance" and "Recorded Investment" columns represents life-to-date partial write downs/charge offs taken on individual impaired credits.

	As of March 31, 2016			Three Months Ended March 31, 2016		
(in thousands)	Unpaid Principal Balance	Recorded Investment	Allowance Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
Impaired loans with no related allowance recorded:						
Residential real estate:						
Owner occupied	$ 13,936	$ 12,842	$ —	$ 13,050	$ 23	$ —
Owner occupied - correspondent	—	—	—	—	—	—
Non owner occupied	2,087	2,014	—	1,971	7	—
Commercial real estate	8,314	7,616	—	7,180	54	—
Commercial real estate - purchased whole loans	—	—	—	—	—	—
Construction & land development	476	476	—	1,272	5	—
Commercial & industrial	10	10	—	14	—	—
Lease financing receivables	—	—	—	—	—	—
Warehouse lines of credit	—	—	—	—	—	—
Home equity	2,366	2,190	—	2,139	7	—
Consumer:						
RPG loans	—	—	—	—	—	—
Credit cards	—	—	—	—	—	—
Overdrafts	—	—	—	—	—	—
Purchased whole loans	—	—	—	—	—	—
Other consumer	139	139	—	92	—	—
Impaired loans with an allowance recorded:						
Residential real estate:						
Owner occupied	24,316	24,285	3,770	25,069	214	—
Owner occupied - correspondent	—	—	—	—	—	—
Non owner occupied	1,039	1,039	144	1,124	13	—
Commercial real estate	8,631	8,589	706	9,546	96	—
Commercial real estate - purchased whole loans	—	—	—	—	—	—
Construction & land development	436	436	152	543	5	—
Commercial & industrial	1,507	1,507	315	1,502	20	—
Lease financing receivables	—	—	—	—	—	—

Warehouse lines of credit	—	—	—	—	—	—
Home equity	139	114	94	171	—	—
Consumer:						
RPG loans	—	—	—	—	—	—
Credit cards	—	—	—	—	—	—
Overdrafts	—	—	—	—	—	—
Purchased whole loans	—	—	—	—	—	—
Other consumer	82	48	21	45	—	—
Total impaired loans	$ 63,478	$ 61,305	$ 5,202	$ 63,718	$ 444	$ —

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(in thousands)	As of December 31, 2015 Unpaid Principal Balance	Recorded Investment	Allowance Allocated	Three Months Ended March 31, 2015 Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
Impaired loans with no related allowance recorded:						
Residential real estate:						
Owner occupied	$ 14,287	$ 13,256	$ —	$ 5,881	$ 50	$ —
Owner occupied - correspondent	—	—	—	—	—	—
Non owner occupied	1,978	1,928	—	2,402	8	—
Commercial real estate	7,406	6,743	—	15,119	120	—
Commercial real estate - purchased whole loans	—	—	—	—	—	—
Construction & land development	2,067	2,067	—	2,134	3	—
Commercial & industrial	18	18	—	3,781	55	—
Lease financing receivables	—	—	—	—	—	—
Warehouse lines of credit	—	—	—	—	—	—
Home equity	2,263	2,087	—	1,935	7	—
Consumer:						
RPG loans	—	—	—	—	—	—
Credit cards	—	—	—	—	—	—
Overdrafts	—	—	—	—	—	—
Purchased whole loans	—	—	—	—	—	—
Other consumer	44	44	—	—	—	—
Impaired loans with an allowance recorded:						
Residential real estate:						
Owner occupied	25,896	25,850	3,830	35,822	225	—
Owner occupied - correspondent	—	—	—	—	—	—
Non owner occupied	1,231	1,208	174	2,820	35	—
Commercial real estate	10,546	10,504	830	12,106	107	—
Commercial real estate - purchased whole loans	—	—	—	—	—	—
Construction & land development	650	650	159	581	9	—
Commercial & industrial	1,497	1,497	318	1,443	18	—
Lease financing receivables	—	—	—	—	—	—
Warehouse lines of credit	—	—	—	—	—	—
Home equity	258	229	100	521	1	—
Consumer:						
RPG loans	—	—	—	—	—	—
Credit cards	—	—	—	—	—	—

Overdrafts		—		—		—		—		—		—
Purchased whole loans		—		—		—		—		—		—
Other consumer		42		42		16		54		—		—
Total impaired loans	$	68,183	$	66,123	$	5,427	$	84,599	$	638	$	—

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Troubled Debt Restructurings

A TDR is a situation where, due to a borrower's financial difficulties, the Bank grants a concession to the borrower that the Bank would not otherwise have considered. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of their debt in the foreseeable future without the modification. This evaluation is performed in accordance with the Bank's internal underwriting policy.

All TDRs are considered "Impaired," including PCI loans subsequently restructured. The majority of the Bank's commercial related and construction TDRs involve a restructuring of financing terms such as a reduction in the payment amount to require only interest and escrow (if required) and/or extending the maturity date of the debt. The substantial majority of the Bank's residential real estate TDR concessions involve reducing the client's loan payment through a rate reduction for a set period based on the borrower's ability to service the modified loan payment. Retail loans may also be classified as TDRs due to legal modifications, such as bankruptcies.

Nonaccrual loans modified as TDRs typically remain on nonaccrual status and continue to be reported as nonperforming loans for a minimum of six months. Accruing loans modified as TDRs are evaluated for nonaccrual status based on a current evaluation of the borrower's financial condition and ability and willingness to service the modified debt. At March 31, 2016 and December 31, 2015, $11 million and $12 million of TDRs were on nonaccrual status.

Detail of TDRs differentiated by loan type and accrual status follows:

	Troubled Debt Restructurings on Nonaccrual Status		Troubled Debt Restructurings on Accrual Status		Total Troubled Debt Restructurings	
March 31, 2016 (dollars in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate	75	$ 7,494	228	$ 25,970	303	$ 33,464
Commercial real estate	8	3,603	17	7,886	25	11,489
Construction & land development	1	86	4	826	5	912
Commercial & industrial	1	193	5	109	6	302
Total troubled debt restructurings	85	$ 11,376	254	$ 34,791	339	$ 46,167

December 31, 2015 (dollars in thousands)	Troubled Debt Restructurings on Nonaccrual Status Number of Loans	Recorded Investment	Troubled Debt Restructurings on Accrual Status Number of Loans	Recorded Investment	Total Troubled Debt Restructurings Number of Loans	Recorded Investment
Residential real estate	74	$ 7,365	233	$ 27,844	307	$ 35,209
Commercial real estate	9	3,324	17	8,008	26	11,332
Construction & land development	2	1,589	6	1,128	8	2,717
Commercial & industrial	1	194	5	128	6	322
Total troubled debt restructurings	86	$ 12,472	261	$ 37,108	347	$ 49,580

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The Bank considers a TDR to be performing to its modified terms if the loan is in accrual status and not past due 30-days-or-more as of the reporting date. A summary of the categories of TDR loan modifications outstanding and respective performance under modified terms at March 31, 2016 and December 31, 2015 follows:

	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
March 31, 2016 (dollars in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate loans (including home equity loans):						
Interest only payments	1	$ 12	1	$ 516	2	$ 528
Rate reduction	180	23,549	45	5,231	225	28,780
Principal deferral	10	807	7	731	17	1,538
Legal modification	30	1,265	29	1,353	59	2,618
Total residential TDRs	221	25,633	82	7,831	303	33,464
Commercial related and construction/land development loans:						
Interest only payments	4	1,193	2	894	6	2,087
Rate reduction	10	4,960	3	720	13	5,680
Principal deferral	12	2,668	5	2,268	17	4,936
Total commercial TDRs	26	8,821	10	3,882	36	12,703
Total troubled debt restructurings	247	$ 34,454	92	$ 11,713	339	$ 46,167

	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
December 31, 2015 (dollars in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate loans (including home equity loans):						
Interest only payments	2	$ 631	—	$ —	2	$ 631
Rate reduction	183	24,734	46	5,650	229	30,384

Principal deferral	9	789	7	771	16	1,560
Legal modification	30	1,226	30	1,408	60	2,634
Total residential TDRs	224	27,380	83	7,829	307	35,209
Commercial related and construction/land development loans:						
Interest only payments	6	1,517	1	481	7	1,998
Rate reduction	10	5,021	3	727	13	5,748
Principal deferral	12	2,726	8	3,899	20	6,625
Total commercial TDRs	28	9,264	12	5,107	40	14,371
Total troubled debt restructurings	252	$ 36,644	95	$ 12,936	347	$ 49,580

As of March 31, 2016 and December 31, 2015, 75% and 74% of the Bank's TDRs were performing according to their modified terms. The Bank had provided $5 million and $5 million of specific reserve allocations to clients whose loan terms have been modified in TDRs as of March 31, 2016 and December 31, 2015. The Bank had no commitments to lend any additional material amounts to its existing TDR relationships at March 31, 2016 or December 31, 2015.

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A summary of the categories of TDR loan modifications and respective performance as of March 31, 2016 and 2015 that were modified during the three months ended March 31, 2016 and 2015 follows:

	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
March 31, 2016 (dollars in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate loans (including home equity loans):						
Interest only payments	—	$ —	—	$ —	—	$ —
Rate reduction	2	57	1	55	3	112
Principal deferral	—	—	—	—	—	—
Legal modification	2	88	2	80	4	168
Total residential TDRs	4	145	3	135	7	280
Commercial related and construction/land development loans:						
Interest only payments	—	—	1	433	1	433
Rate reduction	—	—	—	—	—	—
Principal deferral	—	—	—	—	—	—
Total commercial TDRs	—	—	1	433	1	433
Total troubled debt restructurings	4	$ 145	4	$ 568	8	$ 713

	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
March 31, 2015 (dollars in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate loans (including home equity loans):						
Interest only payments	1	$ 621	—	$ —	1	$ 621
Rate reduction	4	408	3	160	7	568
Principal deferral	—	—	1	25	1	25
Legal modification	—	—	1	140	1	140

Total residential TDRs	5	1,029	5	325	10	1,354
Commercial related and construction/land development loans:						
Interest only payments	3	468	—	—	3	468
Rate reduction	—	—	1	1,730	1	1,730
Principal deferral	—	—	1	56	1	56
Total commercial TDRs	3	468	2	1,786	5	2,254
Total troubled debt restructurings	8	$ 1,497	7	$ 2,111	15	$ 3,608

The tables above are inclusive of loans that were TDRs at the end of previous periods and were re-modified, e.g., a maturity date extension during the current period.

As of March 31, 2016 and 2015, 20% and 41% of the Bank’s TDRs that occurred during the first quarters of 2016 and 2015 were performing according to their modified terms. The Bank provided approximately $17,000 and $476,000 in specific reserve allocations to clients whose loan terms were modified in TDRs during the first quarters of 2016 and 2015.

There was no significant change between the pre and post modification loan balances for the three months ending March 31, 2016 and 2015.

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The following table presents loans by class modified as troubled debt restructurings within the previous 12 months of March 31, 2016 and 2015 and for which there was a payment default during the three months ended March 31, 2016 and 2015

	Three Months Ended March 31,			
	2016		2015	
(dollars in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate:				
Owner occupied	2	$ 167	5	$ 324
Owner occupied - correspondent	—	—	—	—
Non owner occupied	—	—	—	—
Commercial real estate	4	575	1	56
Commercial real estate - purchased whole loans	—	—	—	—
Construction & land development	—	—	—	—
Commercial & industrial	—	—	—	—
Lease financing receivables	—	—	—	—
Warehouse lines of credit	—	—	—	—
Home equity	—	—	—	—
Consumer:				
RPG loans	—	—	—	—
Credit cards	—	—	—	—
Overdrafts	—	—	—	—
Purchased whole loans	—	—	—	—
Other consumer	—	—	—	—
Total	6	$ 742	6	$ 380

Foreclosures

The following table presents the carrying amount of foreclosed properties held at March 31, 2016 and December 31, 2015 as a result of the Bank obtaining physical possession of such properties:

(in thousands)	March 31, 2016	December 31, 2015

Residential real estate	$ 673	$ 478
Commercial real estate	307	442
Construction & land development	300	300
Total other real estate owned	$ 1,280	$ 1,220

The following table presents the recorded investment in consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process according to local requirements of the applicable jurisdiction as of March 31, 2016 and December 31, 2015:

(in thousands)	March 31, 2016	December 31, 2015
Recorded investment in consumer residential real estate mortgage loans in the process of foreclosure	$ 3,462	$ 4,602

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Easy Advances

The Company's RPG segment offered its new EA product through the TRS division during the first quarter of 2016. Altogether, TRS originated $123 million in EAs during the first quarter of 2016 and recorded $3.6 million in provision for loss on EAs. The provision for loss on EAs equated to 2.90% of total EA originations for the quarter. The Company based its provision for loss on EAs on prior year IRS funding patterns with adjustments based on current year IRS funding patterns. At March 31, 2016, $4 million in EAs remained outstanding past their expected funding date from the IRS, with an allowance for loss on EAs of approximately $3 million against this remaining balance.

Information regarding EAs follows:

(in thousands)	March 31, 2016
Easy Advances outstanding	$ 4,342
Allowance allocated to Easy Advances	(3,169)
Easy Advances, net of Allowance	$ 1,173

(in thousands)	Three Months Ended March 31, 2016
Easy Advances originated	$ 123,231
Provision for Easy Advances	3,574
Easy Advances charged off	405
Easy Advances charged off to total Easy Advances originated	0.33 %

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5. DEPOSITS

Ending deposit balances at March 31, 2016 and December 31, 2015 were as follows:

(in thousands)	March 31, 2016	December 31, 2015
Demand	$ 775,929	$ 783,054
Money market accounts	524,378	501,059
Brokered money market accounts	250,032	200,126
Savings	130,802	117,408
Individual retirement accounts*	36,783	36,016
Time deposits, $250 and over*	43,714	42,775
Other certificates of deposit*	129,976	127,878
Brokered certificates of deposit*	44,086	44,298
Total interest-bearing deposits	1,935,700	1,852,614
Total noninterest-bearing deposits	800,946	634,863
Total deposits	$ 2,736,646	$ 2,487,477

*Represents a time deposit.

6. FEDERAL HOME LOAN BANK ADVANCES

At March 31, 2016 and December 31, 2015, FHLB advances were as follows:

(in thousands)	March 31, 2016	December 31, 2015
Overnight advances	$ —	$ 150,000
Variable interest rate advance indexed to 3-Month LIBOR plus 0.14% due on December 20, 2016	10,000	10,000

Fixed interest rate advances with a weighted average interest rate of 1.64% due through 2023	407,500	439,500
Putable fixed interest rate advances with a weighted average interest rate of 4.39% due through 2017*	100,000	100,000
Total FHLB advances	$ 517,500	$ 699,500

*Represents putable advances with the FHLB. These advances have original fixed rate periods ranging from one to five years with original maturities ranging from three to ten years if not put back to the Bank earlier by the FHLB. At the end of their respective fixed rate periods and on a quarterly basis thereafter, the FHLB has the right to require payoff of the advances by the Bank at no penalty.

Each FHLB advance is payable at its maturity date, with a prepayment penalty for fixed rate advances that are paid off earlier than maturity. FHLB advances are collateralized by a blanket pledge of eligible real estate loans. At March 31, 2016 and December 31, 2015, Republic had available collateral to borrow an additional $734 million and $567 million, respectively, from the FHLB. In addition to its borrowing line with the FHLB, Republic also had unsecured lines of credit totaling $170 million available through various other financial institutions as of March 31, 2016 and December 31, 2015.

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Aggregate future principal payments on FHLB advances based on contractual maturity and the weighted average cost of such advances are detailed below:

Year (dollars in thousands)	Principal	Weighted Average Rate
2016	$ 60,000	1.33 %
2017	145,000	3.44
2018	117,500	1.53
2019	100,000	1.80
2020	65,000	1.78
2021	20,000	1.86
Thereafter	10,000	2.14
Total	$ 517,500	2.15

Due to their nature, the Bank considers average balance information more meaningful than period-end balances for its overnight borrowings from the FHLB. Information regarding short-term overnight FHLB advances follows:

(dollars in thousands)	March 31, 2016	December 31, 2015
Outstanding balance at end of period	$ —	$ 150,000
Weighted average interest rate at end of period	NA	0.35 %

NA - Not applicable

(dollars in thousands)	Three Months Ended March 31, 2016	2015
Average outstanding balance during the period	$ 7,857	$ 35,957
Average interest rate during the period	0.36 %	0.16 %
Maximum outstanding at any month end during the period	$ 50,000	$ 202,000

The following table illustrates real estate loans pledged to collateralize advances and letters of credit with the FHLB:

(in thousands)	March 31, 2016	December 31, 2015
First lien, single family residential real estate	$ 1,323,840	$ 1,346,663
Home equity lines of credit	279,512	272,863
Multi-family commercial real estate	9,127	10,227

7. FAIR VALUE

Fair value represents the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Bank used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Securities available for sale: Quoted market prices in an active market are available for the Bank's mutual fund investment and fall within Level 1 of the fair value hierarchy.

Except for the Bank's mutual fund investment, its private label mortgage backed security and its TRUP, the fair value of securities available for sale is typically determined by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The Bank's private label mortgage backed security remains illiquid, and as such, the Bank classifies this security as a Level 3 security in accordance with ASC Topic 820, "Fair Value Measurements and Disclosures." Based on this determination, the Bank utilized an income valuation model (present value model) approach in determining the fair value of this security.

See in this section of the filing under Footnote 3 “Investment Securities” for additional discussion regarding the Bank’s private label mortgage backed security.

The Company acquired its TRUP in November 2015 and considered the acquisition price to still approximate market value at March 31, 2016, as there have been no meaningful market activities or events that management believes changed the investment’s value subsequent to acquisition. The Company’s TRUP is also considered highly illiquid and also valued using Level 3 inputs.

Mortgage loans held for sale: The fair value of mortgage loans held for sale is determined using quoted secondary market prices. Mortgage loans held for sale are classified as Level 2 in the fair value hierarchy.

Mortgage Banking derivatives: Mortgage Banking derivatives used in the ordinary course of business primarily consist of mandatory forward sales contracts (“forward contracts”) and interest rate lock loan commitments. The fair value of the Bank’s derivative instruments is primarily measured by obtaining pricing from broker-dealers recognized to be market participants. The pricing is derived from market observable inputs that can generally be verified and do not typically involve significant judgment by the Bank. Forward contracts and rate-lock loan commitments are classified as Level 2 in the fair value hierarchy.

Interest rate swap agreements: Interest rate swaps are recorded at fair value on a recurring basis. The Company values its interest rate swaps using Bloomberg Valuation Service’s derivative pricing functions and therefore classifies such valuations as Level 2. Valuations of these interest rate swaps are also received from the relevant counterparty and validated against internal calculations. The Company has considered counterparty credit risk in the valuation of its interest rate swap assets and has considered its own credit risk in the valuation of its interest rate swap liabilities.

Impaired loans: Collateral dependent impaired loans generally reflect partial charge-downs to their respective fair value, which is commonly based on recent real estate appraisals or broker price opinions ("BPOs"). These appraisals or BPOs may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the process by the independent experts to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Collateral dependent loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Premises, held for sale: Premises held for sale are accounted for at the lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments may be significant and typically result in a Level 3 classification of the inputs for determining fair value.

Other real estate owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals or BPOs. These appraisals or BPOs may utilize a single approach or a combination of approaches, including comparable sales and the income approach. Adjustments are routinely made in the process by the independent experts to adjust for differences between the comparable sales and income data available. Such adjustments may be significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for both collateral-dependent impaired loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Bank. Once the appraisal is received, a member of the Bank's Credit Administration Department reviews the assumptions and approaches utilized in the appraisal, as well as the overall resulting fair value in comparison with independent data sources, such as recent market data or industry-wide statistics. On at least an annual basis, the Bank performs a back test of collateral appraisals by comparing actual selling prices on recent collateral sales to the most recent appraisal of such collateral. Back tests are performed for each collateral class, e.g., residential real estate or commercial real estate, and may lead to additional adjustments to the value of unliquidated collateral of similar class.

Mortgage servicing rights: On at least a quarterly basis, MSRs are evaluated for impairment based upon the fair value of the MSRs as compared to carrying amount. If the carrying amount of an individual grouping exceeds fair value, impairment is recorded and the respective individual tranche is carried at fair value. If the carrying amount of an individual grouping does not exceed fair value, impairment is reversed if previously recognized and the carrying value of the individual tranche is based on the amortization method. The valuation model utilizes assumptions that market participants would use in estimating future net servicing income and can generally be validated against available market data (Level 2). There were no MSR tranches carried at fair value at March 31, 2016 and December 31, 2015.

Assets and liabilities measured at fair value on a recurring basis, including financial assets and liabilities for which the Bank has elected the fair value option, are summarized below:

Fair Value Measurements at
March 31, 2016 Using: