2015 ANNUAL REPORT | FINANCIAL STATEMENTS

BANK OF THE WEST

AND SUBSIDIARIES

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BNP PARIBAS GROUP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
Bank of the West and its Subsidiaries
San Francisco, California

We have audited the accompanying consolidated financial statements of Bank of the West and its subsidiaries (the "Bank"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank of the West and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
San Francisco, CA
March 11, 2016

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands)	Years Ended December 31, 2015	2014
Interest income		
Loans and lease financing	**$ 1,983,012**	$ 1,894,129
Securities	**203,163**	183,129
Other	**34,037**	23,581
Total interest income	**2,220,212**	2,100,839
Interest expense		
Deposits	**122,229**	128,702
Short-term borrowings and long-term debt	**37,109**	25,625
Total interest expense	**159,338**	154,327
Net interest income	**2,060,874**	1,946,512
Provision for credit losses	**77,972**	64,455
Net interest income after provision for credit losses	**1,982,902**	1,882,057
Noninterest income		
Service charges on deposit accounts	**143,431**	146,291
Credit and debit card fees	**96,348**	92,116
Loan fees	**48,619**	54,331
Other service charges and fees	**40,192**	41,590
Insurance agency fees	**17,320**	30,311
Net gains on customer accommodation derivatives	**30,103**	28,872
Net gains on sales of loans and leases	**80,033**	28,339
Bank-owned life insurance	**26,813**	24,732
Brokerage income	**27,780**	24,016
Trust and investment services income	**21,367**	21,388
Gain on sale of subsidiaries and equity investments	**18,759**	8,280
Net gains on debt securities available for sale	**12,941**	440
Loss on credit guarantee derivative	**(1,009)**	(333)
Write-downs of other real estate owned assets, net	**(701)**	(2,391)
Other	**16,033**	4,523
Total noninterest income	**578,029**	502,505
Noninterest expense		
Salaries and employee benefits	**906,028**	884,157
Contracted services and professional fees	**219,062**	184,197
Occupancy	**133,145**	141,199
Equipment	**70,715**	64,495
Advertising and marketing	**39,572**	41,926
Intangible amortization	**49,445**	42,131
Regulatory assessment and fees	**43,113**	40,639
Collection and repossession	**11,851**	15,096
Other	**120,315**	128,887
Total noninterest expense	**1,593,246**	1,542,727
Income before income taxes and noncontrolling interest	**967,685**	841,835
Income tax expense	**336,500**	294,267
Net income before noncontrolling interest	**631,185**	547,568
Net income attributable to noncontrolling interest	**3,435**	3,346
Net income attributable to Bank of the West and subsidiaries	**$ 627,750**	$ 544,222

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

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
(dollars in thousands)	**2015**	2014
Net income attributable to Bank of the West and subsidiaries	**$ 627,750**	$ 544,222
Other comprehensive (loss) income, before tax		
Net change in pension and other benefits adjustment	**29,187**	(97,961)
Net change in unrealized (losses) gains on securities available for sale	**(63,171)**	169,562
Net change in unrealized gains on cash flow derivative hedges	**22,226**	8,785
Other comprehensive (loss) income, before tax	**(11,758)**	80,386
Income tax benefit (expense) related to other comprehensive income	**4,742**	(32,605)
Other comprehensive (loss) income, net of tax	**(7,016)**	47,781
Comprehensive income attributable to Bank of the West and subsidiaries	**620,734**	592,003
Comprehensive income attributable to noncontrolling interest	**3,435**	3,346
Total comprehensive income	**$ 624,169**	$ 595,349

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

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share amounts)	As of December 31, **2015**	2014
Assets		
Cash and due from banks	**$ 838,366**	$ 842,066
Interest-bearing deposits in other banks	**2,956,685**	3,334,885
Trading assets	**6,496**	6,499
Securities available for sale	**9,972,633**	9,255,844
Securities held to maturity	**49,627**	-
Loans held for sale	**58,011**	62,877
Loans and leases:		
Loans and leases	**54,466,574**	50,821,366
Less allowance for loan and lease losses	**584,543**	601,305
Net loans and leases	**53,882,031**	50,220,061
Premises and equipment, net	**385,552**	398,681
Other real estate owned and repossessed personal property	**22,376**	26,237
Interest receivable	**161,152**	159,151
Bank-owned life insurance	**1,355,140**	1,337,363
Identifiable intangible assets	**239,956**	203,210
Goodwill	**4,190,141**	4,201,513
Pension assets	**7,419**	1,537
Other assets	**1,559,281**	1,632,419
Total assets	**$ 75,684,866**	$ 71,682,343
Liabilities and equity		
Deposits:		
Interest-bearing	**$ 38,437,091**	$ 36,695,760
Noninterest-bearing	**15,716,024**	15,417,437
Total deposits	**54,153,115**	52,113,197
Short-term borrowings	**6,927,377**	5,153,548
Long-term debt	**1,392,617**	1,412,213
Liability for pension benefits	**170,765**	180,491
Other liabilities	**911,953**	914,380
Total liabilities	**63,555,827**	59,773,829
Equity:		
Common stock, par value $0.001 per share:		
Authorized — 20,000,000 shares		
Issued and outstanding — 5,548,359 shares as of December 31, 2015 and 2014	**6**	6
Additional paid-in capital	**9,733,965**	9,735,894
Retained earnings	**2,482,667**	2,254,917
Accumulated other comprehensive loss	**(107,669)**	(100,653)
Total Bank of the West stockholder’s equity	**12,108,969**	11,890,164
Noncontrolling interest	**20,070**	18,350
Total equity	**12,129,039**	11,908,514
Total liabilities and equity	**$ 75,684,866**	$ 71,682,343

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

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(dollars in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Bank of the West Stockholder's Equity	Non-controlling Interest	Total Equity
Balance as of January 1, 2014	5,548,359	$ 6	$ 9,735,522	$ 2,110,695	$ (148,434)	$ 11,697,789	$ 15,004	$ 11,712,793
Net income	-	-	-	544,222	-	544,222	3,346	547,568
Other comprehensive income, net of tax	-	-	-	-	47,781	47,781	-	47,781
Contributed capital	-	-	372	-	-	372	-	372
Dividends	-	-	-	(400,000)	-	(400,000)	-	(400,000)
Net change for the period	-	-	372	144,222	47,781	192,375	3,346	195,721
Balance as of December 31, 2014	5,548,359	$ 6	$ 9,735,894	$ 2,254,917	$ (100,653)	$ 11,890,164	$ 18,350	$ 11,908,514
Net income	**-**	**$ -**	**$ -**	**$ 627,750**	**$ -**	**$ 627,750**	**$ 3,435**	**$ 631,185**
Other comprehensive loss, net of tax	**-**	**-**	**-**	**-**	**(7,016)**	**(7,016)**	**-**	**(7,016)**
Dividends	**-**	**-**	**-**	**(400,000)**	**-**	**(400,000)**	**-**	**(400,000)**
Other	**-**	**-**	**(1,929)**	**-**	**-**	**(1,929)**	**(1,715)**	**(3,644)**
Net change for the period	**-**	**-**	**(1,929)**	**227,750**	**(7,016)**	**218,805**	**1,720**	**220,525**
Balance as of December 31, 2015	**5,548,359**	**$ 6**	**$ 9,733,965**	**$ 2,482,667**	**$ (107,669)**	**$ 12,108,969**	**$ 20,070**	**$ 12,129,039**

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

BANK OF THE WEST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)	Years Ended December 31, **2015**	2014
Cash flows from operating activities		
Net income	**$ 627,750**	$ 544,222
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**77,972**	64,455
Net gains on debt securities available for sale	**(12,941)**	(440)
Net gains on sales of loans and leases	**(80,033)**	(28,339)
Net gain on sale of other assets	**(37,013)**	-
Depreciation, amortization and accretion, net	**406,402**	341,918
Deferred income taxes	**23,278**	32,225
Net decrease (increase) in interest receivable and other assets	**56,509**	(146,332)
Net (decrease) increase in interest payable and other liabilities	**(56,487)**	14,801
Change in fair value of credit guarantee derivative	**1,009**	333
Originations of loans held for sale	**(911,260)**	(435,200)
Proceeds from sales of loans held for sale	**918,536**	399,525
Other	**(4,096)**	(5,121)
Net cash provided by operating activities	**1,009,626**	782,047
Cash flows from investing activities		
Securities available for sale:		
Proceeds from maturities and prepayments	**1,764,422**	1,279,050
Proceeds from sales	**1,600,355**	1,407,878
Purchases	**(4,209,945)**	(3,173,106)
Securities held to maturity:		
Proceeds from maturities and prepayments	**1,570**	-
Purchases	**(51,236)**	-
Net increase in loans resulting from originations and collections	**(4,576,701)**	(3,909,399)
Purchases of loans and leases	**(111,915)**	(80,425)
Proceeds from sales (including participations) of loans originated for investment	**845,852**	235,144
Purchase of premises, equipment and software	**(130,027)**	(93,362)
Investments in low income housing tax credit	**(76,272)**	(89,993)
Net change in FHLB stock	**74,791**	(25,482)
Proceeds from sales of foreclosed assets	**15,581**	22,660
Proceeds from sales of other assets	**60,873**	2,911
Other	**3,418**	12,104
Net cash used in investing activities	**(4,789,234)**	(4,412,020)
Cash flows from financing activities		
Net increase in deposits	**2,041,559**	3,741,316
Net increase in short-term borrowings	**1,773,829**	2,097,746
Proceeds from issuance of long-term debt	**927,382**	715,483
Repayment of long-term debt	**(945,062)**	(1,615,365)
Cash dividends paid	**(400,000)**	(400,000)
Net cash provided by financing activities	**3,397,708**	4,539,180
Net (decrease) increase in cash and cash equivalents	**(381,900)**	909,207
Cash and cash equivalents at beginning of year	**4,176,951**	3,267,744
Cash and cash equivalents at end of year	**$ 3,795,051**	$ 4,176,951
Supplemental disclosures		
Interest paid	**$ 161,637**	$ 155,338
Income taxes paid	**418,035**	379,890
Noncash investing and financing activities:		
Transfer from deposits for the settlement of credit guarantee derivative	**1,641**	587
Transfers of loans held for investment to loans held for sale	**735,133**	221,550
Transfers from loans to other real estate owned	**10,500**	25,765

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

1. Organization and Summary of Significant Accounting Policies

Bank of the West ("BOW"), a State of California chartered bank, has 552 retail branch banking locations and other commercial banking offices as of December 31, 2015, and had 585 retail branch banking locations and other commercial banking offices as of December 31, 2014, located in Arizona, California, Colorado, Georgia, Idaho, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, Nevada, New Mexico, New York, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin and Wyoming providing a wide range of financial services to both consumers and businesses. BOW also provides services to Pacific Rim customers, specializing in domestic and international products and services in predominantly Asian American communities. The terms "the Bank," "we," "our," "us" and similar terms used in this report refer to Bank of the West and its subsidiaries.

BancWest Corporation ("BancWest"), a financial holding company, owned all of the outstanding common stock of BOW as of December 31, 2015 and 2014. BOW also had authorized 1,000,000 shares of preferred stock, none of which were issued or outstanding as of December 31, 2015 and 2014.

BancWest is a wholly owned subsidiary of BNP Paribas ("BNPP"), a financial institution based in France. BancWest's other wholly owned bank subsidiary is First Hawaiian Bank.

During 2015, the Bank sold its insurance operation, BancWest Insurance Agency ("BWIA").

Regulation

The Bank's primary regulators are the Federal Deposit Insurance Corporation ("FDIC") and the California Department of Business Oversight. The Bank is a member of the Federal Home Loan Bank System and is required to maintain an investment in the capital stock of the Federal Home Loan Bank ("FHLB"). The Bank maintains insurance on its customer deposit accounts with the FDIC, which requires quarterly assessments. BancWest's primary regulator is the Federal Reserve Board.

Basis of presentation

The accounting and reporting policies of the Bank, and its subsidiaries, conform to accounting principles generally accepted in the United States ("GAAP"). The accompanying consolidated financial statements include the accounts of the Bank and its subsidiaries in which the Bank has controlling financial interests, as well as a variable interest entity ("VIE"), in which the Bank determines it is the primary beneficiary. The Bank is the primary beneficiary of a VIE if we have: (1) a variable interest in the entity; (2) the power to direct key activities of the VIE that most significantly impact its economic performance; and (3) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. All material intercompany transactions among the Bank and its consolidated entities have been eliminated.

For consolidated entities where it holds less than a 100% interest, the Bank reports income or loss attributable to noncontrolling stockholders in the consolidated statements of income, and the equity interest attributable to noncontrolling stockholders in the equity section of the consolidated balance sheets.

All other investments in entities that are not consolidated are accounted for either under the equity method, cost method or proportional amortization method where applicable.

Use of estimates

The preparation of the consolidated financial statements and related notes thereto in accordance with GAAP requires management to make judgments using estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expense and disclosures of contingent assets and liabilities. While management makes its best judgment, actual amounts or results could differ from those estimates.

Cash and due from banks

Cash and due from banks include noninterest-bearing amounts due from other financial institutions as well as in-transit clearings. For purposes of the consolidated statements of cash flows, the Bank includes as cash and cash equivalents, cash and due from banks, interest-bearing deposits in other banks, federal funds sold and securities purchased under agreements to resell (with original maturities of less than three months).

Interest-bearing deposits in other banks

Interest-bearing deposits in other banks include funds held in other financial institutions that are either fixed or floating interest rate instruments including certificates of deposit. Interest income is recorded when earned and presented within other interest income in the consolidated statements of income.

Securities

Securities acquired for the purposes of selling in the near term are classified as trading and are carried at fair value with unrealized gains and losses included in the consolidated statements of income.

Investments in debt securities that management has asserted positive intent and ability to hold until maturity are classified as held to maturity (“HTM”). HTM securities are carried at amortized cost.

Investments in debt and marketable equity securities with readily determinable fair values and not used for trading purposes or HTM are classified as available for sale (“AFS”). AFS securities are carried at estimated fair value with net unrealized gains and losses included in accumulated other comprehensive income (loss) (“AOCI”), net of applicable income taxes. Upon sale, realized gains and losses are recognized in income. See Note 15 for information on fair value measurement of the securities.

Premiums and discounts of HTM and AFS securities are amortized and accreted using the interest method and are included in interest income. The objective of the interest method is to yield a constant effective rate.

The Bank evaluates its investment securities portfolio classified as AFS and HTM for other-than-temporary impairment (“OTTI”) on a quarterly basis. If the Bank intends, or will more likely than not be required, to sell a debt security in an unrealized loss position before recovery of its amortized cost basis, the Bank recognizes the excess of the amortized cost basis over the fair value immediately in income. If the Bank has the intent and the ability to hold debt securities in an unrealized loss position, the Bank performs an expected cash flow evaluation, recognizing any credit loss impairment in income and the remaining unrealized loss in other comprehensive income (loss) (“OCI”).

The evaluation of whether the Bank expects to recover the amortized cost of a security is inherently judgmental. The evaluation includes the consideration of multiple factors including: the magnitude and duration of the unrealized loss; the financial condition of the issuer; the payment structure of the security; external credit ratings; recent events specific to the issuer and the issuer’s industry; and whether the Bank has received all scheduled principal and interest payments.

For equity securities classified as AFS, the Bank evaluates whether the declines in fair value below the cost basis are considered OTTI based on the Bank’s intent and ability to hold the security until recovery of the cost of the security, the length of time fair value is below cost, the severity of the differences and the investee’s financial condition and capital strength. In the event of OTTI, the cost basis of the individual security is written down to fair value, which becomes its new cost basis, and the amount of realized loss is recorded in noninterest income.

Nonmarketable equity securities are carried at cost and included in other assets. FHLB stocks are evaluated for impairment on a quarterly basis while other nonmarketable equity securities are evaluated for impairment whenever changes in circumstances indicate that there may be impairment.

Loans held for sale

Loans that the Bank intends to sell are classified as held for sale (“HFS”) and are carried at the lower of cost or fair value. Fair value is determined on an individual loan basis and is measured primarily based on prevailing market prices for loans with similar characteristics. Except for loans originated for sale, any excess of cost over fair value upon transfer to HFS is recorded through the allowance for credit losses. For all loans held for sale, subsequent declines in fair value or recoveries of such declines are recognized as increases or decreases in a valuation allowance and are reported in noninterest income. Gains and losses upon sale are also reported in noninterest income.

Direct loan origination fees and costs on loans held for sale are deferred until the related loan is sold and recognized in noninterest income upon sale.

For consumer mortgage loans originated for sale, the Bank enters into short-term loan commitments to fund loans at specified rates and enters into forward commitments to sell those loans at specified rates. Such interest rate lock commitments to fund the loans and the commitments to sell those loans are accounted for as derivatives at fair value with subsequent changes in fair value recorded in noninterest income.

Loans and leases

Loans and direct financing leases for which the Bank has the intent and the ability to hold for the foreseeable future, or until maturity or payoff, are classified in the consolidated balance sheets as loans and leases. Loans are recorded at their outstanding principal balances, net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans and unamortized premiums or discounts on purchased loans.

Net deferred fees or costs and premiums or discounts are recognized in interest income over the contractual term of the loans, adjusted for actual prepayments, using the interest method or on a straight-line basis for revolving loans.

Interest income is accrued unless the loan or lease is placed on nonaccrual status (see Nonaccrual loans and leases below). The Bank recognizes unaccreted fees and discounts or unamortized costs and premiums on loans and leases paid in full as interest income.

Direct financing leases are carried at the aggregate of minimum lease payments receivable, estimated residual value of the leased property and unamortized initial direct costs less unearned income. Unearned income net of initial direct costs on direct financing leases is accreted over the lives of the leases to provide a constant periodic rate of return on the net investment in the lease. The Bank reviews the estimated residual values of the commercial and consumer lease properties at least annually. Reductions in net investment resulting from a decline in estimated residual value deemed to be other-than-temporary are recognized in noninterest income.

The Bank also charges other loan and lease fees consisting of delinquent payment charges and servicing fees, including fees for servicing loans sold to third parties, and recognizes such fees as noninterest income when earned.

Loan and lease portfolio composition

The Bank's loan and lease portfolio is divided into two segments, commercial and consumer, which are the same segments used by the Bank to determine the allowance for credit losses. The Bank further disaggregates its portfolio segments into various classes of loans for purposes of monitoring and assessing credit risk, as described below.

Commercial loans and leases

The Bank disaggregates the commercial loan and lease portfolio into the following classes:

- Loans to businesses for commercial, industrial and professional purposes ("Commercial & industrial");
- Loans that are secured by real estate properties ("Commercial real estate");
- Loans secured by real estate to finance land development and construction of industrial, commercial, residential or farm building ("Construction");
- Indirect and direct leases and loans to finance commercial equipment purchases ("Equipment financing");
- Loans to finance agricultural production and other loans to farmers ("Agriculture").

Consumer loans and leases

The Bank disaggregates the consumer loan and lease portfolio into the following classes:

- Consumer loans and leases such as autos, marine, recreational vehicles, personal lines of credit and credit cards ("Installments and lines");
- Closed-end loans secured by first and junior liens on 1-4 family residential properties ("Residential secured–closed-end");
- Revolving, open-end loans secured by first and junior liens on 1-4 family residential properties ("Residential secured–revolving, open-end").

Nonaccrual loans and leases

The Bank generally places a loan or lease on nonaccrual status when management believes that full and timely collection of principal or interest has become doubtful; or it is 90 days past due as to principal or interest payments based on its contractual terms, unless it is well secured and in the process of collection. The Bank determines loans to be past due if payment is not received in accordance with contractual terms.

When the Bank places a loan or lease on nonaccrual status, previously accrued but uncollected interest is reversed against interest income during the current period. For nonaccrual loans and leases where ultimate collectability of the recorded balance is presumed, the Bank generally records such payments as interest income on a cash basis. When there are doubts about the ultimate collectability of the recorded balance on a nonaccrual loan or lease, cash payments by the borrower are applied as a reduction of the principal balance, under the cost recovery method.

Nonaccrual loans and leases are generally returned to accrual status when either (1) they become current as to principal and interest, with a sustained period of repayment performance, generally six months, by the borrower and the Bank expects payment of remaining contractual principal and interest; or (2) they are both well secured and in the process of collection.

Not all impaired loans or leases are placed on nonaccrual status; for example, restructured loans that are performing under their modified terms may continue to accrue interest or may return to accrual status after the borrower demonstrates a sustained period of performance (see Allowance for credit losses and Troubled debt restructurings below).

Allowance for credit losses

The allowance for credit losses (the "Allowance") is management's estimate of probable credit losses inherent in the loan and lease portfolio, as well as unfunded credit commitments, and is maintained at a level which, in management's judgment, is adequate to absorb probable losses that have been incurred and can be reasonably estimated as of the balance sheet dates. The Allowance is increased through provisions for credit losses charged to earnings and reduced by charge-offs, net of recoveries.

The Bank determines the allocated component of the Allowance by measuring credit impairment on (1) an individual basis for nonaccrual status commercial loans above a predefined threshold and commercial and mortgage loans classified as troubled debt restructurings, and (2) on a collective basis for all other groups of loan categories with similar risk characteristics, and pools of homogeneous loans with smaller balances that are not evaluated on a case-by-case basis, such as credit card and consumer installment loans.

The Bank considers a loan to be impaired on an individual basis when, based on current information and events, it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan. The Bank measures impairment by comparing the present value of the expected future cash flows discounted at the loan's effective original interest rate with the recorded investment in the loan, except for collateral-dependent loans. For collateral-dependent loans, the Bank measures impairment by comparing the fair value of the collateral on an "as-is" basis less disposition costs with the recorded investment in the loan. On a case-by-case basis, the Bank may measure impairment based upon a loan's observable market price.

Loans that are not assessed individually for impairment are assessed on a collective basis. In 2015, the Bank enhanced the process for estimating the inherent loss in pools of loans with similar risk characteristics incorporating probability of default over a loss emergence period and the loss given default as significant inputs. Qualitative adjustments are applied to the allowance model inputs based on an analysis of portfolio-specific external factors, key performance indicators and other qualitative factors.

The unallocated component of the Allowance is maintained to capture probable losses inherent in the loan portfolios which are not reflected in the Allowance that are ascribed to our portfolio segment. While the Bank's allocated reserve methodology strives to reflect all risk factors, there may still be certain unidentified risk elements. The purpose of the unallocated reserve is to capture these factors. The relationship of the unallocated component to the total Allowance may fluctuate from period to period.

Management evaluates the adequacy of the Allowance based on the combined total of allocated and unallocated components, which considers management's ongoing review of internal risk ratings and associated trends and factors, including:

- Trends in the volume and severity of delinquent loans, nonaccrual loans, troubled debt restructurings and other loan modifications;
- Trends in the quality of risk management and loan administration practices including findings of internal and external reviews of loans and effectiveness of collection practices;
- Changes in the quality of the Bank's risk identification process and loan review system;
- Changes in lending policies and procedures including underwriting standards and collection, charge-off and recovery practices;
- Changes in the nature and volume of the loan portfolio;
- Changes in the concentration of credit and the levels of credit;
- Changes in the national and local economic business conditions, including the condition of various market segments.

The Bank also maintains a reserve for losses on unfunded loan commitments and letters of credit, which is recorded within other liabilities. The Bank measures the amount of reserve based on estimates of the probability of the ultimate funding and losses related to credit exposures that exist at the balance sheet date, similar to the methodology used for the loans and leases portfolio.

While the Bank has a formal methodology to determine the adequate and appropriate level of the allowance for credit losses, estimates of inherent loan, lease and unfunded loan commitment losses involve judgment and assumptions as to various factors, including current economic conditions. Management's determination of adequacy of the total allowance for credit losses is based on quarterly evaluations of the above factors. Accordingly, the provision for credit losses will vary from period to period based on management's ongoing assessment of the adequacy of the Allowance. See Note 5 for information on how the Bank's experience and current economic conditions have influenced management's determination of the Allowance.

Charge-off and recovery policies for loans and leases

The Bank's policy is to fully charge-off or partially charge down to net realizable value when a loan or lease is deemed to be uncollectible and all commercially reasonable means of recovering those payments have been exhausted. A commercial loan or lease that is considered to be individually impaired is charged off, partially or fully, when potential recovery of the recorded loan balance is unlikely as a result of a shortfall in collateral value or the borrower's financial difficulty. Consumer installment loans and leases are generally charged off, partially or fully, upon reaching a predetermined delinquency status that ranges from 120 to 180 days depending on the type of consumer installment loans and leases.

Recoveries of amounts on nonaccrual loans that have previously been charged off are credited to the Allowance and are generally recorded only to the extent that cash or other assets are received.

Troubled debt restructurings

In situations where for economic or legal reasons related to the borrower's financial difficulties, the Bank grants a concession to the borrower that it would not otherwise consider, the related loan is classified as a troubled debt restructuring ("TDR"). Concessions generally include modifications to the loan's terms, including, but not limited to interest rate modifications and reductions, principal and interest forgiveness, term extensions or renewals or any other action that may minimize the potential economic loss to the Bank. A loan modified in a TDR continues to be classified as a TDR unless it is paid off or is refinanced or restructured by a borrower who is no longer experiencing financial difficulty at market terms and qualifies as a new loan.

Generally, all loans modified in a TDR (including consumer loans that have been discharged in a Chapter 7 Bankruptcy) are placed or remain on nonaccrual status at the time of the restructuring. However, certain accruing loans modified in a TDR that are current at the time of restructuring may remain on accrual status if payment in full under the restructured terms is expected. Loans classified as a TDR are considered impaired loans.

Premises and equipment

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives as follows:

Premises	10 - 39 years
Furniture and equipment	3 - 20 years
Leasehold improvements	Shorter of the lease term or estimated remaining life

We periodically evaluate our long-lived assets for impairment. We perform these evaluations whenever events or changes in circumstances suggest that the carrying amount of an asset or group of assets is not recoverable. If impairment recognition criteria are met, an impairment charge is reported in noninterest expense.

Lease commitments

Lease commitments are transactions entered into by the Bank where the Bank is the lessee. Leases are classified as either a capital or an operating lease depending on the terms and conditions of the contracts. For assets accounted for as capital leases, depreciation is recorded on a straight-line basis over the period of the lease term or the estimated useful life of the asset, depending on the nature of the transaction. Lease obligations recorded under capital leases are reduced by lease payments net of imputed interest. Operating leases are contracts that do not transfer substantially all of the benefits and risks of ownership and do not meet the accounting requirements for capital lease classification. Operating lease payments are charged as rental expense on a straight-line basis over the lease term. Lease incentives received as part of the lease agreement are recognized as a reduction of rental expense on a straight-line basis over the term of the lease.

Goodwill

Goodwill is the purchase premium after adjusting for the fair value of net assets acquired. Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or when events or circumstances indicate a potential impairment, at the reporting unit level. The goodwill impairment analysis is a two-step test. The first step of the goodwill impairment test involves comparing the fair value of each reporting unit with its carrying value, including goodwill, as measured by allocated equity. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired; however, if the carrying value of the reporting unit exceeds its fair value, the second step must be performed to measure potential impairment.

The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit. An impairment loss establishes a new basis in the goodwill and subsequent reversals of goodwill impairment losses are not permitted under applicable accounting guidance.

Identifiable intangible assets

Core deposit and other identifiable intangible assets are amortized over their estimated useful lives. They are generally amortized using accelerated methods over estimated useful lives of five to fifteen years. The Bank reviews core deposit intangible assets for impairment annually or whenever events or changes in circumstances indicate that we may not recover our investment in the underlying deposits. Other finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances suggest the carrying value may not be recoverable.

The Bank incurs costs to purchase and develop computer software. The treatment of costs to purchase or develop the software depends on the nature of the costs and the stage of the project. Costs incurred in the preliminary project stage, such as the cost of performing feasibility studies and evaluating alternatives, are charged to expense. Costs for significant projects incurred from the time the preliminary project stage is complete through the time the project is substantially complete and the software is ready for its intended purpose are capitalized.

Software licenses and internal-use development software costs are amortized over their estimated useful lives of five to seven years. The Bank reviews internal-use development software costs for impairment annually or whenever changes in circumstances indicate that there may be impairment. If impairment is identified, it is measured as the amount by which the carrying basis of the asset exceeds its fair value and recognized immediately.

Other real estate owned and repossessed personal property

Other real estate owned ("OREO") and repossessed personal property are primarily comprised of properties that we acquired through foreclosure proceedings or repossession activities. Assets acquired in satisfaction of a defaulted loan are recorded at fair value less cost to sell upon acquisition. The amount by which the recorded investment in the loan exceeds the fair value (less estimated costs to sell) is charged off against the Allowance. The amount by which the fair value (less estimated costs to sell) exceeds the recorded investment in the loan is recognized first against prior charge-off (as a recovery) with any excess recognized through noninterest income. Subsequent declines in fair value and recoveries in those declines of the assets are recognized in a valuation allowance through noninterest income. Gains and losses upon sale of the foreclosed asset are reported as part of noninterest income.

Transfers and servicing of financial assets

The Bank enters into loan participations and loan sales, including originations to sell residential mortgage loans to government sponsored entities, including the Federal National Mortgage Association ("FNMA") and the Government National Mortgage Association ("GNMA") and other institutions. The Bank records these transactions as sales and derecognizes the financial assets in accordance with GAAP.

Any interests in the loans retained by the Bank in a participation are recognized by allocating the carrying amount of the loans between the participating interests sold and interests retained based on their relative fair values at the date of transfer. Gain or loss on the sale of the participating interests is based on the proceeds received and the allocated carrying amount of assets transferred.

The Bank may retain the servicing on mortgage loans sold, which are recognized as mortgage servicing rights ("MSRs") on the consolidated balance sheets within identifiable intangible assets. MSRs are initially recognized at fair value at the date of transfer as a component of the sales proceeds and are subsequently amortized and carried at the lower of cost or fair value. Fair value of MSRs is determined based on the present value of estimated future net servicing income. MSRs are amortized over the estimated period that net servicing income is expected to be received. Projections of the amount and timing of estimated future net cash flows are calculated using management's best estimates, including prepayment speeds, forward yield curves and default rates. These estimates are updated based on actual results, industry trends and other economic considerations.

The Bank periodically evaluates its MSRs for impairment by stratifying them based on predominant risk characteristics and comparing the carrying value of each strata to the estimated fair value measured using a discounted cash flow method as discussed in Note 3. Impairment is recognized through a valuation allowance and a charge to noninterest income, if it is considered to be temporary, or through a direct write-down of the asset and a charge to noninterest income, if it is considered other-than-temporary.

The Bank securitizes and services automobile loans through the use of VIEs. These loans are transferred to a securitization trust such that the assets are legally isolated from the creditors of the Bank and are not available to satisfy its obligation. These assets can only be used to settle obligations of the trust. See Note 8 for further details on the Bank's automobile securitization.

Securities purchased and sold agreements

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. Securities sold under agreements to repurchase are classified as short-term borrowings in the consolidated balance sheets. The fair value of collateral either received from or provided to a third-party is continually monitored and additional collateral is obtained or is requested to be returned to the Bank in accordance with the agreement. The Bank or a custodian holds all collateral.

Fair value

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Trading assets, securities available for sale, certain other assets and certain liabilities are recorded at fair value on a recurring basis in accordance with applicable accounting standards. The Bank may also be required to record other assets at fair value on a nonrecurring basis, such as loans held for sale and impaired loans held for investment. These nonrecurring fair value adjustments typically involve application of lower of cost or fair value accounting or write-downs of individual assets.

The Bank values its assets and liabilities based on observable market prices or inputs. If observable prices or inputs are not available, fair values are measured using unobservable inputs based on the Bank's own assumptions about what market participants would use to price the asset or liability.

Fair value measurements are classified within one of three levels in a valuation hierarchy based upon the observability of significant inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are corroborated by observable market data.
- Level 3 inputs are unobservable inputs for the asset or liability for which there is limited or no market activity at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. See Note 15 for more information regarding fair value measurements.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to the United States ("U.S.") dollar equivalent at the rate of exchange at the balance sheet dates. Transactions in foreign currencies are translated to the U.S. dollar equivalent at the rate of exchange in effect at the time of the transaction. Foreign currency gains and losses are included in the consolidated statements of income within other noninterest income in the period in which they occur.

Income taxes

The Bank's income tax filing is included in the consolidated federal income tax return filed by BancWest. The Bank also files various combined and separate company state returns according to the laws of the particular state. Federal and state income taxes are generally allocated to individual subsidiaries as if each had filed a separate return. Amounts equal to income tax benefits of those subsidiaries having taxable losses or credits are reimbursed by other subsidiaries that would have incurred current income tax liabilities.

The Bank recognizes current income tax expense in an amount which approximates the tax to be paid or refunded for the current period. The Bank recognizes deferred income tax liabilities and assets for the expected future tax consequences of events that the Bank includes in the consolidated financial statements or tax returns based on the difference between the book and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. Deferred tax assets are recognized if it is more likely than not that they will be realized. Realization is dependent on generating sufficient taxable income prior to expiration of any loss carryforwards. The Bank's net tax asset is presented as a component of other assets.

Tax benefits are recognized and measured based upon a two-step model: (1) a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized, and (2) the benefit is measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The difference between the benefit recognized and the tax benefit claimed on the return is referred to as an unrecognized tax benefit. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. Tax-related interest is recognized as a component of income tax expense. Substantially all penalties are recognized as a component of other noninterest expense. The Bank recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statements of income.

Derivative instruments and hedging activities

Derivatives are recognized on the consolidated balance sheets as other assets or other liabilities at fair value and are either designated as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge) or (3) held for trading, customer accommodation or not designated for hedge accounting ("free-standing derivative instrument").

The Bank formally documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. The Bank also formally assesses both at the inception of the hedge and on a quarterly basis, whether the derivative instruments are considered effective in offsetting changes in fair values of or cash flows related to hedged items.

For derivatives designated as fair value hedges, changes in the fair value of the derivative instrument and changes in the fair value of the related hedged asset or liability or of an unrecognized firm commitment attributable to the hedged risk are recorded in noninterest income.

For derivatives designated as a cash flow hedge, in which derivatives hedge the variability of cash flows related to floating-rate assets and liabilities or forecasted transactions, the accounting treatment depends on the effectiveness of the hedge. To the extent that the hedge is considered effective in offsetting the variability of the hedged cash flows, changes in the fair value of the derivative instrument are recorded in AOCI. These changes in fair value are subsequently reclassified into consolidated statements of income in future periods when the hedged transaction affects earnings. To the extent the derivative instruments are not effective, any changes in the fair value of derivatives are immediately recognized in noninterest income. If a hedged forecasted transaction is not expected to occur or the derivative is no longer effective or expected to be effective in offsetting changes in fair value or cash flows of a hedged item, hedge accounting is ceased.

For free-standing derivative instruments, any changes in the fair value of the derivative instruments are reported in noninterest income.

The Bank occasionally purchases or originates financial instruments that contain embedded features that may require recognition as separate derivative instruments. Such embedded derivatives are separated from the hybrid financial instruments and are carried at fair value with any changes in fair value recorded in income for the current period.

Valuations of derivative assets and liabilities reflect the value of the instrument including the values associated with counterparty risk, market risk and the Bank's own credit standing. See Note 14 for additional information.

Accounting standards adopted

The following Accounting Standard Updates ("ASU") issued by the Financial Accounting Standards Board ("FASB") became effective for the Bank's 2015 annual reporting period:

ASU 2014-01: *Investments – Equity Method and Joint Venture (Topic 323) – Accounting for Investments in Qualified Affordable Housing Projects* ("ASU 2014-01")

This accounting standard permits an entity to make an accounting policy election to use a proportionate amortization method to account for its low income housing tax credit investments if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of its investments in proportion to the tax credits and other tax benefits it receives, and presents the amortization as a component of income tax expense. The guidance also requires new disclosures about all investments in qualified affordable housing projects irrespective of the method used to account for the investment. The Bank adopted ASU 2014-01 and elected to apply the proportionate amortization method to its low income housing tax credit investments that qualify; this method did not have a material impact on the consolidated financial statements. The required disclosures are included in Note 8.

ASU 2014-04: *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40) – Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure* (“ASU 2014-04”)

This accounting standard requires an entity to reclassify consumer mortgage loans collateralized by residential real estate to OREO either when (1) the creditor obtains legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveys all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The guidance also requires new disclosures relating to loans in process of foreclosure according to local requirements of the applicable jurisdiction. The Bank adopted ASU 2014-04 and it did not have a material impact on the consolidated financial statements. The required disclosures are included in Note 4.

ASU 2014-08: *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360) – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (“ASU 2014-08”)

This accounting standard raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The Bank adopted ASU 2014-08 and it did not have a material impact on the consolidated financial statements.

ASU 2014-11: *Transfers and Servicing (Topic 860) – Repurchase-To-Maturity Transactions, Repurchase Financings and Disclosures* (“ASU 2014-11”)

This accounting standard aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as a repurchase financing with the accounting for other repurchase agreements. Under the new guidance, parties to a repurchase financing transaction will be required to separately account for the initial transfer of the financial asset and the related repurchase agreement. The initial transfer of the financial asset would be accounted for as a sale by the transferor only if all criteria for derecognition have been met. ASU 2014-11 also requires new or expanded disclosures for repurchase agreements and similar transactions accounted for as secured borrowings. The Bank adopted ASU 2014-11 and it did not have a material impact on the consolidated financial statements. The required disclosures are included in Note 11.

ASU 2014-14: *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40) – Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure* (“ASU 2014-14”)

This accounting standard requires creditors to derecognize certain foreclosed government-guaranteed mortgage loans and recognize a separate receivable that is measured at the amount the creditor expects to recover from the guarantor if the following conditions are met: (1) the loan includes a government guarantee that is inseparable from the loan prior to foreclosure; (2) the creditor plans to transfer the real estate property to the guarantor and make a claim on the guarantee and the creditor is able to recover under the guarantee at the time of foreclosure; and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. The Bank adopted ASU 2014-14 and it did not have a material impact to the consolidated financial statements.

ASU 2015-03: *Interest – Imputation of Interest – Simplifying the Presentation of Debt Issuance Costs and* ASU 2015-15*: Interest-Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements-Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting.*

The FASB issued ASU 2015-03 and ASU 2015-05 to simplify presentation of debt issuance costs. The new guidance (1) requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability consistent with debt discounts and (2) amends SEC paragraph related to a debt issuance cost associated with revolving lines of credit where these issuance costs may continue to be presented as an asset subsequent to the adoption of ASU 2015-03. The Bank has elected to adopt these ASUs in the 2015 annual reporting period. The adoption did not have a material impact on the Bank’s consolidated financial statements.

Accounting standards issued but not yet effective

The following ASUs have been issued by the FASB and are applicable to the Bank but are not yet effective:

ASU 2014-09: *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued new guidance that outlines the principles an entity must apply to measure and recognize revenue and the related cash flows on contracts with customers. This new guidance is effective for the Bank's 2019 annual reporting period and must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. Early adoption is permitted. The Bank is currently assessing the impact of adopting this new standard.

ASU 2014-15: *Presentation of Financial Statements – Going Concern (Subtopic 205-40) – Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern.*

In August 2014, the FASB issued new guidance requiring management to assess conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued. This assessment is required annually. Disclosure is required if there is substantial doubt about the entity's ability to continue as a going concern. The guidance is effective for the Bank's 2016 annual reporting period with early adoption permitted. The adoption of this guidance is not expected to have an impact on the Bank's consolidated financial statements.

ASU 2015-02: *Consolidation (Topic 810) – Amendments to the Consolidation Analysis*

In February 2015, the FASB issued new guidance that modifies the requirements of consolidation with respect to limited partnerships, entities that are similar in nature to limited partnerships or are VIEs. The amended guidance (1) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities; (2) eliminates the presumption that a general partner should consolidate a limited partnership; (3) changes the analysis related to the evaluation of servicing fees and excludes servicing fees that are deemed commensurate with the level of service required from the determination of the primary beneficiary; (4) clarifies certain consideration related to the consolidation analysis when performing a related party assessment; and (5) provides a scope exception from consolidation guidance for reporting entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Bank Act of 1940 for registered money market funds. The ASU is effective for the Bank's 2017 annual reporting period either through a full retrospective application or on a modified retrospective basis with a cumulative effect adjustment on the date of initial adoption. The Bank is currently assessing the impact of adopting this new standard.

ASU 2015-05: *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees paid in a Cloud Computing Arrangement*

In April 2015, the FASB issued amended guidance that clarifies how customers in cloud computing arrangements should determine whether the arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This ASU is effective for the Bank's 2016 annual reporting period either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Bank is currently assessing the impact of adopting this new standard.

ASU 2016-01: *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*

In January 2016, the FASB issued new guidance to help improve the recognition and measurement of financial instruments. The Bank has chosen to early adopt the provision of the ASU which eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost. The remainder of the ASU will be effective for the Bank on January 1, 2019. The Bank is currently assessing the impact of adopting this new standard.

ASU 2016-02: *Leases (Topic 842)*

In February 2016, the FASB issued new guidance that requires lessees to put certain operating leases on their balance sheet, but recognize expenses on their income statement consistent with existing accounting requirements. For lessors, the guidance modifies classification criteria and accounting for sales-type and direct financing leases. This ASU is effective for the Bank's 2020 annual reporting period. Early adoption is permitted. The Bank is currently assessing the impact of adopting this new standard.

2. Securities

The following table presents the amortized cost, gross unrealized gains, gross unrealized losses and fair values of securities:

	As of December 31,							
	2015				2014			
(dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	**$ 1,334,459**	**$ 411**	**$ (3,676)**	**$ 1,331,194**	$ 1,791,489	$ 607	$ (3,406)	$ 1,788,690
Residential mortgage-backed securities:								
Government agencies	**5,558,959**	**7,936**	**(69,478)**	**5,497,417**	3,521,329	20,733	(37,964)	3,504,098
Government sponsored agencies	**1,960,324**	**5,214**	**(37,239)**	**1,928,299**	1,882,327	11,325	(28,130)	1,865,522
Collateralized debt and loan obligations	**-**	**-**	**-**	**-**	68,208	-	(3,414)	64,794
Other asset-backed securities	**-**	**-**	**-**	**-**	14	-	-	14
Collateralized mortgage obligations:								
Government agencies	**499,397**	**98**	**(10,540)**	**488,955**	1,024,460	3,335	(10,365)	1,017,430
Government sponsored agencies	**238,947**	**56**	**(4,061)**	**234,942**	313,276	294	(4,064)	309,506
States and political subdivisions	**480,265**	**7,102**	**(1,732)**	**485,635**	493,850	9,587	(1,318)	502,119
Corporate debt securities	**-**	**-**	**-**	**-**	197,439	418	(350)	197,507
Equity securities	**6,160**	**630**	**(599)**	**6,191**	6,160	489	(485)	6,164
Total securities available for sale	**$ 10,078,511**	**$ 21,447**	**$ (127,325)**	**$ 9,972,633**	$ 9,298,552	$ 46,788	$ (89,496)	$ 9,255,844
Residential mortgage-backed securities:								
Government agencies	**$ 49,627**	**$ -**	**$ -**	**$ 49,627**	$ -	$ -	$ -	$ -
Total securities held to maturity	**$ 49,627**	**$ -**	**$ -**	**$ 49,627**	$ -	$ -	$ -	$ -

The following table presents gross realized gains and losses on available for sale securities:

	Years Ended December 31,	
(dollars in thousands)	**2015**	2014
Gross realized gains	**$ 15,812**	$ 4,904
Gross realized losses	**(2,871)**	(4,464)
Net realized gains	**$ 12,941**	$ 440

The fair value and amortized cost of debt securities available for sale and securities held to maturity as of December 31, 2015, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	Remaining Contractual Principal Maturity				
	Within 1 Year	**After 1 But Within 5 Years**	**After 5 Years But Within 10 Years**	**After 10 Years**	
(dollars in thousands)	**Amount**	**Amount**	**Amount**	**Amount**	**Total Amount**
U.S. Treasury and other U.S. Government agencies and corporations	**$ 44,208**	**$ 1,143,884**	**$ 143,072**	**$ 30**	**$ 1,331,194**
Residential mortgage-backed securities:					
Government agencies	**-**	**-**	**-**	**5,497,417**	**5,497,417**
Government sponsored agencies	**-**	**3,346**	**-**	**1,924,953**	**1,928,299**
Collateralized mortgage obligations:					
Government agencies	**-**	**-**	**52,441**	**436,514**	**488,955**
Government sponsored agencies	**-**	**-**	**-**	**234,942**	**234,942**
States and political subdivisions	**20,673**	**115,161**	**183,184**	**166,617**	**485,635**
Estimated fair value of debt securities available for sale	**$ 64,881**	**$ 1,262,391**	**$ 378,697**	**$ 8,260,473**	**$ 9,966,442**
Total amortized cost of debt securities available for sale	**$ 64,827**	**$ 1,264,958**	**$ 377,745**	**$ 8,364,821**	**$ 10,072,351**
Residential mortgage-backed securities:					
Government agencies	**$ -**	**$ -**	**$ -**	**$ 49,627**	**$ 49,627**
Estimated fair value and total amortized cost of securities held to maturity	**$ -**	**$ -**	**$ -**	**$ 49,627**	**$ 49,627**

Securities with an aggregate carrying value of $4.2 billion and $5.5 billion were pledged to secure public deposits, repurchase agreements, borrowings from the Federal Reserve Bank ("FRB"), derivative liability positions and for other purposes as of December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, there were no secured parties that had the right to repledge or resell these securities.

We held no securities of any single issuer (other than the U.S. Government and government sponsored agencies) which were in excess of 10% of consolidated stockholder's equity as of December 31, 2015 and 2014.

Securities available for sale with a continuous unrealized loss position are shown below, for periods less than 12 months and 12 months or more:

	As of December 31, 2015					
	Less Than 12 Months		**12 Months or More**		**Total**	
(dollars in thousands)	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**
U.S. Treasury and other U.S. Government agencies and corporations	**$ (3,676)**	**$ 925,181**	**$ -**	**$ -**	**$ (3,676)**	**$ 925,181**
Residential mortgage-backed securities:						
Government agencies	**(33,068)**	**3,266,819**	**(36,410)**	**1,132,797**	**(69,478)**	**4,399,616**
Government sponsored agencies	**(5,550)**	**582,303**	**(31,689)**	**696,827**	**(37,239)**	**1,279,130**
Collateralized mortgage obligations:						
Government agencies	**(482)**	**49,974**	**(10,058)**	**416,412**	**(10,540)**	**466,386**
Government sponsored agencies	**(1,031)**	**123,015**	**(3,030)**	**104,201**	**(4,061)**	**227,216**
States and political subdivisions	**(698)**	**103,771**	**(1,034)**	**46,498**	**(1,732)**	**150,269**
Equity securities	**-**	**-**	**(599)**	**5,402**	**(599)**	**5,402**
Total securities available for sale	**$ (44,505)**	**$ 5,051,063**	**$ (82,820)**	**$ 2,402,137**	**$ (127,325)**	**$ 7,453,200**

For securities held to maturity, there were no unrealized loss positions as of December 31, 2015.

	As of December 31, 2014					
	Less Than 12 Months		12 Months or More		Total	
(dollars in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ (2,979)	$ 1,378,186	$ (427)	$ 55,246	$ (3,406)	$ 1,433,432
Residential mortgage-backed securities:						
Government agencies	(2,084)	535,510	(35,880)	1,420,085	(37,964)	1,955,595
Government sponsored agencies	(971)	297,103	(27,159)	812,196	(28,130)	1,109,299
Collateralized debt and loan obligations	-	-	(3,414)	64,794	(3,414)	64,794
Collateralized mortgage obligations:						
Government agencies	(3,002)	417,641	(7,363)	372,732	(10,365)	790,373
Government sponsored agencies	(167)	101,856	(3,897)	132,831	(4,064)	234,687
States and political subdivisions	(542)	81,136	(776)	50,117	(1,318)	131,253
Corporate debt securities	(350)	97,656	-	-	(350)	97,656
Equity securities	-	-	(485)	5,515	(485)	5,515
Total securities available for sale	$ (10,095)	$ 2,909,088	$ (79,401)	$ 2,913,516	$ (89,496)	$ 5,822,604

AFS debt and equity securities in unrealized loss positions are analyzed as part of the Bank's ongoing assessment of other-than-temporary impairment ("OTTI"). For most types of debt securities, the Bank considers a decline in fair value to be other-than-temporary when the Bank does not expect to recover the entire amortized cost basis of the security. For AFS equity securities, the Bank considers a decline in fair value to be other-than-temporary if it is probable that the Bank will not recover its amortized cost basis. There were no OTTI losses within our portfolio for which a portion remained in OCI at December 31, 2015 and 2014, respectively.

Potential OTTI is considered using a variety of factors, including the length of time and extent to which the market value has been less than cost, adverse conditions specifically related to the industry, geographic area or financial condition of the issuer or underlying collateral of a security, payment structure of the security, changes to the rating of the security by a rating agency, the volatility of the fair value changes and the Bank's intent and ability to hold the security until recovery. See Note 1 for additional information.

The unrealized losses associated with our material security categories within our portfolio as shown in the tables above are primarily driven by the changes in interest rates. On a recurring basis, we evaluate for credit losses and do not have any expected losses based on our current year analysis of the underlying issuers.

3. Loan Sales and Servicing Activity

Consumer loans held for sale primarily consist of residential mortgage loans that we originate for sale to government sponsored agencies. These loans are sold to government sponsored agencies on a non-recourse basis and we retain the rights to service these loans. Periodically, we may identify certain commercial and consumer loans which we no longer intend to hold to maturity. These loans are generally sold to non-affiliated parties on a non-recourse basis; except for the loans originated for sale to government sponsored agencies, we do not have any continuing involvement in the loans after their sale.

The following table summarizes the activity for the loans held for sale:

	Years Ended December 31,			
	2015		2014	
(dollars in thousands)	**Commercial**	**Consumer**	Commercial	Consumer
Loans held for sale beginning balance	**$ -**	**$ 62,877**	$ -	$ 13,959
Loans originated for sale	**-**	**903,436**	-	432,772
Loans transferred to held for sale[1]	**16,995**	**718,034**	-	220,904
Loans sold during the year	**(16,995)**	**(1,580,660)**	-	(603,626)
Fair value adjustments	**-**	**(22,434)**	-	-
Loan payoffs and other	**-**	**(23,242)**	-	(1,132)
Loans held for sale ending balance	**$ -**	**$ 58,011**	$ -	$ 62,877
Net gains on sales of loans	**$ 2,361**	**$ 69,040**	$ -	$ 18,750

[1] Balances reflect after-transferred basis.

Net gains on sales of consumer loans include unrealized gains or losses on forward loan sale commitments and related interest rate lock commitments recorded at fair value on the consolidated balance sheets as derivative instruments.

Our consumer loan servicing activities include collecting principal, interest, tax and insurance payments from borrowers while accounting for and remitting payments to investors, taxing authorities and insurance companies. We also monitor delinquencies and administer foreclosure proceedings.

Consumer loan servicing income is recorded in noninterest income as a part of other service charges and fees and is reported net of the amortization of the servicing assets. The unpaid principal amount of consumer loans serviced for others was $4.7 billion and $4.0 billion for the years ended December 31, 2015 and 2014, respectively. Gross servicing fees, which include contractually specified fees, late charges and other ancillary fees were $15.7 million and $13.7 million for the years ended December 31, 2015 and 2014, respectively.

The following table presents the changes in MSRs using the amortization method, including the impairment valuation allowance:

(dollars in thousands)	**2015**	2014
Carrying amount, balance as of January 1,	**$ 28,741**	$ 29,747
Additions[1] :		
Assumption of servicing obligations resulting from asset transfers	**15,296**	5,736
Subtractions[1] :		
Amortization	**(9,526)**	(6,743)
Application of valuation allowance to adjust carrying values of servicing assets	**(2)**	1
Carrying amount, balance as of December 31,	**$ 34,509**	$ 28,741
Valuation allowance for servicing assets:		
Beginning as of January 1,	**$ 1**	$ 2
Provisions	**(3)**	(1)
Balance as of December 31,	**$ (2)**	$ 1

[1] The Bank did not purchase or sell any servicing obligations during the years ended December 31, 2015 and 2014. Additionally, there was no OTTI recorded and no other changes that affected the balance during the years ended December 31, 2015 and 2014.

The MSR assets are stratified based on predominant risk characteristics such as loan category or maturity and interest rate for purposes of determining impairment. Each stratum is evaluated to determine if the amortized cost basis of the MSR exceeds its fair value. The fair value of each stratum is measured using a discounted cash flow model by projecting the expected cash flows for each strata based upon assumptions for estimated servicing income and expense and discounting them to a net present value. Within the fair value hierarchy, the MSR assets are classified as Level 3, as the model used to determine the fair value incorporates use of significant unobservable inputs. These inputs reflect assumptions that market participants use in estimating future net servicing income such as future prepayment speeds, discount rate, cost to service the assets including expected delinquency and foreclosure related costs, escrow account earnings, contractual servicing fee income, late fees and other ancillary income. The model is operated and maintained by a third-party service provider. The Bank reviews the valuation assumptions against market data for reasonableness. Additionally, the Bank has a Secondary Marketing Committee ("SMC") comprised of key members of management from National Finance Group, Market Risk and Treasury. The SMC is responsible for reviewing changes in valuation results from the third-party service provider on a monthly basis. The fair value of MSRs is sensitive to changes in projected interest rates and their effect on prepayment speeds. MSRs typically decrease in value when interest rates decline as the declining interest rates tend to increase prepayments which reduce the expected average life of the net servicing cash flows that comprise the MSR asset. Conversely, during periods of rising interest rates, the value of MSRs generally increases due to reduced prepayment rates.

The following table presents fair value of the MSRs**:**

(dollars in thousands)	**2015**	2014
Balance as of January 1,	**$ 36,694**	$ 38,742
Balance as of December 31,	**44,474**	36,694

The following table presents the quantitative assumptions used in determining the lower of cost or fair value of the Bank's MSRs as of December 31:

	2015		2014	
	Range	**Weighted-Average**	Range	Weighted-Average
Conditional prepayment rate	**7.09% – 15.86%**	**9.28%**	5.80% – 12.17%	9.62%
Life in years (of the MSR)	**3.56 – 9.11**	**7.32**	3.72 – 10.14	7.19
Weighted-average coupon rate	**2.88% – 4.63%**	**3.83%**	2.88% – 4.78%	4.11%
Discount rate	**9.50% – 11.84%**	**9.74%**	9.50% – 9.91%	9.50%

In addition to loans originated for sale and certain loans which we no longer intend to hold to maturity, the Bank sells participating interests in certain commercial loans to other financial institutions. The Bank continues to maintain the servicing relationship with borrowers for the entire loan and receives a nominal fee from these borrowers to cover the costs of servicing activities. As of December 31, 2015 and 2014, the Bank recognized $230.7 million and $334.3 million (net of charge-offs), respectively, as its retained interest in the unpaid principal balance of the loans. The unpaid principal balance of loans sold as participating interests as of December 31, 2015 and 2014 was $240.7 million and $319.7 million, respectively. As the Bank sold the participating interests concurrently with the loan origination, there was no difference between the fair value and carrying amount of the loans transferred and therefore no gain or loss on sale was recognized for the years ended December 31, 2015 and 2014.

4. Loans and Leases

The following table presents the outstanding balances for loans and leases by portfolio segment:

	As of December 31,	
(dollars in thousands)	**2015**	2014
Commercial:		
Commercial and industrial	**$ 10,913,925**	$ 8,554,842
Commercial real estate	**13,488,410**	11,981,922
Construction	**1,570,774**	1,364,373
Equipment financing[(1)]	**1,953,467**	3,749,650
Agriculture	**2,654,432**	2,272,064
Consumer:		
Installments and lines	**15,097,944**	13,880,924
Residential secured–closed-end	**6,342,428**	6,760,885
Residential secured–revolving, open-end	**2,445,194**	2,256,706
Total loans and leases	**$ 54,466,574**	$ 50,821,366

[(1)] Includes equipment loans of $1.9 billion as of December 31, 2014, which were subsequently reclassified to Commercial and industrial in 2015.

Outstanding balances of loans and leases net of unearned income, including net deferred loan fees, as of December 31, 2015 and 2014 were $188.3 million and $226.0 million, respectively.

Loans totaling $36.3 billion and $34.3 billion were pledged to collateralize the Bank's borrowing capacity at the FRB and FHLB as of December 31, 2015 and 2014, respectively.

The Bank's carrying amount of foreclosed residential real estate properties held at December 31, 2015 and 2014, as a result of obtaining physical possession, was $5.5 million and $6.1 million, respectively.

The Bank's recorded investment in consumer mortgage loans secured by residential real estate properties, for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction, was $20.0 million and $39.7 million as of December 31, 2015 and 2014, respectively.

A significant portion of our loan and lease portfolio is located in California, which represented approximately 43% of total loans and leases as of December 31, 2015. No other states have a significant portion of our portfolio. The risk inherent in our loan and lease portfolio is dependent upon the economic stability of this state, which affects property values, and the financial well-being and creditworthiness of the borrowers.

Our leasing activities consist primarily of leasing commercial equipment and automobiles. Generally, lessees are responsible for all maintenance, taxes and insurance on the leased property.

The following table presents details of the Bank's net investment in financing leases, which includes equipment and consumer leases:

	As of December 31,	
(dollars in thousands)	**2015**	2014
Total minimum lease payments to be received	**$ 1,928,150**	$ 1,815,513
Estimated residual values of leased property	**271,450**	248,314
Less: Unearned income	**142,749**	135,304
Net investment in financing leases[1]	**$ 2,056,851**	$ 1,928,523

[1] Includes auto leases of $103.4 million and $100.0 million as of December 31, 2015 and 2014.

Minimum lease receivables for the five succeeding years and thereafter as of December 31, 2015 were as follows:

(dollars in thousands)	
2016	**$ 704,759**
2017	**559,640**
2018	**393,217**
2019	**263,445**
2020	**138,386**
2021 and thereafter	**140,153**
Gross minimum payments	**2,199,600**
Less: Unearned income	**142,749**
Net minimum lease receivables	**$ 2,056,851**

In the normal course of business, the Bank makes loans to executive officers and directors of the Bank and to entities and individuals affiliated with those executive officers and directors. The aggregate amount of all such extensions of credit was $5.7 million and $3.1 million as of December 31, 2015 and 2014, respectively. Such loans are made on terms no less favorable to the Bank than those prevailing at the time for comparable transactions with other persons, or in the case of certain residential real estate loans, on terms that were widely available to employees of the Bank who were not directors or executive officers.

Credit quality

We monitor credit quality by evaluating various attributes and utilize such information in our evaluation of the adequacy of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor.

Commercial credit quality indicators

The Bank assesses the credit quality of its commercial loans and leases with an internal credit risk grading system using a ten-point credit risk scale and categorizes the loans and leases consistent with industry guidelines in the following grades: pass, special mention and classified.

Risk grades one through six, Pass grades, represent loans with strong to acceptable credit quality where the loan is protected by adequate collateral and the borrower is not facing financial difficulties. Risk grade seven, Special Mention grade, represents loans with borrowers that have potential credit weaknesses, which, if not checked or corrected, will weaken the Bank's repayment prospects. Risk grades eight through ten, Classified grades, represent loans characterized by the distinct possibility that the Bank will sustain partial or entire loss. In particular, risk grade eight represents borrowers who have a well-defined weakness but no loss in principal balance is currently anticipated. Risk grade nine represents loans with doubtful borrowers but partial loss is probable based on facts existing at the time of assessment. Risk grade ten represents loans with borrowers who are incapable of repayment or loans that are considered uncollectable and are therefore charged off. All loans in risk grades nine and ten and certain loans in risk grade eight that are on nonaccrual status are considered impaired loans. Risk grades of commercial loans are reviewed on an ongoing basis and upon a credit event.

The following tables present the credit quality of each class of commercial loans and leases based on our internal risk grading system:

	As of December 31, 2015			
(dollars in thousands)	**Pass**	**Special Mention**	**Classified**	**Total**
Commercial and industrial	**$ 10,494,166**	**$ 278,369**	**$ 141,390**	**$ 10,913,925**
Commercial real estate	**12,982,048**	**296,534**	**209,828**	**13,488,410**
Construction	**1,484,350**	**60,162**	**26,262**	**1,570,774**
Equipment financing	**1,857,609**	**62,831**	**33,027**	**1,953,467**
Agriculture	**2,567,872**	**27,202**	**59,358**	**2,654,432**
Total commercial	**$ 29,386,045**	**$ 725,098**	**$ 469,865**	**$ 30,581,008**

	As of December 31, 2014			
(dollars in thousands)	Pass	Special Mention	Classified	Total
Commercial and industrial	$ 8,317,786	$ 123,722	$ 113,334	$ 8,554,842
Commercial real estate	11,364,971	303,241	313,710	11,981,922
Construction	1,264,856	35,963	63,554	1,364,373
Equipment financing[(1)]	3,700,818	24,201	24,631	3,749,650
Agriculture	2,080,922	156,760	34,382	2,272,064
Total commercial	$ 26,729,353	$ 643,887	$ 549,611	$ 27,922,851

[(1)] Includes equipment loans of $1.9 billion as of December 31, 2014, which were subsequently reclassified to Commercial and industrial in 2015.

Consumer credit quality indicators

Consumer loans are assessed for credit quality by delinquency status and are placed into one of two categories. The Current category, which includes borrowers who are current in their payments in accordance with their contractual terms and the Past Due category, which includes borrowers who have missed one or more payments and are past due 30 days or more.

The following table represents the credit quality of each class of consumer loans and leases based on delinquency status:

(dollars in thousands)	**Residential Secured–Closed-End**	**Residential Secured–Revolving, Open-End**	**Installments and Lines**	**Total**
As of December 31, 2015:				
Current[(1)]	**$ 6,265,652**	**$ 2,419,983**	**$ 14,974,666**	**$ 23,660,301**
Past due	**76,776**	**25,211**	**123,278**	**225,265**
Total	**$ 6,342,428**	**$ 2,445,194**	**$ 15,097,944**	**$ 23,885,566**
As of December 31, 2014:				
Current[(1)]	$ 6,622,632	$ 2,231,308	$ 13,781,884	$ 22,635,824
Past due	138,253	25,398	99,040	262,691
Total	$ 6,760,885	$ 2,256,706	$ 13,880,924	$ 22,898,515

[(1)] Includes loans that are contractually current but on nonaccrual status.

5. Allowance for Credit Losses

The allowance for credit losses reflects management's estimate of credit losses inherent in the loan and lease portfolio and reserve for unfunded lending commitments. We consider the allowance for credit losses at the end of 2015 to be adequate to cover such losses.

Changes in the allowance for credit losses were:

(dollars in thousands)	December 31, **2015**	2014
Balance as of January 1,	**$ 645,597**	$ 671,735
Provision for credit losses	**77,972**	64,455
Charge-offs:		
Commercial:		
Commercial and industrial	**(42,766)**	(49,544)
Commercial real estate	**(7,033)**	(10,901)
Construction	**-**	(101)
Equipment financing	**(19,622)**	(7,855)
Agriculture	**(2,657)**	(5,578)
Total commercial	**(72,078)**	(73,979)
Consumer:		
Installments and lines	**(73,451)**	(76,116)
Residential secured–closed-end	**(26,869)**	(11,231)
Residential secured–revolving, open-end	**(1,863)**	(3,311)
Total consumer	**(102,183)**	(90,658)
Total charge-offs	**(174,261)**	(164,637)
Recoveries:		
Commercial:		
Commercial and industrial	**24,031**	14,966
Commercial real estate	**13,496**	10,638
Construction	**1,669**	2,970
Equipment financing	**9,042**	7,867
Agriculture	**5,287**	1,201
Total commercial	**53,525**	37,642
Consumer:		
Installments and lines	**23,513**	29,795
Residential secured–closed-end	**6,271**	4,869
Residential secured–revolving, open-end	**1,914**	1,738
Total consumer	**31,698**	36,402
Total recoveries	**85,223**	74,044
Net charge-offs	**(89,038)**	(90,593)
Balance as of December 31,	**$ 634,531**	$ 645,597
Components:		
Allocated loans and leases	**$ 524,543**	$ 536,305
Unallocated loans and leases	**60,000**	65,000
Total allowance for loans and leases	**584,543**	601,305
Reserve for unfunded commitments	**49,988**	44,292
Allowance for credit losses	**$ 634,531**	$ 645,597

The following table summarizes the activity in the allowance for loan and lease losses by commercial and consumer portfolio segments:

	Year Ended December 31, 2015			
(dollars in thousands)	**Commercial**	**Consumer**	**Unallocated**	**Total**
Balance as of January 1,	**$ 312,504**	**$ 223,801**	**$ 65,000**	**$ 601,305**
Provision for loan and lease losses	**47,520**	**29,756**	**(5,000)**	**72,276**
Charge-offs	**(72,078)**	**(102,183)**	**-**	**(174,261)**
Recoveries	**53,525**	**31,698**	**-**	**85,223**
Net charge-offs	**(18,553)**	**(70,485)**	**-**	**(89,038)**
Balance as of December 31,	**$ 341,471**	**$ 183,072**	**$ 60,000**	**$ 584,543**

	Year Ended December 31, 2014			
(dollars in thousands)	Commercial	Consumer	Unallocated	Total
Balance as of January 1,	$ 279,815	$ 309,758	$ 45,000	$ 634,573
Provision for loan and lease losses	69,026	(31,701)	20,000	57,325
Charge-offs	(73,979)	(90,658)	-	(164,637)
Recoveries	37,642	36,402	-	74,044
Net charge-offs	(36,337)	(54,256)	-	(90,593)
Balance as of December 31,	$ 312,504	$ 223,801	$ 65,000	$ 601,305

The following table disaggregates our allocated component of the allowance for loan and lease losses and recorded investment in loans by impairment methodology:

	As of December 31, 2015					
	Allocated Allowance for Loan and Lease Losses			**Recorded Investment in Loans**		
(dollars in thousands)	**Commercial**	**Consumer**	**Total**	**Commercial**	**Consumer**	**Total**
Collectively evaluated	**$ 340,246**	**$ 181,374**	**$ 521,620**	**$ 30,395,860**	**$ 23,802,258**	**$ 54,198,118**
Individually evaluated	**1,225**	**1,698**	**2,923**	**185,148**	**83,308**	**268,456**
Total	**$ 341,471**	**$ 183,072**	**$ 524,543**	**$ 30,581,008**	**$ 23,885,566**	**$ 54,466,574**

	As of December 31, 2014					
	Allocated Allowance for Loan and Lease Losses			Recorded Investment in Loans		
(dollars in thousands)	Commercial	Consumer	Total	Commercial	Consumer	Total
Collectively evaluated	$ 311,553	$ 197,137	$ 508,690	$ 27,755,572	$ 22,568,818	$ 50,324,390
Individually evaluated	951	26,664	27,615	167,279	329,697	496,976
Total	$ 312,504	$ 223,801	$ 536,305	$ 27,922,851	$ 22,898,515	$ 50,821,366

The Bank's total allowance for credit losses decreased compared to the prior year, reflecting continued improvements in the current economic conditions for most sectors. Future allowance levels will be impacted by a variety of factors, including portfolio growth and performance, as well as general economic conditions.

Impaired loans and leases

The following tables present information related to impaired loans and leases that are individually evaluated:

	As of December 31, 2015						
	Commercial Product						**Consumer Product**
(dollars in thousands)	**Commercial & Industrial**	**Commercial Real Estate**	**Construction**	**Equipment Financing**	**Agriculture**	**Total**	**Residential Secured—Closed-End**
Recorded investment in impaired loans and leases:							
Impaired loans and leases with related allowance	**$ 28,000**	**$ 27,124**	**$ 10,142**	**$ 2,778**	**$ -**	**$ 68,044**	**$ 20,175**
Impaired loans and leases with no related allowance	**38,286**	**17,626**	**28,393**	**-**	**32,799**	**117,104**	**63,133**
Total impaired loans and leases	**$ 66,286**	**$ 44,750**	**$ 38,535**	**$ 2,778**	**$ 32,799**	**$ 185,148**	**$ 83,308**
Allowance for loan and lease losses on impaired loans and leases	**$ 17**	**$ 489**	**$ 168**	**$ 551**	**$ -**	**$ 1,225**	**$ 1,698**
Total unpaid principal balance	**72,245**	**45,640**	**52,192**	**2,778**	**33,680**	**206,535**	**101,463**
Average recorded investment in impaired loans and leases	**42,787**	**49,400**	**48,386**	**4,882**	**15,196**	**160,651**	**246,143**

	As of December 31, 2014						
	Commercial Product						Consumer Product
(dollars in thousands)	Commercial & Industrial	Commercial Real Estate	Construction	Equipment Financing	Agriculture	Total	Residential Secured—Closed-End
Recorded investment in impaired loans and leases:							
Impaired loans and leases with related allowance	$ 6,040	$ 26,869	$ 30,035	$ -	$ -	$ 62,944	$ 188,220
Impaired loans and leases with no related allowance	7,441	36,281	47,432	-	13,181	104,335	141,477
Total impaired loans and leases	$ 13,481	$ 63,150	$ 77,467	$ -	$ 13,181	$ 167,279	$ 329,697
Allowance for loan and lease losses on impaired loans and leases	$ 226	$ 290	$ 435	$ -	$ -	$ 951	$ 26,664
Total unpaid principal balance	20,219	71,135	90,188	-	28,754	210,296	366,683
Average recorded investment in impaired loans and leases	52,665	132,608	67,169	1,525	52,496	306,463	332,154

Impaired loans without a related allowance for credit losses are generally collateralized by assets with fair values (on an "as-is" basis) in excess of the recorded investment in the loans. For commercial loans, payments on impaired loans are generally applied to reduce the outstanding principal balance of such loans. For residential loans, payments on impaired loans are accounted for according to the cash method where interest income is recognized only as it is collected. Interest income recognized on impaired loans was $0.6 million and $1.3 million for the commercial portfolio as of December 31, 2015 and 2014, respectively. Interest income recognized on impaired loans was $16.4 million and $16.7 million for the consumer portfolio as of December 31, 2015 and 2014, respectively.

Troubled debt restructurings

In situations where the borrower has financial difficulties due to economic or legal reasons, the Bank grants a concession to the borrower that it would not otherwise consider, the related loan is classified as a TDR. For the commercial loan portfolio, concessions granted by the Bank generally include term extensions, renewals, forbearances of principal and interest payments and interest rate modifications for each of the classes shown below. Such loans are considered for individually evaluated impairment if they meet certain thresholds. In addition, for smaller balance nonperforming loans, we may use third-party collection agencies who generally enter into payment or settlement arrangements with the borrowers in order to protect as much of the Bank's investment in the loan as possible. For our consumer loan portfolio, concessions generally include term extensions, interest rate changes, payment deferrals and temporary payment reductions. TDRs not individually evaluated are incorporated into a collectively evaluated allowance on a qualitative basis. The Bank had $24.1 million and $23.7 million of commitments to lend additional funds and letters of credit to customers whose troubled debt has been restructured as of December 31, 2015 and 2014, respectively.

The following tables provide a summary of the financial effects of the modifications during the years ended December 31, 2015 and 2014. In addition, the tables provide the related outstanding balance, as well as a summary of loans outstanding at December 31, 2015 and 2014 modified as TDRs within the previous 12 months for which there was a subsequent payment default during the period. A payment default is defined as 90 days past due for the commercial portfolio and 60 days past due for the consumer portfolio.

	2015				
	Financial Effects			**Subsequent Defaults[1]**	
(dollars in thousands)	**Pre-Modification Loan Balance**	**Post-Modification Loan Balance**	**Balance as of December 31, 2015**	**Number of Contracts**	**Balance as of December 31, 2015**
Commercial TDRs:					
Commercial and industrial	**$ 23,254**	**$ 23,197**	**$ 11,502**	**31**	**$ 50**
Commercial real estate	**37,311**	**37,232**	**27,080**	**2**	**469**
Construction	**-**	**-**	**-**	**-**	**-**
Agriculture	**7,773**	**7,119**	**5,830**	**-**	**-**
Consumer TDRs:					
Installments and lines	**12,809**	**10,109**	**9,146**	**24**	**429**
Residential secured—closed-end	**13,175**	**13,722**	**12,669**	**17**	**3,228**
Residential secured—revolving, open-end	**18,115**	**17,524**	**17,193**	**21**	**1,300**
Total	**$ 112,437**	**$ 108,903**	**$ 83,420**	**95**	**$ 5,476**

[1] Subsequent defaults exclude commercial loans for which we forbore our rights to take legal action in relation to past due payments.

	2014				
	Financial Effects			Subsequent Defaults[1]	
(dollars in thousands)	Pre-Modification Loan Balance	Post-Modification Loan Balance	Balance as of December 31, 2014	Number of Contracts	Balance as of December 31, 2014
Commercial TDRs:					
Commercial and industrial	$ 46,308	$ 47,116	$ 19,484	88	$ 7,558
Commercial real estate	51,643	46,424	34,366	6	7,695
Construction	26,921	31,179	30,035	-	-
Agriculture	36,037	32,532	12,295	2	2,404
Consumer TDRs:					
Installments and lines	13,191	8,769	7,844	26	268
Residential secured—closed-end	52,553	57,706	53,414	64	8,713
Residential secured—revolving, open-end	8,211	7,689	7,502	11	352
Total	$ 234,864	$ 231,415	$ 164,940	197	$ 26,990

[1] Subsequent defaults exclude commercial loans for which we forbore our rights to take legal action in relation to past due payments.

Nonaccrual and past due loans and leases

The following tables present information relating to the past due and nonaccrual status of our loans and leases by class, which we monitor as part of our credit risk management practices:

	As of December 31, 2015					
(dollars in thousands)	**Current[(1)]**	**30 - 89 Days Past Due[(1)]**	**90 Days or More Past Due[(1)]**	**Total Loans and Leases[(1)]**	**Loans and Leases on Nonaccrual Status**	**Past Due 90 Days or More but Still Accruing**
Commercial:						
Commercial and industrial	**$ 10,871,052**	**$ 25,490**	**$ 17,383**	**$ 10,913,925**	**$ 90,319**	**$ 859**
Commercial real estate	**13,442,091**	**23,718**	**22,601**	**13,488,410**	**72,658**	**53**
Construction	**1,563,108**	**5,357**	**2,309**	**1,570,774**	**8,972**	**-**
Equipment financing	**1,946,292**	**4,966**	**2,209**	**1,953,467**	**10,325**	**-**
Agriculture	**2,642,070**	**2,648**	**9,714**	**2,654,432**	**43,587**	**-**
Consumer:						
Installments and lines	**14,974,666**	**114,833**	**8,445**	**15,097,944**	**16,297**	**-**
Residential secured—closed-end	**6,265,652**	**41,381**	**35,395**	**6,342,428**	**50,811**	**-**
Residential secured—revolving, open-end	**2,419,983**	**15,474**	**9,737**	**2,445,194**	**19,717**	**-**
Total	**$ 54,124,914**	**$ 233,867**	**$ 107,793**	**$ 54,466,574**	**$ 312,686**	**$ 912**

(1) Includes both accruing and nonaccruing balances.

	As of December 31, 2014					
(dollars in thousands)	Current[(1)]	30 - 89 Days Past Due[(1)]	90 Days or More Past Due[(1)]	Total Loans and Leases[(1)]	Loans and Leases on Nonaccrual Status	Past Due 90 Days or More but Still Accruing
Commercial:						
Commercial and industrial	$ 8,512,567	$ 18,786	$ 23,489	$ 8,554,842	$ 47,810	$ 1,351
Commercial real estate	11,905,793	29,719	46,410	11,981,922	112,023	413
Construction	1,354,714	5,762	3,897	1,364,373	13,444	-
Equipment financing[(2)]	3,734,842	9,134	5,674	3,749,650	10,004	-
Agriculture	2,256,422	-	15,642	2,272,064	20,464	-
Consumer:						
Installments and lines	13,781,884	92,102	6,938	13,880,924	15,228	-
Residential secured—closed-end	6,622,632	71,814	66,439	6,760,885	118,597	255
Residential secured—revolving, open-end	2,231,308	13,603	11,795	2,256,706	19,868	-
Total	$ 50,400,162	$ 240,920	$ 180,284	$ 50,821,366	$ 357,438	$ 2,019

(1) Includes both accruing and nonaccruing balances.
(2) Includes equipment loans of $1.9 billion as of December 31, 2014, which were subsequently reclassified to Commercial and industrial in 2015.

6. Premises and Equipment

Premises and equipment were comprised of the following:

	As of December 31,	
(dollars in thousands)	**2015**	2014
Premises[(1)]	**$ 500,927**	$ 505,280
Leasehold improvements	**184,432**	182,149
Equipment[(1)]	**278,444**	281,624
Total premises and equipment	**963,803**	969,053
Less: Accumulated depreciation and amortization	**578,251**	570,372
Net book value	**$ 385,552**	$ 398,681

(1) Includes in process premises and equipment not subject to depreciation of $15.9 million and $8.2 million as of December 31, 2015 and 2014, respectively.

The following table presents rental expense net of rental income, depreciation and amortization related to premises and equipment:

(dollars in thousands)	**2015**	2014
Net rental expense	**$ 70,434**	$ 73,661
Depreciation and amortization of premises and equipment	**52,409**	52,228

The Bank has obligations under a number of capital and non-cancelable operating leases for premises and equipment. The remaining lease terms are up to 47 years, and many provide for periodic adjustment of rentals based on changes in various economic indicators. Certain leases include renewal options, with the longest up to 56 years. Under the premises leases, we are also required to pay real property taxes, insurance and maintenance.

The following table shows future minimum payments under leases with terms in excess of one year, excluding future renewal options:

	As of December 31, 2015			
(dollars in thousands)	**Capital Leases**	**Operating Leases**	**Less Sublease Income**	**Net Lease Payments**
2016	**$ 1,920**	**$ 72,828**	**$ 4,176**	**$ 70,572**
2017	**1,940**	**67,059**	**2,900**	**66,099**
2018	**1,957**	**57,260**	**2,085**	**57,132**
2019	**2,054**	**49,529**	**1,143**	**50,440**
2020	**2,020**	**43,118**	**531**	**44,607**
2021 and thereafter	**11,739**	**133,807**	**409**	**145,137**
Total minimum payments	**$ 21,630**	**$ 423,601**	**$ 11,244**	**$ 433,987**
Less: Interest on capital leases	**8,485**			
Present value of net minimum lease payments on capital leases(1)	**$ 13,145**			

(1) Excludes purchase accounting adjustments of $3.5 million.

7. Goodwill and Identifiable Intangible Assets

The Bank has $4.2 billion in goodwill from acquisitions prior to 2014. Goodwill is allocated to the Retail and Commercial reporting units. We assess goodwill for impairment on an annual basis. No impairment of goodwill was recognized in 2015 and 2014. Goodwill decreased by $11 million as a result of the sale of BWIA in August 2015.

The following table presents our finite-lived intangible assets:

(dollars in thousands)	**Gross Carrying Amount**	**Less Accumulated Amortization**	**Net Book Value**
Balance as of December 31, 2015:			
Core deposits(1)	**$ 195,059**	**$ 176,049**	**$ 19,010**
Software(2)	**412,996**	**226,746**	**186,250**
MSRs and other	**80,126**	**45,430**	**34,696**
Total	**688,181**	**448,225**	**239,956**
Balance as of December 31, 2014:			
Core deposits(1)	195,059	163,532	31,527
Software(2)	330,200	194,533	135,667
MSRs and other	85,539	49,523	36,016
Total	$ 610,798	$ 407,588	$ 203,210

(1) Does not include fully amortized assets.

(2) Includes in process software not subject to amortization of $86.8 million and $57.6 million as of December 31, 2015 and 2014, respectively.

Intangible amortization expense included in noninterest expense was $49.0 million and $42.1 million for the years ended December 31, 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014, the Bank's review did not result in any material impairment. See Note 3 for valuation allowance related to MSRs.

The table below presents the estimated future annual amortization expense for finite-lived intangible assets for the years ending December 31:

(dollars in thousands)	Core Deposits	Software	MSRs and Other	Total
2016	**$ 12,498**	**$ 33,920**	**$ 5,526**	**$ 51,944**
2017	**6,392**	**28,692**	**4,804**	**39,888**
2018	**58**	**21,229**	**4,032**	**25,319**
2019	**39**	**12,526**	**3,424**	**15,989**
2020	**20**	**4,060**	**2,907**	**6,987**

8. Variable Interest Entities

A VIE is an entity that has either a total equity investment that is insufficient to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities. Under existing accounting guidance, a VIE is consolidated by its primary beneficiary, the party that has both the power to direct the activities that most significantly impact the economic performance of the VIE and holds a variable interest that could potentially be significant to the VIE.

The Bank evaluates whether an entity is a VIE upon its creation and upon the occurrence of significant events, such as a change in an entity's assets or activities. The determination of whether the Bank is the primary beneficiary involves performing a qualitative analysis of the VIE. The analysis includes its design, capital structure, contractual terms including the rights of each variable interest holder, the activities of the VIE that most significantly impact its economic performance, and whether the Bank has the power to direct those activities and our obligation to absorb losses or the right to receive benefits significant to the VIE.

Limited liability companies

The Bank has formed CLAAS Financial Services, LLC with the purpose of providing lease and loan financing to commercial entities acquiring agricultural equipment. The Bank owns 51% interest in the LLC and has the obligation to absorb losses that could be potentially significant to this LLC. The Bank also has the power to direct key activities of this LLC that significantly drive its performance through control of the Board of Directors. The Bank is the primary beneficiary of this LLC, and it is consolidated in our consolidated financial statements.

In addition to the investment in CLAAS Financial Services, LLC, the Bank has investments in limited liability companies ("LLCs") for the purpose of managing foreclosed properties seized to mitigate losses to the Bank and its partners by selling the collateral. As of December 31, 2015, these LLCs had nominal assets.

Securitization trusts

In November 2014 and May 2015, the Bank securitized an aggregate amount of $1.5 billion in automobile loans by transferring them to trusts and then issuing securities collateralized by those loans to investors. The automobile loans included in the Consumer Installments and lines portfolio segment, along with cash, were pledged as collateral and totaled $982.1 million and $671.5 million as of December 31, 2015 and 2014, respectively. The Bank continues to maintain the servicing relationship with the borrowers in exchange for a fee. Certain securities issued by the trust are retained by the Bank, which are subordinate to the securities issued to investors. Other than the credit protection afforded by the subordinated securities, the holders of the senior securities have no other recourse to the Bank.

The securitization trusts are determined to be a VIE. The Bank is the primary beneficiary as it holds significant variable interests and continues to service all of the loans, it has the power to direct the activities that most significantly impact the economic performance of the trust and could absorb credit losses that could potentially be significant to the trust. As the primary beneficiary, the assets and liabilities of the trust have been reflected in our consolidated financial statements. The securitized loans continue to be recorded as loans and the obligation to remit certain cash flows collected from the borrowers to the holders of the securities issued to investors was recorded as a secured borrowing and included in long-term debt. As such, no separate servicing asset has been recorded.

Tax credit investments

The Bank owns several limited partnership interests in low-income housing developments in conjunction with the Community Reinvestment Act. The Bank is not the primary beneficiary of these entities and in most instances, the Bank is one of many limited partners and our interest in the partnerships may decrease as new limited partners are added. Limited partners do not participate in the control of the partnerships' businesses. The general partners, which are either developers or nonprofit organizations, exercise the day-to-day control and management of the projects. The general partners have exclusive control over the partnerships' businesses and have all of the rights, powers and authority, generally conferred by law, advisable or consistent with accomplishing the partnerships' businesses. As a limited partner, the Bank does not have an active role in any of the partnerships; our involvement is limited to providing financial support, as stated within the contractual agreements and, therefore we are not the primary beneficiary.

The business purpose of these entities is to provide affordable housing within the Bank's service area in return for tax credits and tax loss deductions. The Bank has not received additional income or incurred additional expenses as a result of our involvement with these entities. As we are a limited partner, our maximum exposure to loss will never exceed our total investment in these entities, including our subscription amount. In the unlikely event that the general partners do not adhere to their contractual obligations to provide financial support to low-income housing, the Bank may be subject to tax credit recapture rules and would record income or expense related to the project, including recognition of a gain or loss on the disposition or termination of its partnership interest. Bargain purchase options are available for the general partners to purchase the Bank's portion of interests in the limited partnerships.

As described in Note 1, effective January 1, 2015 the Bank adopted amended guidance on the accounting for investments in qualified affordable housing projects, whereby the Bank's recorded investment is amortized to income tax expense in the consolidated statements of income in proportion to the tax credits and other tax benefits received. The Bank recognized amortization of $42.5 million and tax credits of $41.2 million in 2015 and amortization of $34.6 million and tax credits of $31.6 million in 2014. Amortization and tax credits associated with these investments in qualified affordable housing projects were recognized within income tax expense.

Consolidated VIEs

The following table presents information on assets and liabilities of the consolidated VIEs:

	As of December 31, 2015		
(dollars in thousands)	**Securitization Trusts**	**Other Consolidated VIEs**	**Total**
Assets			
Cash and due from banks	**$ 44,270**	**$ -**	**$ 44,270**
Net loans and leases	**939,718**	**361,109**	**1,300,827**
Other assets	**2,293**	**527**	**2,820**
Total assets	**$ 986,281**	**$ 361,636**	**$ 1,347,917**
Liabilities			
Long-term debt	**$ 872,734**	**$ -**	**$ 872,734**
Other liabilities	**436**	**2,472**	**2,908**
Total liabilities	**$ 873,170**	**$ 2,472**	**$ 875,642**

	As of December 31, 2014		
(dollars in thousands)	Securitization Trusts	Other Consolidated VIEs	Total
Assets			
Cash and due from banks	$ 31,264	$ -	$ 31,264
Net loans and leases	684,925	357,966	1,042,891
Other assets	1,295	194	1,489
Total assets	$ 717,484	$ 358,160	$ 1,075,644
Liabilities			
Long-term debt	$ 656,726	$ 1,600	$ 658,326
Other liabilities	249	784	1,033
Total liabilities	$ 656,975	$ 2,384	$ 659,359

The assets of the VIEs consolidated by the Bank can only be used to settle the liabilities of the VIEs. The creditors of these VIEs do not have any recourse to assets of the Bank.

Unconsolidated VIEs

The following table presents the carrying amount of assets, liabilities and our maximum exposure to loss related to the Bank's unconsolidated VIEs in the consolidated balance sheets:

(dollars in thousands)	**Total Assets**[1]	**Total Liabilities**[1]	**Maximum Exposure to Loss**
December 31, 2015			
Tax credit investments	**$ 367,776**	**$ 167,546**	**$ 621,386**
December 31, 2014			
Tax credit investments	$ 277,998	$ 111,543	$ 489,110

[1] Reported in other assets or other liabilities.

9. Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. If the Bank fails to meet minimum capital requirements, these agencies can initiate certain discretionary and mandatory actions. Such regulatory actions could have a material effect on the Bank's consolidated financial statements. The Bank constantly monitors its regulatory capital levels and, if necessary, may obtain capital from its parent company through BNP Paribas or by other means.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action ("PCA"), the Bank must meet specific capital guidelines that involve quantitative measures of its assets and certain off-balance sheet and certain liabilities items as calculated under regulatory accounting practices. These capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Bank calculated its regulatory capital ratios under U.S. Basel I rules at December 31, 2014 and became subject to the U.S. Basel III standardized approach on January 1, 2015, with certain provisions subject to phase-in periods and certain instruments subject to phase-out periods. As permitted for institutions not subject to the advanced approaches methodology, the Bank made a one-time permanent election in the first quarter of 2015 to exclude certain components of AOCI from its regulatory capital calculations. The U.S. Basel III rules are scheduled to be substantially phased in by January 1, 2019.

Federal banking agencies made changes in the methods of calculating certain risk-weighted assets, which in turn affected the calculation of risk-based ratios. Higher or more sensitive risk weights are assigned to various categories of assets, among which are commercial real estate, credit facilities that finance the acquisition, development or construction of real property, certain exposures or credits that are 90 days past due or are nonaccrual, foreign exposures, certain corporate exposures and equity exposures.

In order to be deemed "adequately capitalized", a bank generally must have a Tier 1 leverage ratio of at least 4.00%, a Common equity risk-based capital ratio of at least 4.50%, a Tier 1 risk-based capital ratio of at least 6.00% and a Total risk-based capital ratio of at least 8.00%. In order to qualify as "well capitalized," a bank must have a Tier 1 leverage ratio of at least 5.00%, a Common equity risk-based capital ratio of at least 6.50%, a Tier 1 risk-based capital ratio of at least 8.00% and a Total risk-based capital ratio of at least 10.00%. Federal banking agencies retain the right to require a depository institution to maintain a higher capital level based on its particular risk profile. In addition, the Bank is required to maintain a "capital conservation buffer" consisting of at least 2.50% above each of the preceding "adequately capitalized" ratios. An institution that does not meet the "capital conservation buffer" will be subject to restrictions on certain activities including payment of dividends, stock repurchases and discretionary bonuses to executive officers. The "capital conservation buffer" will be phased in beginning in 2016 and will take full effect on January 1, 2019.

At December 31, 2015, the Bank's capital ratios continued to meet the regulatory capital category of "well capitalized" as defined by the FDIC's PCA rules.

The following table presents the capital ratios in accordance with the U.S. Basel III rules as of December 31, 2015 and the U.S. Basel I rules as of December 31, 2014:

	Under Basel III	Under Basel I	For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	**2015**	2014	**2015**	2014	**2015**	2014
Regulatory capital:						
Common equity tier 1	**$ 8,019,962**	N/A				
Tier 1	**8,034,974**	$ 7,765,836				
Total	**8,669,519**	8,411,435				
Assets:						
Risk-weighted	**$ 60,839,145**	$ 57,595,759				
Adjusted average	**70,365,068**	65,392,730				
Ratios:						
Common equity tier 1 capital to risk-weighted assets	**13.18%**	N/A	**4.50%**	N/A	**6.50%**	N/A
Tier 1 capital to risk-weighted assets	**13.21**	13.48%	**6.00**	4.00%	**8.00**	6.00%
Total capital to risk-weighted assets	**14.25**	14.60	**8.00**	8.00	**10.00**	10.00
Tier 1 leverage ratio[(1)]	**11.42**	11.88	**4.00**	4.00	**5.00**	5.00

[(1)] The leverage ratio consists of a ratio of Tier 1 capital to adjusted average assets, excluding goodwill and certain other items.

10. Deposits

As of December 31, 2015, the following table presents the maturity distribution of time certificates of deposit:

(dollars in thousands)	
2016	**$ 4,693,531**
2017	**941,457**
2018	**407,333**
2019	**533,096**
2020	**465,481**
2021 and thereafter	**279,955**
Total	**$ 7,320,853**

Time certificates with a denomination of $100,000 and greater totaled $4.9 billion and $5.2 billion as of December 31, 2015 and 2014, respectively. Brokered time certificates of deposit totaled $1.5 billion and $1.7 billion as of December 31, 2015 and 2014, respectively.

Total deposits reclassified to loans due to overdrafts as of December 31, 2015 and 2014 were $6.6 million and $4.8 million, respectively.

The Bank had the Collateralized Credit Guarantee Agreement (the “Guarantee”) with its parent, BancWest, from March 2010 until it was terminated on December 31, 2015. See Note 20 for additional information.

11. Short-Term Borrowings

The Bank’s borrowings with original maturities of one year or less are classified as short-term. Short-term borrowings include securities sold under repurchase agreements, FHLB advances and other borrowings with a maturity of one year or less.

The following table presents the summary of short-term borrowings and weighted-average rates:

	2015		2014	
(dollars in thousands)	**Rate**	**Amount**	Rate	Amount
As of December 31,				
Securities sold under agreements to repurchase	**0.24%**	**$ 640,935**	0.05%	$ 406,641
Advances from FHLB and other short-term borrowings	**0.54%**	**6,286,442**	0.25%	4,746,907
Total short-term borrowings		**$ 6,927,377**		$ 5,153,548
Average daily balance for the years ended December 31,				
Securities sold under agreements to repurchase	**0.10%**	**$ 696,422**	0.06%	$ 567,889
Advances from FHLB and other short-term borrowings	**0.34%**	**4,785,298**	0.22%	3,098,208
Maximum month-end balance for the years ended December 31,				
Securities sold under agreements to repurchase		**$ 1,102,806**		$ 577,935
Advances from FHLB and other short-term borrowings		**6,315,042**		4,746,908

The Bank treats securities sold under agreements to repurchase as collateralized financings. The Bank reflects the obligations to repurchase the identical securities sold as liabilities with the dollar amount of securities underlying the agreements remaining in the asset accounts. The risks associated with collateralized financing transactions include (1) a decline in the fair value of the securities below the amount of our obligation to reacquire the securities resulting in an obligation for the Bank to pledge additional amounts; (2) the counterparty's failure to sell back the securities at maturity or (3) the counterparty may accelerate the maturity on demand, requiring the Bank to reacquire the securities prior to contractual maturity. To mitigate these risks, the Bank monitors the market values of collateral posted and maintains an aggregate margin amount. In the event the market values of collateral posted decrease below the required margin amount, the Bank may be required to post additional security or cash to correct the margin deficit. As of December 31, 2015, the outstanding balance of these agreements was $640.9 million with a weighted-average remaining maturity of 12 days. Of this amount, $351.9 million had an overnight maturity, $190.5 million had a maturity of less than 30 days and $98.5 million had a maturity of more than 30 days.

The following table summarizes the Bank's securities sold under agreements to repurchase by class of collateral pledged:

	As of December 31, 2015
(dollars in thousands)	**Total Gross Obligation**
Repurchase agreements:	
U.S. Treasury and other US Government agencies and corporations	**$ 361,508**
Residential mortgage-backed securities: Government agencies	**262,784**
Collateralized mortgage obligations: Government agencies	**16,643**
Total securities sold under agreements to repurchase	**$ 640,935**

As of December 31, 2015, the Bank had $6.0 billion of uncommitted federal funds capacity available from other financial institutions. Of this amount, $0.9 billion was available from First Hawaiian Bank and $1.5 billion was available from BNP Paribas New York.

12. Long-Term Debt

Long-term debt consists of borrowings having an original maturity of one year or more. These issuances have both fixed and floating interest rates. The following table provides details of the long-term debt. The interest rates shown in the table below represent the range of the contract rates in effect as of December 31, 2015 and do not include the effects of any associated derivatives designated in hedge accounting relationships.

				As of December 31,	
(dollars in thousands)	**Interest Payment**	**Interest Rate**	**Maturities**	**2015**	2014
Advances from FHLB:					
Fixed-rate	quarterly	3.21% to 3.37%	2018	**$ 149,359**	$ 298,299
Fixed-rate[1]	monthly	0.54% to 7.96%	2016-2035	**355,701**	439,108
Fixed-rate unsecured lines of credit with BNP Paribas				**-**	1,600
Fixed-rate other debt	monthly	0.69% to 1.66%	2016-2020	**748,063**	653,718
Floating-rate other debt	monthly	1 Mo LIBOR + 0.35%	2018	**121,695**	-
Capital leases	monthly		2016-2030	**17,799**	19,488
Total long-term debt				**$ 1,392,617**	$ 1,412,213

[1] Includes $1.2 million that requires partial monthly repayments of principal to FHLB.

Amounts in the above table are net of unamortized discounts and adjustments related to hedging with derivative financial instruments. As a part of the Bank's overall interest rate risk management strategy, derivatives are often used to manage the interest rate risk. As of December 31, 2015, $200.0 million of the total fixed-rate advances from FHLB were hedged with fair value hedges.

The advances from FHLB are secured by securities or real estate loans (see Notes 2 and 4 for additional information). The Bank terminated FHLB fixed-rate advances of $3.1 million and recorded a loss of $0.1 million related to these terminations in the year ended December 31, 2015.

As of December 31, 2015, the aggregate annual maturities due on long-term debt were as follows:

(dollars in thousands)	
2016	**$ 271,557**
2017	**221,260**
2018	**575,300**
2019	**176,493**
2020	**82,753**
2021 and thereafter	**65,254**
Total	**$ 1,392,617**

13. Commitments, Guarantees and Contingencies

In the ordinary course of business, the Bank makes various commitments to extend credit that are not reflected in the consolidated financial statements. The following table presents the Bank's commitments:

	As of December 31,	
(dollars in thousands)	**2015**	2014
Commitments to extend credit[1]		
Commercial	**$ 13,852,221**	$ 13,413,818
Consumer	**4,780,017**	4,540,084
Standby and commercial letters of credit	**1,465,186**	1,339,494

[1] Commitments to extend credit represent unfunded amounts and are reported net of participations sold to other lenders.

Commitments to extend credit

A commitment to extend credit is a legally binding agreement to lend funds to a customer for a specified purpose with fixed expiration dates and generally requires a fee. The extension of a commitment gives rise to credit risk. The actual liquidity requirements or credit risk that the Bank will experience will be lower than the total contractual amount of commitments to extend credit, because a significant portion of those commitments are expected to expire without being drawn upon by the customer. Additionally, certain commitments are subject to loan agreements containing covenants regarding the financial performance obligations a customer must meet before the Bank is required to fund the commitment. For our consumer loan commitments, the Bank may reduce or cancel such commitments as legally permitted.

The Bank further manages the potential credit risk in commitments to extend credit by limiting the total amount of arrangements, both by individual customer and in aggregate, by monitoring the size and maturity structure of these portfolios and by applying the same credit standards maintained for all of its related credit activities.

Standby and commercial letters of credit

Standby letters of credit represent guarantees issued on behalf of customers in connection with contracts between the customers and third parties. These are conditional commitments in which the Bank assures that the third party will receive specified funds if a customer fails to meet its contractual obligations. The liquidity requirement and subsequent credit risk to the Bank arises from its obligation to make payment in the event of a customer's contractual default. The commitments outstanding as of December 31, 2015 have maturities ranging from January 1, 2016 to November 1, 2027. In connection with the issuance of such commitments, fees are charged and recognized as income when they are earned.

The Bank has rental commitments under capital and non-cancelable operating lease agreements. See Note 6 for additional information.

Litigation

In the course of normal business, the Bank is subject to asserted and unasserted legal actions, which may seek substantial relief or damages. While the Bank is unable to predict whether the outcome of such actions will materially affect our results of operations for a particular period, based upon consultation with counsel, management does not expect that the aggregate liability, if any, resulting from these proceedings would have a material effect on the Bank's consolidated balance sheets, consolidated statements of income or liquidity.

14. Derivative Financial Instruments

The Bank enters into derivative contracts primarily to manage its interest rate risk, as well as for customer accommodation purposes. The derivatives are recognized on the consolidated balance sheets either as assets or liabilities at fair value. Derivatives can be measured in terms of their notional amounts, but this amount is not recorded in the consolidated balance sheets and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which interest and other payments are determined.

Credit and market risks are inherent in derivative instruments. Credit risk is defined as the possibility that a loss may occur from the failure of another party to perform in accordance with the terms of the contract, which exceeds the value of the existing collateral, if any. Market risk is defined as the risk of loss arising from an adverse change in the market value of the derivative instrument caused by fluctuations in market prices or rates.

The following table summarizes information on derivative notional or contract amounts, receivables (asset derivatives) and payables (liability derivatives) by accounting designation and contract types:

	As of December 31,					
	2015			2014		
		Fair Value[1]			Fair Value[1]	
(dollars in thousands)	**Notional or Contract Amount**	**Asset Derivatives**	**Liability Derivatives**	Notional or Contract Amount	Asset Derivatives	Liability Derivatives
Derivatives designated as hedging instruments:						
Fair value hedges:						
Interest rate contracts	**$ 200,000**	**$ 267**	**$ 38**	$ 350,000	$ 291	$ 1,092
Cash flow hedges:						
Interest rate contracts	**7,081,925**	**38,794**	**8,219**	5,000,775	14,250	7,458
Total derivatives designated as hedging instruments	**7,281,925**	**39,061**	**8,257**	5,350,775	14,541	8,550
Derivatives not designated as hedging instruments:						
Free-standing derivatives:						
Interest rate contracts[2]	**9,719,505**	**178,694**	**172,680**	9,470,853	212,607	206,237
Market-linked swaps and options[3]	**2,138,638**	**47,870**	**47,895**	1,994,906	68,079	68,138
Foreign exchange contracts	**810,068**	**9,348**	**9,368**	725,637	13,354	14,674
Credit guarantee derivative	**-**	**-**	**-**	61,945	2,650	-
Total derivatives not designated as hedging instruments	**12,668,211**	**235,912**	**229,943**	12,253,341	296,690	289,049
Total derivatives before netting	**19,950,136**	**274,973**	**238,200**	17,604,116	311,231	297,599
Netting	**-**	**(58,233)**	**(58,233)**	-	-	-
Total derivatives after netting	**$ 19,950,136**	**$ 216,740**	**$ 179,967**	$ 17,604,116	$ 311,231	$ 297,599

(1) Asset derivatives and liability derivatives are recorded in other assets and other liabilities, respectively, on the consolidated balance sheets.

(2) Includes derivatives related to mortgage sale activity with notional amount of $236.6 million and $144.5 million as of December 31, 2015 and 2014, respectively. The fair value of asset derivatives was $2.3 million and $1.2 million and the fair value of liability derivatives was $0.2 million and $0.5 million as of December 31, 2015 and 2014, respectively.

(3) Includes bifurcated derivatives embedded in market-linked instruments. The asset derivatives represent market-linked swaps and purchased options and the liability derivatives represent written market-linked options.

Fair value hedges

The Bank uses interest rate swap contracts to hedge changes in fair value from interest rate changes of underlying fixed-rate debt instruments, including fixed-rate certificates of deposit and certain fixed-rate FHLB advances. As of December 31, 2015, the weighted-average remaining life of the currently active fair value hedges was approximately 3 years.

The following table shows the effect of fair value hedging on the Bank's pre-tax income:

	Years ended December 31	
	2015	2014
(dollars in thousands)	**Long-Term Debt**	Long-Term Debt
Gains recorded in net interest income	**$ 2,381**	$ 5,215
Gains (losses) recorded in noninterest income:		
Recognized on derivatives	**1,153**	75
Recognized on hedged items	**(1,060)**	883
Recognized as ineffective portion	**$ 93**	$ 958
Total	**$ 2,474**	$ 6,173

Cash flow hedges

Interest rate swap contracts are used to hedge the forecasted cash flows of underlying floating-rate debt and floating-rate loans, including floating-rate FHLB advances. Changes in the fair values of derivatives designated as cash flow hedges, to the extent effective, are recorded in AOCI until income from the cash flows of the hedged items is realized. Any ineffectiveness arising during the hedging relationship is recognized in income in the period in which it arises. As of December 31, 2015, the weighted-average remaining life of the currently active cash flow hedges was approximately 3.8 years.

The following table shows the impact of the effective portion of cash flow hedging on the Bank's pre-tax, OCI and net income:

	Years Ended December 31,	
(dollars in thousands)	**2015**	2014
Net unrealized gain recognized in OCI	**$ 91,977**	$ 37,105
Net gain reclassified from AOCI to net income	**(69,751)**	(28,320)

The estimated amount to be reclassified from AOCI into noninterest income during the next 12 months is a gain of $48.8 million. This amount could differ from amounts actually realized due to changes in interest rates and the addition of other hedges subsequent to December 31, 2015.

Free-standing derivatives

Free-standing derivative instruments include derivative transactions entered into for purposes for which hedge accounting does not apply. These derivatives include interest rate swaps, interest rate collars, interest rate floors, market-linked swaps and purchased options, written market-linked options and forward commitments to fund and sell residential mortgage loans. The Bank acts as a seller and buyer of interest rate derivatives and foreign exchange contracts to accommodate customers. To mitigate the market and liquidity risk associated with these derivatives, the Bank generally enters into similar offsetting positions.

The following table presents the net gains recorded in noninterest income relating to free-standing derivatives not recognized as hedging instruments, held by the Bank:

	As of December 31,	
(dollars in thousands)	**2015**	2014
Interest rate contracts	**$ 17,001**	$ 14,614
Credit guarantee derivative	**(1,009)**	(333)
Market-linked swaps and options	**21**	24
Foreign exchange contracts	**7,719**	5,523
Total net gains	**$ 23,732**	$ 19,828

Offsetting assets and liabilities

The Bank primarily enters into derivative contracts with counterparties utilizing a standard International Swaps and Derivatives Association ("ISDA") master netting agreement and Collateral Support Annex ("CSA") agreements to reduce its exposure to credit risk. The ISDA agreement allows for the right of setoff in the event of either a default or an additional termination event. CSA agreements govern the terms of daily collateral posting practices. Collateral practices mitigate the potential loss impact to affected parties by requiring liquid collateral to be posted on a scheduled basis to secure the aggregate net unsecured exposure.

Effective 2015, the Bank has elected to present assets and liabilities related to derivatives on a net basis in the consolidated balance sheets. The comparative 2014 amounts are presented on a gross basis in the consolidated balance sheets as the impact was not material. The following table provides information on the gross fair values of derivative assets and liabilities, the balance sheet netting adjustments and the resulting net fair value amounts recorded in the balance sheet, as well as the financial instruments and cash collateral associated with such arrangements.

				Gross Amounts Not Offset in the Balance Sheet		
(dollars in thousands)	**Gross Amounts of Recognized Assets/ Liabilities**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts Presented in the Balance Sheet**	**Financial Instruments[(1)]**	**Cash Collateral Received/ (Pledged)[(1)]**	**Net Amount**
December 31, 2015						
Derivatives Assets	**$ 274,973**	**$ (58,233)**	**$ 216,740**	**$ -**	**$ -**	**$ 216,740**
Derivative Liabilities	**238,200**	**(58,233)**	**179,967**	**(36,652)**	**(90,686)**	**52,629**
December 31, 2014						
Derivatives Assets	$ 311,231	$ -	$ 311,231	$ (83,033)	$ -	$ 228,198
Derivative Liabilities	297,599	-	297,599	(150,788)	(1,634)	145,177

(1) These amounts are limited to the net balances of derivative assets and liabilities, and accordingly, do not include excess collateral.

15. Fair Value

The Bank determines the fair value of certain assets and liabilities based on the fair value hierarchy established under applicable accounting guidance, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when performing fair value measurement.

Recurring fair value measurements:

The Bank measures certain financial instruments at fair value on a recurring basis. These instruments are primarily securities available for sale and derivatives. The Bank has an organized and established process for determining and reviewing recurring fair value measurements reported in our consolidated financial statements. The fair value of assets and liabilities is determined using several methods including third-party pricing services, purchased valuation software or internally-developed models in accordance with the Bank's policy.

The fair value measurements are reviewed to ensure they are reasonable and in line with market experience in similar asset classes. For example, we perform one or more of the following procedures to validate the fair value measurement:

- Corroborate pricing by reference to other independent market data such as broker quotes, market transactions and relevant benchmark indices;
- Review pricing by Bank personnel familiar with market liquidity and other market-related conditions;
- Compare to other pricing vendors (if available); and
- Challenge vendor pricing and investigate prices on a specific instrument-by-instrument basis

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value on a recurring basis; as well as, the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Trading assets

Trading assets consist of U.S. Treasury securities. The U.S. Treasury securities are classified as Level 1 and fair value is determined using quoted market prices (unadjusted) in active markets for identical securities.

Securities

The Bank has an Impairment and Valuation Steering Committee to oversee its valuation framework for measuring the fair value of available for sale securities. The Bank utilizes third-party pricing services in determining the fair value of substantially all securities. IVSC consists of senior executive management and other relevant employees who meet on a quarterly basis and monitor the use of pricing sources and pricing leveling. In addition, a cross-functional team comprised of representatives from our Treasury and Risk groups, reviews and approves the fair value measurements on a monthly basis. This management team also analyzes changes in fair value from period to period.

Securities classified as Level 1 are priced using quoted market prices (unadjusted) in active markets for identical securities, and consist of U.S. Treasury securities, money market funds and equity securities. When quoted market prices are not available, fair values are classified as Level 2 using quoted prices for similar assets in markets that are either active or not active and through model-based techniques in which all significant inputs are observable for the asset, either directly or indirectly, for substantially the full term of the financial instrument. Examples of such instruments include agency mortgage-backed securities and municipal securities.

If relevant market prices are limited or unavailable, fair value measurements may require use of significant unobservable inputs, in which case the fair values are classified as Level 3. Level 3 securities primarily consist of Community Reinvestment Act ("CRA") bonds, which are categorized within states and political subdivisions, and are valued using proprietary discounted cash flow models from a third-party service provider. The significant input to the valuation model is a bond yield, which consists of interest rate yield curves, credit spreads and liquidity spreads. This requires judgment due to the absence of available market prices and lack of liquidity. An increase or decrease in any of the factors that comprise the bond yields would result in lower or higher fair values for CRA bonds, respectively.

Derivatives

All of our derivatives are private transactions where quoted market prices are not readily available. Therefore, the Bank values these derivatives using internal valuation techniques, primarily discounted cash flows. Valuation techniques and inputs to internally developed models depend on the type of derivative and nature of the underlying rate, price or index used to value the derivative. Key inputs can include yield curves, credit curves, foreign-exchange rates, volatility measurements and other market parameters. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivatives are typically classified as Level 2. Level 2 derivatives include interest rate swaps, foreign currency and forward contracts and certain options.

We also measure the fair value of certain derivatives using an option-pricing model with significant unobservable inputs, which are classified as Level 3. The derivatives are embedded written options linking the returns on host certificates of deposit to the performance of baskets of equity securities, equity indices or commodity indices. We purchase offsetting options to minimize the related market risk. The fair value of the derivative instruments would increase or decrease based on the performance of the underlying equity securities, equity indices or commodity indices, which are required to be recorded separately from their host contracts. The primary unobservable inputs to the values of these options are the assumed market volatility of the underlying securities in the basket or market indices and correlation of underlying individual securities in the basket or market indices.

An increase in the volatility or correlation factor would generally increase the fair value of the option. A decrease in the volatility or correlation factor would generally decrease the fair value of the option. The correlation factor is considered independent from movements in other significant unobservable inputs for the derivative instruments.

The credit guarantee derivative was terminated as of December 31, 2015. The Guarantee was classified as a Level 3 asset since the Bank estimated its fair value using an internally developed discounted cash flow valuation model. See Note 20 for additional information.

In addition, the fair value for derivatives may include an adjustment for estimated counterparty and Bank credit risk.

Deferred compensation plan and other assets

Assets held to fund deferred compensation plans are based on quoted market prices and are classified as Level 1 assets consisting of money market funds held within a nonqualified deferred compensation trust.

The following table presents the financial assets and financial liabilities measured at fair value on a recurring basis by category and by valuation hierarchy level:

	As of December 31, 2015			
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading assets	**$ 6,496**	**$ -**	**$ -**	**$ 6,496**
Securities available for sale:				
U.S. Treasury and other U.S. Government agencies and corporations	**1,331,147**	**47**	**-**	**1,331,194**
Residential mortgage-backed securities:				
Government agencies	**-**	**5,497,417**	**-**	**5,497,417**
Government sponsored agencies	**-**	**1,928,299**	**-**	**1,928,299**
Collateralized mortgage obligations:				
Government agencies	**-**	**488,955**	**-**	**488,955**
Government sponsored agencies	**-**	**234,942**	**-**	**234,942**
States and political subdivisions	**-**	**450,967**	**34,668**	**485,635**
Equity securities	**6,191**	**-**	**-**	**6,191**
Total securities available for sale	**1,337,338**	**8,600,627**	**34,668**	**9,972,633**
Derivative assets[(1)]:				
Interest rate contracts	**-**	**217,755**	**-**	**217,755**
Foreign exchange contracts	**-**	**9,348**	**-**	**9,348**
Market-linked swaps and purchased options	**-**	**-**	**47,870**	**47,870**
Credit guarantee derivative	**-**	**-**	**-**	**-**
Total derivative assets	**-**	**227,103**	**47,870**	**274,973**
Deferred compensation plan and other assets	**32,737**	**82**	**6**	**32,825**
Total assets measured at fair value on a recurring basis	**$ 1,376,571**	**$ 8,827,812**	**$ 82,544**	**$ 10,286,927**
Derivative liabilities[(1)]				
Interest rate contracts	**$ -**	**$ 180,937**	**$ -**	**$ 180,937**
Foreign exchange contracts	**-**	**9,368**	**-**	**9,368**
Written market-linked options	**-**	**-**	**47,895**	**47,895**
Total derivative liabilities	**-**	**190,305**	**47,895**	**238,200**
Other liabilities	**-**	**162**	**-**	**162**
Total liabilities measured at fair value on a recurring basis	**$ -**	**$ 190,467**	**$ 47,895**	**$ 238,362**

(1) These amounts are reflected in other assets and other liabilities on the consolidated balance sheets.

(dollars in thousands)	As of December 31, 2014 Level 1	Level 2	Level 3	Total
Trading assets	$ 6,499	$ -	$ -	$ 6,499
Securities available for sale:				
U.S. Treasury and other U.S. Government agencies and corporations	1,788,589	101	-	1,788,690
Residential mortgage-backed securities:				
Government agencies	-	3,504,098	-	3,504,098
Government sponsored agencies	-	1,865,522	-	1,865,522
Collateralized debt and loan obligations	-	64,794	-	64,794
Other asset-backed securities	-	13	1	14
Collateralized mortgage obligations:				
Government agencies	-	1,017,430	-	1,017,430
Government sponsored agencies	-	309,506	-	309,506
States and political subdivisions	-	465,705	36,414	502,119
Corporate debt securities	-	197,507	-	197,507
Equity securities	6,164	-	-	6,164
Total securities available for sale	1,794,753	7,424,676	36,415	9,255,844
Derivative assets[1]:				
Interest rate contracts	-	227,148	-	227,148
Foreign exchange contracts	-	13,354	-	13,354
Market-linked swaps and purchased options	-	-	68,079	68,079
Credit guarantee derivative	-	-	2,650	2,650
Total derivative assets	-	240,502	70,729	311,231
Deferred compensation plan and other assets	34,913	112	11	35,036
Total assets measured at fair value on a recurring basis	$ 1,836,165	$ 7,665,290	$ 107,155	$ 9,608,610
Derivative liabilities[1]				
Interest rate contracts	$ -	$ 214,787	$ -	$ 214,787
Foreign exchange contracts	-	14,674	-	14,674
Written market-linked options	-	-	68,138	68,138
Total derivative liabilities	-	229,461	68,138	297,599
Other liabilities	-	4	-	4
Total liabilities measured at fair value on a recurring basis	$ -	$ 229,465	$ 68,138	$ 297,603

[1] These amounts are reflected in other assets and other liabilities on the consolidated balance sheets.

The Bank's policy is to recognize the fair value of transfers among Levels 1, 2 and 3 as of the end of the reporting period. There were no transfers between Levels 1 and 2 for the year ended December 31, 2015 and 2014, respectively.

The changes for 2015 in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized in the table below. Net unrealized gains of $22.7 million were included in net income for the year relating to assets held as of December 31, 2015. Net unrealized losses of $22.7 million were included in net income for the year relating to liabilities held as of December 31, 2015.

(dollars in thousands)	**Balance of assets (liabilities) as of January 1, 2015**	**Total net gains (losses) included in net income[1]**	**Total net gains (losses) included in OCI[2]**	**Purchases/ Issuances**	**Sales**	**Settlements**	**Transfers into Level 3**	**Transfers out of Level 3**	**Balance of assets (liabilities) as of December 31, 2015**
Securities available for sale:									
Other asset-backed securities	**$ 1**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (1)**	**$ -**	**$ -**	**$ -**
States and political subdivisions	**36,414**	**-**	**(381)**	**1,153**	**-**	**(2,518)**	**-**	**-**	**34,668**
Total securities available for sale	**$ 36,415**	**$ -**	**$ (381)**	**$ 1,153**	**$ -**	**$ (2,519)**	**$ -**	**$ -**	**$ 34,668**
Market-linked swaps and purchased options	**68,079**	**(22,917)**	**-**	**15,369**	**(4,132)**	**(8,529)**	**-**	**-**	**47,870**
Credit guarantee derivative	**2,650**	**(1,009)**	**-**	**-**	**-**	**(1,641)**	**-**	**-**	**-**
Deferred compensation plan and other assets	**11**	**-**	**-**	**-**	**-**	**(5)**	**-**	**-**	**6**
Total assets	**$ 107,155**	**$ (23,926)**	**$ (381)**	**$ 16,522**	**$ (4,132)**	**$ (12,694)**	**$ -**	**$ -**	**$ 82,544**
Written market-linked options	**$ (68,138)**	**$ 22,916**	**$ -**	**$ (15,369)**	**$ 4,137**	**$ 8,559**	**$ -**	**$ -**	**$ (47,895)**
Total liabilities	**$ (68,138)**	**$ 22,916**	**$ -**	**$ (15,369)**	**$ 4,137**	**$ 8,559**	**$ -**	**$ -**	**$ (47,895)**

[1] Included in noninterest income on the consolidated statements of income.

[2] Included in net change in unrealized (losses) gains on securities available for sale on the consolidated statements of comprehensive income.

The changes for 2014 in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized in the table below. Net unrealized losses of $23.4 million were included in net income for the year relating to assets held as of December 31, 2014. Net unrealized gains of $23.4 million were included in net income for the year relating to liabilities held as of December 31, 2014.

(dollars in thousands)	Balance of assets (liabilities) as of January 1, 2014	Total net gains (losses) included in net income [1]	Total net gains (losses) included in OCI [2]	Purchases/ Issuances	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance of assets (liabilities) as of December 31, 2014
Securities available for sale:									
Other asset-backed securities	$ 2	$ -	$ -	$ -	$ -	$ (1)	$ -	$ -	$ 1
States and political subdivisions	49,372	-	3,778	1,408	-	(18,144)	-	-	36,414
Total securities available for sale	$ 49,374	$ -	$ 3,778	$ 1,408	$ -	$ (18,145)	$ -	$ -	$ 36,415
Market-linked swaps and purchased options	36,833	23,959	-	23,595	(3,355)	(12,953)	-	-	68,079
Credit guarantee derivative	3,570	(333)	-	-	-	(587)	-	-	2,650
Deferred compensation plan and other assets	19	-	-	-	-	(8)	-	-	11
Total assets	$ 89,796	$ 23,626	$ 3,778	$ 25,003	$ (3,355)	$ (31,693)	$ -	$ -	$ 107,155
Written market-linked options	$ (36,944)	$ (23,959)	$ -	$ (23,595)	$ 3,363	$ 12,997	$ -	$ -	$ (68,138)
Total liabilities	$ (36,944)	$ (23,959)	$ -	$ (23,595)	$ 3,363	$ 12,997	$ -	$ -	$ (68,138)

[1] Included in noninterest income on the consolidated statements of income.

[2] Included in net change in unrealized (losses) gains on securities available for sale on the consolidated statements of comprehensive income.

Nonrecurring fair value measurements:

We may be required, from time to time, to measure certain other assets at fair value on a nonrecurring basis in accordance with applicable accounting guidance. These assets are subject to fair value adjustments that result from the application of lower of cost or fair value accounting or write-downs of individual assets to fair value. The following is a description of valuation methodologies used for assets and liabilities recorded at fair value on a nonrecurring basis.

Loans held for sale

Loans classified as held for sale are recorded at the lower of cost or fair value. The fair value is based on quoted prices for similar assets traded in active markets and is therefore classified as Level 2. There were no fair value adjustments for the years ended December 31, 2015 and 2014, respectively.

Impaired loans

A large portion of the Bank's impaired loans are collateral dependent and are measured at fair value on a nonrecurring basis using the collateral value (less estimated costs to sell) as a practical expedient. The fair values of collateral for impaired loans are primarily based on appraisal reports prepared by third-party appraisers. The Bank has a real estate valuation services group that manages the real estate appraisal solicitation and evaluation process for commercial real estate. The Bank reviews the third-party appraisals to ensure that the methods, assumptions, data sources and conclusions are reasonable and appraised values may be adjusted for management's judgment. The appraised values consider factors, such as capitalization rates, conditions of sales, physical characteristics of the collateral, rental income and other expenses associated with the collateral. Impaired loans are classified as Level 3 based on significant unobservable inputs in the fair value measurements. The fair values of impaired loans are reviewed and evaluated quarterly for additional impairment and adjusted accordingly.

OREO and other assets

OREO assets include foreclosed properties securing residential and commercial loans. OREO assets are adjusted to lower of cost or fair value less costs to sell. At the time of foreclosure, the amount by which the recorded investment in the loan exceeds the fair value (less estimated costs to sell) is charged off against the allowance for loans and leases. Subsequently, OREO assets are carried at the lower of carrying value or fair value less costs to sell. Any subsequent declines in fair value and recoveries in those declines of the assets are recognized in a valuation allowance through noninterest income. Other assets include real estate properties held for sale and are recorded at the lower of cost or fair value less costs to sell.

Fair value for OREO and other assets is generally determined using appraised values of the collateral and third party price opinions, which may be considered largely unobservable and accordingly, we classify these assets as Level 3. For residential OREO assets, as part of our active efforts to sell the property, the Bank engages a third-party to assist in the real estate appraisal solicitation process. The Bank then performs an appraisal review process to ensure the methods, assumptions, data sources and conclusions are reasonable, well supported and appropriate for the property and market.

MSRs

MSRs are measured at fair value on a nonrecurring basis at the lower of amortized cost or estimated fair value. MSRs do not trade in an active market with readily observable prices. Accordingly, the fair value of these assets is classified as Level 3. There were no fair value adjustments for the years ended December 31, 2015 and 2014, respectively. See Note 3 for additional information.

The following table provides the level of valuation inputs used to determine each fair value adjustment, the fair value of the related individual assets or portfolios of assets with fair value adjustments on a nonrecurring basis, and total losses for the year ended:

(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Losses for the Year Ended**
December 31, 2015				
Impaired loans	**$ -**	**$ -**	**$ 15,367**	**$ 6,267**
OREO and other assets	**-**	**-**	**6,507**	**369**
December 31, 2014				
Impaired loans	$ -	$ -	$ 12,425	$ 5,782
OREO and other assets	-	-	15,466	2,451

The following table provides information about the valuation techniques and significant unobservable inputs used in the valuation of the Bank's significant Level 3 assets and liabilities measured at fair value:

(dollars in thousands)	Fair Value	Valuation Technique(s)	Significant Unobservable Input	Range	Weighted-Average
December 31, 2015					
States and political subdivisions	**$ 34,668**	**Discounted cash flow**	**Yield**	**1.0% - 6.3%**	**2.5%**
Market-linked swaps and purchased options	**47,870**	**Option model**	**Correlation factor**	**16.4% - 57.6%**	**39.3%**
Written market-linked options	**47,895**		**Volatility Factor**	**20.4% - 204.1%**	**32.6%**
Impaired Loans[1]	**15,367**	**Appraised/ Marketable value**	**Appraised/ Marketable value**	**n/m[2]**	**n/m[2]**
OREO and other assets[1]	**6,507**	**Appraised value**	**Appraised value**	**n/m[2]**	**n/m[2]**
December 31, 2014					
States and political subdivisions	$ 36,414	Discounted cash flow	Yield	1.4% - 6.5%	3.7%
Market-linked swaps and purchased options	68,079	Option model	Correlation factor	25.4% - 40.0%	30.2%
Written market-linked options	68,138		Volatility factor	19.4% - 127.9%	32.3%
Impaired Loans[1]	12,425	Appraised/ Marketable value	Appraised/ Marketable value	n/m[2]	n/m[2]
OREO and other assets[1]	15,466	Appraised value	Appraised value	n/m[2]	n/m[2]

[1] The fair value of these assets is determined based on appraised values of collateral or broker price opinions, the range of which is not meaningful to disclose.
[2] Not meaningful.

16. Cash and Dividend Restrictions

Federal Reserve Board regulations require the Bank to maintain reserve balances against certain deposit liabilities with the Federal Reserve Bank. The required reserve balance was $240.1 million and $230.1 million as of December 31, 2015 and 2014, respectively.

California statutes limit the amount of dividends the Bank may declare or pay to the lesser of the Bank's retained earnings or the net income of the Bank for the prior three years less any dividends paid during those three years. The amount available for payment of dividends without prior regulatory approval was $0.6 billion and $0.8 billion as of December 31, 2015 and 2014, respectively.

17. Other Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity from all transactions, other than those with stockholders, and is comprised of net income and OCI.

The following table provides the details for OCI:

(dollars in thousands)	2015 Pretax Amount	2015 Income Tax (Expense) Benefit	2015 After-tax Amount	2014 Pretax Amount	2014 Income Tax (Expense) Benefit	2014 After-tax Amount
	Years Ended December 31,					
Pension and other benefits adjustment:						
Net actuarial gains (losses) arising during the period	**$ 9,611**	**$ (3,912)**	**$ 5,699**	$ (102,959)	$ 41,835	$ (61,124)
Reclassification of amounts to net periodic benefit costs:(1)						
Amortization of net loss	**19,702**	**(8,021)**	**11,681**	5,124	(2,083)	3,041
Amortization of net prior service credit	**(126)**	**52**	**(74)**	(126)	52	(74)
Subtotal reclassifications to net periodic benefit costs	**19,576**	**(7,969)**	**11,607**	4,998	(2,031)	2,967
Net change in pension and other benefits adjustment	**29,187**	**(11,881)**	**17,306**	(97,961)	39,804	(58,157)
Securities available for sale:						
Unrealized net (losses) gains arising during the year	**(50,230)**	**20,393**	**(29,837)**	170,002	(69,021)	100,981
Reclassification of net realized gains to net income	**(12,941)**	**5,254**	**(7,687)**	(440)	179	(261)
Net change in unrealized (losses) gains on securities available for sale	**(63,171)**	**25,647**	**(37,524)**	169,562	(68,842)	100,720
Cash flow derivative hedges:						
Unrealized net gains arising during the year	**91,977**	**(37,343)**	**54,634**	37,105	(15,065)	22,040
Reclassification of net gains on loans and lease financing to net income	**(69,751)**	**28,319**	**(41,432)**	(28,320)	11,498	(16,822)
Net change in unrealized gains on cash flow derivative hedges	**22,226**	**(9,024)**	**13,202**	8,785	(3,567)	5,218
OCI for the year	**$ (11,758)**	**$ 4,742**	**$ (7,016)**	$ 80,386	$ (32,605)	$ 47,781

(1) These items are included in the computation of net periodic benefit cost recorded in salaries and employee benefits; see Note 18 for additional details.

The following table summarizes the changes in AOCI balances, net of tax:

(dollars in thousands)	Pension and Other Benefits	Securities Available for Sale	Cash Flow Derivative Hedges	Total AOCI
Balance as of January 1, 2014:	$ (19,319)	$ (126,089)	$ (3,026)	$ (148,434)
OCI before reclassifications	(61,124)	100,981	22,040	61,897
Amounts reclassified from AOCI	2,967	(261)	(16,822)	(14,116)
Balance as of December 31, 2014:	(77,476)	(25,369)	2,192	(100,653)
OCI before reclassifications	**5,699**	**(29,837)**	**54,634**	**30,496**
Amounts reclassified from AOCI	**11,607**	**(7,687)**	**(41,432)**	**(37,512)**
Balance as of December 31, 2015	**$ (60,170)**	**$ (62,893)**	**$ 15,394**	**$ (107,669)**

18. Employee Pension and Other Postretirement Benefits

The Bank maintains both qualified and nonqualified defined benefit plans. The Bank's other retirement plans consist of nonqualified, supplemental retirement plans and a qualified defined contribution plan. The Bank recognizes the overfunded and unfunded status of its pension plans as an asset and liability in the consolidated balance sheets.

Defined Contribution Plans:

401(k) match plan

The Bank matches 100% of employee contributions up to 6% of pay to the BancWest Corporation 401(k) Savings Plan, a defined contribution plan. The plan covers all employees who satisfy eligibility requirements. Matching employer contributions to the 401(k) plan for the years ended December 31, 2015 and 2014 were $33.1 million and $29.9 million, respectively.

Incentive plan for key executives and officers' incentive plan

The Bank has two incentive plans under which awards of cash are made to certain employees. One plan is for key executives, the Incentive Plan for Key Executives ("IPKE"), and the other plan is for employees below the level of key executives; the Officers' Incentive Plan ("OIP"). The IPKE and OIP limit the aggregate and individual value of the awards that could be issued in any one fiscal year. Both plans have the same limits on individual awards. Salary and employee benefits expense includes IPKE and OIP expense of $64.0 million and $56.9 million for the years ended December 31, 2015 and 2014, respectively.

Long-term incentive plans

The Bank has a Performance Share Plan ("PSP") which was designed to reward certain employees for their performance and BancWest's performance over a multi-year performance cycle. Salary and employee benefit expense for the Bank includes PSP expense of $17.1 million and $13.9 million for the years ended December 31, 2015 and 2014, respectively.

The Bank also has a Long-Term Incentive Plan ("LTIP") which rewards selected key executives for the Bank's performance assessed over a three year performance cycle on a relative and absolute basis. Salary and employee benefits expense for the Bank includes LTIP expense of $13.9 million and $9.0 million for the years ended December 31, 2015 and 2014, respectively.

The Bank participates in a Global Stock Incentive Plan ("GSIP"), in which certain members of the Bank's senior management team receive stock option awards from BNPP for shares of BNPP stock. The last grants from the plan were made in March 2012. These grants will continue to vest and accrue benefits. Additionally, the Global Sustainability and Incentive Scheme ("GSIS") was created to reward, retain and motivate certain employees and to fairly compensate them by aligning their interest with the operational performance of BNPP, including performance on Corporate Social Responsibility ("CSR"). The GSIS plan was created to replace the GSIP on a go-forward basis. See Note 20 for additional information.

Defined Benefit Pension Plans:

Qualified pension plans

The Bank had previously offered the Employees' Retirement Plan ("ERP") of BancWest Corporation to its employees, which is a noncontributory defined benefit pension plan. The ERP was frozen on January 1, 2010 to new participants; however, interests continue to accrue for existing plan participants.

Additionally, in connection with the acquisition of United California Bank ("UCB") in 2002, the Bank assumed the pension obligations of UCB's funded noncontributory final average pay defined benefit pension plan ("UCBP") that was frozen on June 30, 2003 to new participants and benefit accruals.

Nonqualified pension plans

The Bank sponsored an unfunded excess benefit pension plan and an unfunded supplemental executive retirement plan ("SERP"). The unfunded excess plan was frozen on January 1, 2010 to new participants and benefit accruals. The SERP was frozen in 2002, to new participants; however, benefits continue to accrue for existing plan participants.

The Bank assumed the pension obligations of UCB's unfunded supplemental pension benefit plan ("UCB SEP") which was available to eligible key executives. The UCB SEP was frozen on June 30, 2003 to new participants and benefit accruals.

Other Postretirement Benefits:

Postretirement medical and life insurance plan

The Bank offers an unfunded postretirement medical and life insurance plan. The benefits include access to medical benefits and medical credits to offset premiums for medical benefits.

Executive life insurance plan

The Bank also offered pre-and postretirement life insurance benefits to certain executives under the unfunded Executive Life Insurance Plan (the "ELIP").

Pension accounting

Accounting for defined benefit pension plans involves four key variables that are utilized in the calculation of the Bank's annual pension costs. These factors include: (1) size of the employee population and their estimated compensation increases for active plans, (2) actuarial assumptions and estimates, (3) expected long-term rate of return on plan assets and (4) discount rate.

Pension expense is directly affected by the number of employees eligible for pension benefits, their estimated compensation increases for active plans and economic conditions, which include the actual return on plan assets. With the help of an actuary, management is able to estimate future expenses and plan obligations based on factors such as compensation increases, discount rate, mortality, turnover, retirement and disability rates.

The Bank uses a building block method to calculate the expected return on plan assets based on the balance of the pension asset portfolio at the beginning of the year and the expected long-term rate of return on that portfolio. The method requires (1) the percentage of total plan assets be multiplied by the expected asset return for each component of the plan asset mix, (2) the resulting weighted expected rates of return for each component be added together to determine the total rate of return and (3) the total adjusted by considering the active management of the portfolio. Under this approach, forward-looking expected returns for each invested asset class are determined. Forward-looking capital market assumptions are typically developed using historical returns as a starting point and applying a combination of macroeconomics, econometrics, statistical, and other technical analysis, such as spread differentials, to forecast the expected return going forward.

The following table summarizes the changes to the projected benefit obligation ("PBO"), fair value of plan assets and the funded status for all plans of the Bank:

	Pension Benefits				Other Benefits	
	Qualified Plans		Non-Qualified Plans			
(dollars in thousands)	**2015**	2014	**2015**	2014	**2015**	2014
PBO at January 1,	**$ 481,582**	$ 403,517	**$ 92,534**	$ 80,371	**$ 44,227**	$ 38,213
Service cost	**-**	-	**517**	1,015	**1,892**	1,960
Interest cost	**19,504**	19,617	**3,722**	3,904	**1,701**	1,880
Actuarial (gain) loss	**(18,514)**	84,581	**(3,394)**	12,587	**(1,594)**	4,143
Benefit payments	**(26,405)**	(26,133)	**(5,640)**	(5,343)	**(2,821)**	(1,969)
PBO as of December 31,	**$ 456,167**	$ 481,582	**$ 87,739**	$ 92,534	**$ 43,405**	$ 44,227
Fair Value of Plan Assets as of January 1,	**$ 439,389**	$ 444,259	**$ -**	$ -	**$ -**	$ -
Actual return on plan assets	**6,199**	21,263	**-**	-	**-**	-
Employer contributions	**-**	-	**-**	-	**-**	-
Benefit payments	**(26,405)**	(26,133)	**-**	-	**-**	-
Settlements	**4,782**	-	**-**	-	**-**	-
Fair Value of Plan Assets as of December 31,	**$ 423,965**	$ 439,389	**$ -**	$ -	**$ -**	$ -
Funded status	**$ (32,202)**	$ (42,193)	**$ (87,739)**	$ (92,534)	**$ (43,405)**	$ (44,227)
Accumulated Benefit Obligation	**$ 456,167**	$ 481,582	**$ 85,706**	$ 90,400	**N/A**	N/A

Amortization of the unrecognized net gain or loss is included as a component of net periodic benefit cost. If amortization results in an amount less than the minimum amortization required under GAAP, the minimum required amount is recorded. The amount recorded represents unrecognized net gains or losses that exceed 5% of the greater of the projected benefit obligation or the market-related value of plan assets as of the beginning of the year. The unrecognized amounts in excess of the 5% corridor are amortized on a straight-line basis over five years.

The following table shows the amount of pension and other postretirement benefits recognized in OCI:

	Pension Benefits				Other Benefits	
	Qualified Plans		Non-Qualified Plans			
(dollars in thousands)	**2015**	2014	**2015**	2014	**2015**	2014
Amounts arising during the period:						
Net loss on pension assets	**$ (14,896)**	$ (4,610)	**$ -**	$ -	**$ -**	$ -
Net gain (loss) on obligations	**18,514**	(84,581)	**3,394**	(12,588)	**2,599**	(1,180)
Reclassification adjustments recognized as components of net periodic benefit cost during the period:						
Net loss	**15,316**	2,324	**4,386**	2,800	**-**	-
Net prior service cost (credit)	**-**	-	**34**	34	**(160)**	(160)
Amounts recognized in OCI	**$ 18,934**	$ (86,867)	**$ 7,814**	$ (9,754)	**$ 2,439**	$ (1,340)

The following table shows the amounts within AOCI not recognized as components of net periodic benefit costs:

	Pension Benefits				Other Benefits	
	Qualified Plans		Non-Qualified Plans			
(dollars in thousands)	**2015**	2014	**2015**	2014	**2015**	2014
Net loss (gain)	**$ 85,377**	$ 104,311	**$ 18,756**	$ 26,537	**$ (1,424)**	$ 1,175
Net prior service cost (credit)	**-**	-	**138**	172	**(1,550)**	(1,710)
Ending balance within AOCI	**$ 85,377**	$ 104,311	**$ 18,894**	$ 26,709	**$ (2,974)**	$ (535)

The following table shows the amounts within AOCI expected to be recognized as components of net periodic costs during 2016:

	Pension Benefits		Other Benefits
(dollars in thousands)	Qualified Plans	Non-Qualified Plans	
Amortization of net loss	**$ 12,511**	**$ 2,879**	**$ -**
Amortization of net prior service cost (credit)	**-**	**34**	**(160)**
Total	**$ 12,511**	**$ 2,913**	**$ (160)**

The following table sets forth the components of the net periodic benefit cost:

	Pension Benefits				Other Benefits	
	Qualified Plans		Non-Qualified Plans			
(dollars in thousands)	**2015**	2014	**2015**	2014	**2015**	2014
Service cost	**$ -**	$ -	**$ 517**	$ 1,015	**$ 1,892**	$ 1,960
Interest cost	**19,504**	19,617	**3,721**	3,904	**1,701**	1,880
Expected return on plan assets	**(25,877)**	(25,874)	**-**	-	**-**	-
Amortization of prior service cost (credit)	**-**	-	**34**	34	**(160)**	(160)
Recognized net actuarial loss	**15,316**	2,324	**4,386**	2,800	**1,005**	3,273
Total net periodic benefit cost	**$ 8,943**	$ (3,933)	**$ 8,658**	$ 7,753	**$ 4,438**	$ 6,953

Assumptions

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost were as follows:

	Pension Benefits				Other Benefits[1]	
	Qualified Plans		Non-Qualified Plans			
	2015	2014	**2015**	2014	**2015**	2014
Benefit obligations as of December 31:						
Discount rate	**4.40%**	4.15%	**4.40%**	4.15%	**4.40%**	4.15%
Rate of compensation increase	**-**	-	**-**	4.00%	**4.00%**	5.00%
Net periodic benefit cost for the period ended December 31:						
Discount rate	**4.15%**	4.95%	**4.15%**	4.95%	**4.40%**	4.15%
Expected long-term return on plan assets	**6.00%**	6.00%	**-**	-	**-**	-
Rate of compensation increase	**-**	-	**4.00%**	4.00%	**4.00%**	5.00%

[1] The postretirement medical and life insurance plan uses a discount rate of 4.40% and 4.15% in 2015 and 2014, respectively, for benefit obligations and a discount rate of 4.15% and 4.95% in 2015 and 2014, respectively, for net periodic benefit cost. The rate of compensation increase is not applicable to the post retirement medical and life insurance plan.

The assumed discount rate reflects management's estimate of the rate at which the benefits could be effectively settled using a portfolio of high-quality corporate bonds. In selecting the discount rate, the Bank reviews the yield on high quality corporate bonds and resulting yield curves. A portfolio of high-quality corporate bonds is used in conjunction with the yield curve information and the plans' projected benefit cash flows to estimate an internal rate of return in order to select a single discount rate to calculate plan obligations for reporting purposes.

Assumed health care cost trend rates were as follows:

	As of December 31,	
	2015	2014
Health care cost trend rate assumed for next year	**7.50%**	7.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate	**2026**	2023

Assumed health care cost trend rates have an impact on the amounts reported for the health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following pretax effect:

(dollars in thousands)	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on 2015 total of service and interest cost components	**$ 22**	**$ (20)**
Effect on postretirement benefit obligation as of December 31, 2015	**364**	**(334)**

Plan assets

The assets within the ERP Plan and UCB pension plans ("the Plans") are managed in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plans' assets consist mainly of fixed income and equity securities of U.S. and foreign issuers and may include alternative investments such as real estate, private equity and other absolute return strategies.

Investment strategy and risk management for the Plans' assets

The long-term investment objective of the Plans is to earn an investment return, which meets or exceeds certain benchmarks. The Plans' assets are managed in accordance with the Retirement Committee's (the "Committee") guidelines. All transactions that utilize assets of the Trust will be undertaken for the sole benefit of the participants of the Plans.

The assets selected for the Plans may consist of individual security issues managed by the investment manager(s) or securities held in a well-diversified portfolio of a registered investment company or an exchange-traded fund. Specific to the UCB plan, the assets selected for the plan must have readily ascertainable market value and must be marketable. The assets under this plan may also consist of a publicly traded mutual fund. Investment managers may be permitted to use derivative instruments to control portfolio risk.

The equity and debt portions of the Plans' assets may employ commingled assets or be individually invested expressly including the use of money market funds managed by a corporate trustee or by others. In its desire to protect the Plans' assets, the Committee imposes general guidelines on asset allocation. Plan asset allocations are based on the Committee's appraisal of current and long-term needs for liquidity and income and its estimate of the investment returns from the various classes and types of investments. The asset allocations are likely to be the primary determinant of the Plans' returns and the associated volatility of returns for the Plans.

The target asset allocations for the Plans are as follows:

	As of December 31,			
	ERP		UCB	
	2015[(1)]	2014	**2015[(1)]**	2014
Equity	**40%**	60%	**40%**	50%
Fixed Income	**60%**	30%	**60%**	50%
Other	**-**	10%	**-**	-
Total	**100%**	100%	**100%**	100%

(1) Target asset allocations were effective as of period end and did not impact the expected long-term return on plan assets assumption for 2015.

Concentration of risk

The Bank describes "risk" as the possibility of not achieving the Plans' actuarial rates of return. Risks associated with the Plans' investments include systematic and nonsystematic risk, interest rate, yield curve, reinvestment and credit risk and the combination of these risks. The Bank mitigates the credit risk of investments by establishing guidelines with the investment managers. Both the Bank and our investment managers monitor the diversity of the Plans' assets to ensure that they meet ERISA requirements. Equity securities in the Plans did not include BancWest or BNP Paribas stock as of December 31, 2015 and 2014.

The tables below summarize the Bank's pension plan assets by investment category. The three-level hierarchy that describes the inputs used to measure assets at fair value is discussed in Note 1:

	As of December 31, 2015			
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Asset Category:				
Cash and equivalents	**$ 7,574**	**$ -**	**$ -**	**$ 7,574**
Fixed income:				
U.S. Government agency and government sponsored agency securities and corporate securities	**8,269**	**179,663**	**-**	**187,932**
Mutual funds	**17,015**	**-**	**-**	**17,015**
Municipal bonds	**-**	**31,446**	**-**	**31,446**
Exchange-traded funds	**3,646**	**-**	**-**	**3,646**
Contracts/annuities	**-**	**-**	**12,125**	**12,125**
Equities:				
Mutual funds	**79,368**	**-**	**-**	**79,368**
Exchange-traded funds	**36,700**	**-**	**-**	**36,700**
Common stock	**48,095**	**-**	**-**	**48,095**
Multi-strategy mutual funds	**64**	**-**	**-**	**64**
Total plan assets	**$ 200,731**	**$ 211,109**	**$ 12,125**	**$ 423,965**

(dollars in thousands)	As of December 31, 2014 Level 1	Level 2	Level 3	Total Fair Value
Asset Category:				
Cash and equivalents	$ 3,766	$ -	$ -	$ 3,766
Fixed income:				
U.S. Government agency and government sponsored agency securities and corporate securities	6,253	128,399	-	134,652
Mutual funds	72,098	-	-	72,098
Municipal bonds	-	15,370	-	15,370
Exchange-traded funds	3,826	-	-	3,826
Contracts/annuities	-	-	11,753	11,753
Equities:				
Mutual funds	106,038	-	-	106,038
Exchange-traded funds	45,478	-	-	45,478
Common stock	49,044	-	-	49,044
Multi-strategy mutual funds	2,146	-	-	2,146
Total plan investments	$ 288,649	$ 143,769	$ 11,753	$ 444,171
Net pending settlements				(4,782)
Total plan assets				$ 439,389

The changes in the Bank's Level 3 pension plan assets were as follows:

(dollars in thousands)	**Contracts/Annuities**
Beginning balance as of January 1, 2015	**$ 11,753**
Actual return on plan assets	**451**
Distributions and settlements	**(2,081)**
Contributions	**2,082**
Service fees	**(80)**
Ending balance as of December 31, 2015	**$ 12,125**

(dollars in thousands)	Contracts/Annuities
Beginning balance as of January 1, 2014	$ 11,277
Actual return on plan assets	546
Distributions and settlements	(2,000)
Contributions	2,010
Service fees	(80)
Ending balance as of December 31, 2014	$ 11,753

There were no transfers into or out of level 3 pension assets for the years ended December 31, 2015 and 2014, respectively.

Valuation methodologies

The following is a description of the valuation methodologies used for the Plans' assets measured at fair value:

- Cash and equivalents include cash and money market fund holdings. The fair values are based on a review of unadjusted quoted prices for identical assets in active markets and are classified as Level 1.
- Fixed income includes Securities Exchange Commission (SEC) registered mutual funds, exchange-traded funds, U.S. Government agency and government sponsored agency securities, corporate securities, debt securities issued by a state, municipality or county and an annuity contract (with interest guarantees) which participates in the general account of a major life insurance company. The fair values of assets classified as Level 1 are based on unadjusted quoted market prices for identical assets in active markets, and primarily consist of SEC registered mutual funds and exchange-traded funds. The fair values of assets classified as Level 2 are primarily determined

using market-based pricing matrices with significant inputs observable in the market such as yield curves and trade prices for similar assets. Level 2 assets primarily consist of U.S. Government agency and government sponsored agency securities, corporate and municipal bonds. The determination of the value of the annuity contract requires significant judgment due to lack of market price and liquidity and is classified as Level 3 based on unobservable inputs.

- Equities include SEC registered mutual funds, exchange-traded funds tracking domestic or international equity indices and individual equities held in the form of common stock of companies in the Standard and Poor's 500 Index. The fair values of Level 1 assets are based on a review of unadjusted quoted prices for identical assets in active markets. Where quoted market prices are not available, the fair values of Level 2 assets are determined using quoted market prices for similar assets.
- Multi-strategy mutual funds include SEC registered mutual funds investing in alternative asset classes. The fair values are based on a review of quoted prices for identical assets in active markets and are classified as Level 1.

Contributions

Bank of the West did not contribute to the qualified pension plans during 2015. Based on the funding requirements of the Pension Protection Act of 2006, the Bank does not anticipate contributing to the qualified pension plans during 2016.

Estimated future benefit payments

The following table presents the expected benefit payments, for the periods indicated:

	Pension Benefits		Other Benefits
(dollars in thousands)	**Qualified Plans**	**Non-Qualified Plans**	
2016	**$ 24,177**	**$ 5,701**	**$ 3,279**
2017	**24,611**	**5,818**	**4,407**
2018	**25,318**	**6,323**	**2,619**
2019	**25,767**	**6,055**	**2,672**
2020	**27,034**	**5,993**	**6,459**
2021-2025	**148,422**	**28,598**	**14,982**

19. Income Taxes

The expense provision for income taxes was comprised of the following:

	Years ended December 31,	
(dollars in thousands)	**2015**	2014
Current:		
Federal	**$ 272,111**	$ 218,444
States	**41,111**	43,598
Total current	**313,222**	262,042
Deferred:		
Federal	**28,472**	37,889
States	**(5,194)**	(5,664)
Total deferred	**23,278**	32,225
Total expense for income taxes	**$ 336,500**	$ 294,267

The components of the Bank's deferred income tax assets and liabilities were as follows:

(dollars in thousands)	As of December 31, **2015**	2014
Assets		
Allowance for loan and lease losses and nonperforming assets	**$ 304,249**	$ 337,521
Deferred compensation expenses	**185,489**	185,594
Investment Securities	**54,621**	24,499
Depreciation expense	**-**	765
State income and franchise taxes	**24,107**	19,033
Accrued expenses	**63,853**	51,769
Other	**24,068**	19,063
Total deferred income tax assets	**$ 656,387**	$ 638,244
Liabilities		
Leases	**$ 158,117**	$ 148,863
Deferred loan origination costs	**45,904**	34,736
Intangible assets	**23,784**	29,701
Depreciation expense	**9,986**	-
Total deferred income tax liabilities	**237,791**	213,300
Net deferred income tax assets	**$ 418,596**	$ 424,944

Net deferred income tax assets are included in other assets in the consolidated balance sheets.

Deferred taxes related to net unrealized (losses) gains on securities available for sale, net unrealized gains on derivatives and employee benefit plan adjustments are recorded in AOCI. See Note 17 for additional information. The deferred tax benefit (expense) associated with these adjustments was $4.7 million and $(32.6) million for the years ended December 31, 2015 and 2014, respectively.

The tax effect of the State net operating loss carry forwards as of December 31, 2015 is approximately $2.3 million, which will be available to offset future taxable income and taxes. If not used, these State net operating loss carry forwards will expire in 2025 $(0.1) million and 2035 $(2.2) million.

The tax effect of the State tax credit carry forwards as of December 31, 2015 is approximately $2.1 million, which will be available to offset future taxes. If not used, these State tax credit carry forwards will expire in 2025.

For the years ended December 31, 2015 and 2014, no valuation allowances exist. Realization of deferred tax assets is dependent on generating sufficient taxable income in the future and, although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized.

Effective January 1, 2015 the Bank adopted amended guidance on the accounting for investments in qualified affordable housing projects. See Note 1 and Note 8 for additional information.

The following analysis reconciles the federal statutory income tax expenses and rate to the effective income tax expense and rate for the periods indicated:

	For the years ended December 31,			
	2015		2014	
(dollars in thousands)	**Amount**	**Percentage**	Amount	Percentage
Federal statutory income tax expense and rate	**$ 338,690**	**35.0%**	$ 294,642	35.0%
Foreign, state and local taxes expense, net of federal effect	**26,581**	**2.8**	27,125	3.2
Bank-owned life insurance	**(9,347)**	**(1.0)**	(8,613)	(1.0)
Non-taxable income, net	**(7,087)**	**(0.7)**	(7,981)	(0.9)
Tax credits	**(17,586)**	**(1.8)**	(15,647)	(1.9)
Other	**5,249**	**0.5**	4,741	0.6
Effective income tax expense and rate	**$ 336,500**	**34.8%**	$ 294,267	35.0%

The Bank and its subsidiaries file income tax returns with the federal government and various state and local jurisdictions. With few exceptions, the Bank is no longer subject to federal, state and local income tax examinations for years prior to 2012. As of December 31, 2015, the state and local tax jurisdictions have not proposed any significant adjustments. The Bank believes that there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to our results of operations, financial position or cash flows. The Bank further believes that it has made adequate provision for all income tax uncertainties.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

(dollars in thousands)	**2015**	2014
Beginning balance as of January 1,	**$ 17,955**	$ 15,316
Additions based on tax positions related to the current year	**4,403**	1,659
Additions for tax positions of prior years	**96,365**	1,221
Reductions for tax positions of prior years	**(224)**	-
Reductions as a result of a lapse of the applicable statute of limitations	**(2,622)**	(241)
Balance as of December 31,	**$ 115,877**	$ 17,955

Included in the balance of unrecognized tax benefits are $75.4 million and $11.7 million of tax benefits as of December 31, 2015 and 2014, respectively, which if recognized, will affect the effective tax rate.

The Bank recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. Related to the unrecognized tax benefits noted above, the Bank accrued interest of $0.2 million ($0.1 million, net of federal and state tax benefit) and no penalties during 2015. In total, as of December 31, 2015, the bank has recognized a liability for interest of $4.0 million ($2.4 million, net of federal and state benefit) and penalties of $1.3 million. The Bank accrued interest of $0.4 million ($0.3 million, net of federal and state tax benefit) and no penalties during 2014. In total, as of December 31, 2014, the Bank had recognized a liability for interest of $3.8 million ($2.2 million, net of federal and state tax benefit) and penalties of $1.3 million.

During 2015, the Bank filed tax claims for refund with respect to tax years 2005-2012. Included in the balance of unrecognized tax benefits as of December 31, 2015, was $93.9 million attributable to the refund claims, concerning the determination of taxes for which no benefit is currently recognized. The Bank believes that it is reasonably possible that a decrease of up to $94.6 million in unrecognized tax benefits may be necessary within twelve months of the reporting date with respect to the refund claims and certain liabilities.

20. Transactions with Affiliates

The Bank participates in various transactions with its affiliates including BancWest, First Hawaiian Bank, BNP Paribas and their affiliates. These transactions are subject to federal and state statutory and regulatory restrictions and limitations which require, among other items, to be collateralized, be subject to quantitative limitations, and be on terms at least as favorable to the Bank as those prevailing at the time for similar non-affiliate transactions. These transactions have included the sales and purchases of assets, foreign exchange activities, financial guarantees, international services, interest rate swaps and intercompany deposits and borrowings.

The following table presents amounts due to and from affiliates and off-balance sheet transactions:

	As of December 31,	
(dollars in thousands)	**2015**	2014
Cash and due from banks	**$ 35,374**	$ 40,396
Loans	**1,671**	1,936
Deposits[(1)]	**1,777,590**	1,432,698
Other assets	**73,265**	82,728
Other liabilities	**82,701**	98,419
Fixed-rate unsecured lines of credit	**-**	1,600
Noncontrolling interest	**6,129**	5,595
Derivatives (notional or contract amounts):		
Credit guarantee derivative	**-**	61,945
Fair value hedges	**200,000**	200,000
Foreign exchange contracts	**206,126**	209,843
Interest rate contracts	**5,609,571**	4,882,879
Off-balance sheet transactions:		
Commitments and standby letters of credit	**34,750**	43,925
Guarantees received	**287,451**	208,309

(1) Includes cash deposit under the Guarantee. See Note 10 for additional information.

Net interest income to affiliates for the years ended December 31, 2015 and 2014 was $4.1 million and $0.6 million, respectively. Noninterest income from affiliate transactions, which includes fair value adjustments related to derivatives, was a net loss of $53.9 million and $8.9 million for the years ended December 31, 2015 and 2014, respectively. Noninterest expense from affiliate transactions was $3.9 million and $3.0 million for the years ended December 31, 2015 and 2014, respectively.

Credit guarantee derivative

The Bank had the Guarantee with its parent, BancWest, from March 2010 until it was terminated on December 31, 2015. Under the Guarantee, BancWest had agreed to reimburse the Bank for principal charge-offs, write-downs on foreclosed assets and foregone interest for a specific portfolio of commercial loans and foreclosed properties. Under the Guarantee, BancWest made payments to the Bank on a quarterly basis, and was not entitled to claim any recoveries for any payments made.

The historical decline in the fair value of the Guarantee asset since inception was primarily driven by decreases in the covered asset principal balances due to charge-offs and pay downs, and changes in credit forecasts. As a result of the dissolution, the fair value of the Guarantee asset is nil as of December 31, 2015. In addition, the related deposit amount is no longer restricted under the Guarantee as of December 31, 2015.

The following table provides the net loss of the Guarantee recorded in noninterest income:

	As of December 31,	
(dollars in thousands)	**2015**	2014
Payments	**$ 1,641**	$ 587
Change in fair value	**(2,650)**	(920)
Net loss	**$ (1,009)**	$ (333)

Incentive plans

The Bank participates in the GSIP and GSIS incentive plans. Salary and employee benefits expense under these plans was $1.1 million and $3.1 million for the years ended December 31, 2015 and 2014, respectively. See Note 18 for additional information.

21. Subsequent Events

We have evaluated the effects of subsequent events that have occurred after December 31, 2015 through March 11, 2016, the date of our financial statement issuance, and there have been no material events that would require recognition in the consolidated financial statements or disclosures in the notes to the consolidated financial statements of the Bank.

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