FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 10-Q

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

For the quarterly period ended September 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

FIRST REPUBLIC BANK

(Exact name of registrant as specified in its charter)

California	**80-0513856**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
111 Pine Street, 2nd Floor, San Francisco, CA	**94111**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(415) 392-1400**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**FRC**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 5.125% Noncumulative Perpetual Series H Preferred Stock	**FRC-PrH**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 5.50% Noncumulative Perpetual Series I Preferred Stock	**FRC-PrI**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 4.70% Noncumulative Perpetual Series J Preferred Stock	**FRC-PrJ**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 4.125% Noncumulative Perpetual Series K Preferred Stock	**FRC-PrK**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 4.250% Noncumulative Perpetual Series L Preferred Stock	**FRC-PrL**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 4.000% Noncumulative Perpetual Series M Preferred Stock	**FRC-PrM**	**New York Stock Exchange**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

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

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

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

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

The number of shares outstanding of the Bank's common stock, par value $0.01 per share, as of October 29, 2021 was 179,286,015.

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GLOSSARY OF ACRONYMS AND TERMS

The following listing provides a reference to common acronyms and terms used throughout this report:

ACL	Allowance for Credit Losses
ALM	Asset Liability Management
American Rescue Plan Act	American Rescue Plan Act of 2021
ARM	Adjustable-Rate Mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AUA	Assets Under Custody or Administration
AUM	Assets Under Management
Board	Board of Directors
bp	Basis Point
CAA	Consolidated Appropriations Act, 2021
CARES Act	Coronavirus Aid, Relief and Economic Security Act
CD	Certificate of Deposit
CECL	Current Expected Credit Losses
CECL Capital Rule	Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances
CET1	Common Equity Tier 1
CLTV	Combined LTV
CMT	Constant Maturity Treasury
COFI	11th District Monthly Weighted Average Cost of Funds Index
COVID-19	COVID-19 Pandemic
CPR	Constant Prepayment Rate
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
Economic Aid Act	Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act
EFC	Economic Forecast Committee
EGRRCPA	Economic Growth, Regulatory Relief, and Consumer Protection Act
EPS	Earnings Per Common Share
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
FCA	Financial Conduct Authority
FDIC	Federal Deposit Insurance Corporation
Federal COFI	Federal Cost of Funds Index
Federal Reserve	Federal Reserve System
FHLB	Federal Home Loan Bank
FOMC	Federal Open Market Committee of the Federal Reserve System
Freddie Mac	Federal Home Loan Mortgage Corporation
FRIM	First Republic Investment Management, Inc.
FRLC	First Republic Lending Corporation
FRSC	First Republic Securities Company, LLC
FRTC Delaware	First Republic Trust Company of Delaware LLC
FRTC Wyoming	First Republic Trust Company of Wyoming LLC
GAAP	Accounting Principles Generally Accepted in the United States of America
HELOC	Home Equity Line of Credit
HQLA	High-Quality Liquid Assets
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LTV	Loan-to-Value Ratio
MBS	Mortgage-Backed Securities
MSR	Mortgage Servicing Right
NAV	Net Asset Value
PD	Probability of Default
PPP	SBA's Paycheck Protection Program
PPP Extension Act	PPP Extension Act of 2021
PSU	Performance Share Unit
RSU	Restricted Stock Unit
RWA	Risk-Weighted Asset
SBA	U.S. Small Business Administration
Series F Preferred Stock	Noncumulative Perpetual Series F Preferred Stock
Series G Preferred Stock	Noncumulative Perpetual Series G Preferred Stock
Series H Preferred Stock	Noncumulative Perpetual Series H Preferred Stock
Series I Preferred Stock	Noncumulative Perpetual Series I Preferred Stock
Series J Preferred Stock	Noncumulative Perpetual Series J Preferred Stock
Series K Preferred Stock	Noncumulative Perpetual Series K Preferred Stock
Series L Preferred Stock	Noncumulative Perpetual Series L Preferred Stock
Series M Preferred Stock	Noncumulative Perpetual Series M Preferred Stock
SOFR	Secured Overnight Financing Rate
TDR	Troubled Debt Restructuring
Trust Company	First Republic Trust Company, First Republic Trust Company of Delaware LLC, and First Republic Trust Company of Wyoming LLC
USD	U.S. Dollar
VIE	Variable Interest Entity

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

FIRST REPUBLIC BANK

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share amounts)	September 30, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	$ 12,279,447	$ 5,094,754
Debt securities available-for-sale (amortized cost of $2,989,431 and $1,874,064, respectively, and no allowance for credit losses)	2,960,571	1,906,315
Debt securities held-to-maturity, net of allowance for credit losses of $8,703 and $6,902, respectively (fair value of $22,163,629 and $17,964,019, respectively)	21,192,537	16,603,310
Equity securities (fair value)	31,682	20,566
Loans	128,375,094	112,566,265
Less: Allowance for credit losses	(668,186)	(635,019)
Loans, net	127,706,908	111,931,246
Loans held for sale	3,782	20,679
Investments in life insurance	2,627,940	2,061,362
Tax credit investments	1,180,690	1,131,905
Premises, equipment and leasehold improvements, net	430,675	403,482
Goodwill and other intangible assets	223,183	227,512
Other assets	3,933,088	3,101,003
Total Assets	$ 172,570,503	$ 142,502,134
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking	$ 65,833,005	$ 46,281,112
Interest-bearing checking	34,089,265	30,603,221
Money market checking	21,860,807	16,778,884
Money market savings and passbooks	15,946,902	12,584,522
Certificates of deposit	7,596,366	8,681,061
Total Deposits	145,326,345	114,928,800
Long-term FHLB advances	7,700,000	11,755,000
Senior notes	997,722	996,145
Subordinated notes	778,648	778,313
Other liabilities	2,965,994	2,293,230
Total Liabilities	157,768,709	130,751,488
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; authorized 25,000,000 shares; issued and outstanding 2,892,500 shares and 1,545,000 shares, respectively	2,892,500	1,545,000
Common stock, $0.01 par value per share; authorized 400,000,000 shares; issued and outstanding 179,260,978 shares and 174,123,862 shares, respectively	1,793	1,741
Additional paid-in capital	5,685,384	4,834,172
Retained earnings	6,241,963	5,346,355
Accumulated other comprehensive income (loss)	(19,846)	23,378
Total Shareholders' Equity	14,801,794	11,750,646
Total Liabilities and Shareholders' Equity	$ 172,570,503	$ 142,502,134

See accompanying notes to consolidated financial statements.

FIRST REPUBLIC BANK

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

($ in thousands, except per share amounts)	Quarter Ended September 30, 2021	Quarter Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Interest income:				
Loans	$ 946,846	$ 811,708	$ 2,732,901	$ 2,399,646
Investments	161,017	142,971	458,675	438,055
Other	4,677	6,116	14,969	18,135
Cash and cash equivalents	5,131	1,181	11,095	5,685
Total interest income	1,117,671	961,976	3,217,640	2,861,521
Interest expense:				
Deposits	22,410	54,355	74,077	245,680
Borrowings	42,977	77,341	148,632	246,017
Total interest expense	65,387	131,696	222,709	491,697
Net interest income	1,052,284	830,280	2,994,931	2,369,824
Provision for credit losses	34,025	28,538	35,560	122,025
Net interest income after provision for credit losses	1,018,259	801,742	2,959,371	2,247,799
Noninterest income:				
Investment management fees	148,491	96,638	404,049	281,017
Brokerage and investment fees	22,644	10,796	54,782	39,028
Insurance fees	5,918	2,216	11,660	6,086
Trust fees	6,231	4,543	18,207	14,118
Foreign exchange fee income	26,032	12,575	63,811	34,864
Deposit fees	6,849	5,753	19,636	17,598
Loan and related fees	8,336	7,171	24,698	20,741
Loan servicing fees, net	548	144	3,093	(2,649)
Gain on sale of loans	140	13,797	507	14,575
Gain (loss) on investment securities	2,139	(405)	4,123	3,752
Income from investments in life insurance	20,328	20,546	58,334	36,506
Other income (loss)	2,702	(2,791)	9,917	960
Total noninterest income	250,358	170,983	672,817	466,596
Noninterest expense:				
Salaries and employee benefits	514,499	373,225	1,459,406	1,078,633
Information systems	90,941	74,549	263,437	219,301
Occupancy	66,953	55,543	188,028	164,125
Professional fees	27,911	19,845	74,640	48,479
Advertising and marketing	13,620	8,909	42,813	29,373
FDIC assessments	13,368	11,003	38,522	32,463
Other expenses	71,239	65,136	214,846	187,311
Total noninterest expense	798,531	608,210	2,281,692	1,759,685
Income before provision for income taxes	470,086	364,515	1,350,496	954,710
Provision for income taxes	100,399	71,378	272,870	186,119
Net income	369,687	293,137	1,077,626	768,591
Dividends on preferred stock	24,427	14,816	66,607	42,653
Net income available to common shareholders	$ 345,260	$ 278,321	$ 1,011,019	$ 725,938
Net income	$ 369,687	$ 293,137	$ 1,077,626	$ 768,591
Other comprehensive income (loss), net of tax:				
Net unrealized gain (loss) on debt securities available-for-sale	(9,385)	(2,866)	(42,895)	19,456
Reclassification of (gain) loss on debt securities available-for-sale to net income	(5)	—	(5)	81
Amortization of unrealized gain on debt securities transferred from available-for-sale to held-to-maturity	(81)	(166)	(324)	(509)
Other comprehensive income (loss)	(9,471)	(3,032)	(43,224)	19,028
Comprehensive income	$ 360,216	$ 290,105	$ 1,034,402	$ 787,619
Basic earnings per common share	$ 1.94	$ 1.62	$ 5.73	$ 4.23
Diluted earnings per common share	$ 1.91	$ 1.61	$ 5.66	$ 4.21

See accompanying notes to consolidated financial statements.

FIRST REPUBLIC BANK

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(in thousands, except share amounts)	Common Stock Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
At or for the Quarters Ended September 30, 2021 and 2020							
Balance at June 30, 2021	**176,741,517**	**$ 2,142,500**	**$ 1,767**	**$ 5,204,166**	**$ 5,936,669**	**$ (10,375)**	**$ 13,274,727**
Net income	—	—	—	—	369,687	—	369,687
Other comprehensive loss	—	—	—	—	—	(9,471)	(9,471)
Issuance of preferred stock, net	—	750,000	—	(14,276)	—	—	735,724
Issuance of common stock, net	2,300,000	—	23	443,896	—	—	443,919
Stock compensation expense	—	—	—	68,006	—	—	68,006
Net issuance of common stock under stock plans	219,461	—	3	(16,408)	—	—	(16,405)
Dividends on preferred stock (see Note 12)	—	—	—	—	(24,427)	—	(24,427)
Dividends on common stock ($0.22/share)	—	—	—	—	(39,966)	—	(39,966)
Balance at September 30, 2021	**179,260,978**	**$ 2,892,500**	**$ 1,793**	**$ 5,685,384**	**$ 6,241,963**	**$ (19,846)**	**$ 14,801,794**
Balance at June 30, 2020	**172,093,572**	**$ 1,145,000**	**$ 1,721**	**$ 4,543,051**	**$ 4,858,965**	**$ 27,191**	**$ 10,575,928**
Net income	—	—	—	—	293,137	—	293,137
Other comprehensive loss	—	—	—	—	—	(3,032)	(3,032)
Issuance of preferred stock, net	—	500,000	—	(8,039)	—	—	491,961
Stock compensation expense	—	—	—	34,372	—	—	34,372
Net issuance of common stock under stock plans	94,253	—	1	2,115	—	—	2,116
Dividends on preferred stock (see Note 12)	—	—	—	—	(14,816)	—	(14,816)
Dividends on common stock ($0.20/share)	—	—	—	—	(35,057)	—	(35,057)
Balance at September 30, 2020	**172,187,825**	**$ 1,645,000**	**$ 1,722**	**$ 4,571,499**	**$ 5,102,229**	**$ 24,159**	**$ 11,344,609**
At or for the Nine Months Ended September 30, 2021 and 2020							
Balance at December 31, 2020	**174,123,862**	**$ 1,545,000**	**$ 1,741**	**$ 4,834,172**	**$ 5,346,355**	**$ 23,378**	**$ 11,750,646**
Net income	—	—	—	—	1,077,626	—	1,077,626
Other comprehensive loss	—	—	—	—	—	(43,224)	(43,224)
Issuance of preferred stock, net	—	1,497,500	—	(28,948)	—	—	1,468,552
Redemption of preferred stock	—	(150,000)	—	—	—	—	(150,000)
Issuance of common stock, net	4,312,500	—	43	775,225	—	—	775,268
Stock compensation expense	—	—	—	168,476	—	—	168,476
Net issuance of common stock under stock plans	824,616	—	9	(63,541)	—	—	(63,532)
Dividends on preferred stock (see Note 12)	—	—	—	—	(66,607)	—	(66,607)
Dividends on common stock ($0.64/share)	—	—	—	—	(115,411)	—	(115,411)
Balance at September 30, 2021	**179,260,978**	**$ 2,892,500**	**$ 1,793**	**$ 5,685,384**	**$ 6,241,963**	**$ (19,846)**	**$ 14,801,794**
Balance at December 31, 2019	**168,620,708**	**$ 1,145,000**	**$ 1,686**	**$ 4,214,915**	**$ 4,484,375**	**$ 5,131**	**$ 9,851,107**
Cumulative adjustments from adoption of new accounting guidance	—	—	—	—	(4,677)	—	(4,677)
Balance at January 1, 2020	**168,620,708**	**1,145,000**	**1,686**	**4,214,915**	**4,479,698**	**5,131**	**9,846,430**
Net income	—	—	—	—	768,591	—	768,591
Other comprehensive income	—	—	—	—	—	19,028	19,028
Issuance of preferred stock, net	—	500,000	—	(8,039)	—	—	491,961
Issuance of common stock, net	2,500,000	—	25	290,575	—	—	290,600
Stock compensation expense	—	—	—	105,457	—	—	105,457
Net issuance of common stock under stock plans	1,067,117	—	11	(31,409)	—	—	(31,398)
Dividends on preferred stock (see Note 12)	—	—	—	—	(42,653)	—	(42,653)
Dividends on common stock ($0.59/share)	—	—	—	—	(103,407)	—	(103,407)
Balance at September 30, 2020	**172,187,825**	**$ 1,645,000**	**$ 1,722**	**$ 4,571,499**	**$ 5,102,229**	**$ 24,159**	**$ 11,344,609**

See accompanying notes to consolidated financial statements.

FIRST REPUBLIC BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Nine Months Ended September 30, 2021	2020
Operating Activities:		
Net income	$ 1,077,626	$ 768,591
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	35,560	122,025
Depreciation, amortization and accretion, net	140,117	124,538
Provision for mortgage servicing rights in excess of fair value	1,563	8,139
Deferred income taxes	(35,741)	(59,022)
Gain on sale of loans	(507)	(14,575)
Gain on investment securities	(4,123)	(3,752)
Noncash cost of stock plans	168,476	105,457
Other net losses	3,630	1,516
Loans originated or purchased for sale	(984,347)	(769,766)
Proceeds from sales and principal repayments of loans held for sale	66,276	162,968
Net change in other assets	(305,435)	5,014
Net change in other liabilities	59,722	(32,625)
Net Cash Provided by Operating Activities	222,817	418,508
Investing Activities:		
Loan originations, net of principal collections	(15,726,894)	(14,184,115)
Loans purchased	(97,165)	(758,135)
Loans sold	—	953,246
Purchases of debt securities available-for-sale	(676,275)	(288,989)
Proceeds from sales and paydowns of debt securities available-for-sale	486,716	456,460
Purchases of debt securities held-to-maturity	(6,279,526)	(1,939,642)
Proceeds from sales, calls and paydowns of debt securities held-to-maturity	1,681,834	2,214,358
Purchases of FHLB stock and other investments	(12,000)	(126,158)
Proceeds from FHLB stock redemptions and other investments	115,040	74,836
Purchases of investments in life insurance	(512,764)	(488,147)
Net change in tax credit and other investments	(82,275)	(125,488)
Additions to premises, equipment and leasehold improvements, net	(137,807)	(100,844)
Other investing activities	5,866	—
Net Cash Used for Investing Activities	(21,235,250)	(14,312,618)
Financing Activities:		
Net change in deposits	30,403,286	14,274,636
Net change in short-term borrowings	—	(795,000)
Proceeds from long-term debt	—	6,155,000
Repayment of long-term debt	(4,055,000)	(4,350,000)
Payment of long-term debt issuance costs	—	(3,503)
Net proceeds from issuance of preferred stock	1,468,552	491,961
Redemption of preferred stock	(150,000)	—
Net proceeds from issuance of common stock	775,268	290,600
Proceeds from ESPP and stock options exercised	20,133	17,491
Payments of employee taxes withheld from share-based awards	(83,664)	(49,423)
Dividends on preferred stock	(66,607)	(42,653)
Dividends on common stock	(114,842)	(103,407)
Net Cash Provided by Financing Activities	28,197,126	15,885,702
Increase in Cash and Cash Equivalents	7,184,693	1,991,592
Cash and Cash Equivalents at the Beginning of Period	5,094,754	1,699,557
Cash and Cash Equivalents at the End of Period	$ 12,279,447	$ 3,691,149
Supplemental Disclosure of Cash Flow Items:		
Cash paid:		
Interest	$ 230,988	$ 522,597
Income taxes	$ 184,259	$ 104,406
Non-cash activities:		
Transfer of loans to (from) held for sale	$ (1,259)	$ 963,874
Transfer of loans held for sale to debt securities	$ 933,774	$ 587,607

See accompanying notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Basis of Presentation and Organization

First Republic Bank ("First Republic" or the "Bank") is a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the FDIC. First Republic has operated for 36 years and the current legal entity has been operating since July 1, 2010. Our consolidated financial statements include First Republic and the following wholly-owned subsidiaries: FRIM, FRSC, FRTC Delaware, FRTC Wyoming and FRLC. All significant intercompany balances and transactions have been eliminated.

The accompanying consolidated financial statements are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of the Bank's results for the periods presented. All such adjustments were of a normal and recurring nature. These consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to the Quarterly Report on Form 10-Q adopted by the FDIC. These consolidated financial statements are intended to be read in conjunction with the Bank's consolidated financial statements, and notes thereto, for the year ended December 31, 2020, included in the Bank's Annual Report on Form 10-K filed with the FDIC (the "2020 Form 10-K"). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Nature of Operations

First Republic and its subsidiaries offer private banking, private business banking and private wealth management, including investment, trust and brokerage services. First Republic specializes in delivering exceptional, relationship-based service and offers a complete line of products, including residential, commercial and personal loans, deposit services, and wealth management. Services are offered through preferred banking or wealth management offices primarily in San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach and San Diego, California; Portland, Oregon; Boston, Massachusetts; Palm Beach, Florida; Greenwich, Connecticut; New York, New York; and Jackson, Wyoming.

First Republic originates real estate secured loans and other loans. Real estate secured loans are secured by single family residences, multifamily buildings, and commercial real estate properties and include loans to construct such properties. Most of the real estate loans that First Republic originates are secured by properties located close to one of its offices. First Republic originates business loans, loans secured by securities and other types of collateral and personal unsecured loans primarily to meet the non-mortgage needs of First Republic's clients. Most of these loans are also made to borrowers in the geographic areas served by the Bank's offices.

First Republic offers its clients various wealth management services. First Republic provides investment management services through FRIM, which earns fee income from the management of equity securities, fixed income securities, balanced portfolios, and alternative investments for its clients. The Trust Company provides trust and custody services. FRSC is a registered broker-dealer that performs brokerage and investment activities for clients. The Bank offers insurance solutions through FRSC and FRIM. The Bank also offers money market mutual funds to clients through third-party providers and conducts foreign exchange activities on behalf of clients.

Reclassifications

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Actual results could differ from these estimates. Material estimates subject to change include those related to ACL, fair value measurements, and income taxes.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from the Federal Reserve Bank and commercial banks, and short-term investments such as federal funds sold or U.S. Treasury Bills with original maturity dates of 90 days or less.

The following table presents information related to cash and cash equivalents:

($ in thousands)	September 30, 2021	December 31, 2020
Cash and due from banks	$ 408,268	$ 471,541
Interest-bearing deposits with banks	11,871,179	4,623,213
Total cash and cash equivalents	$ 12,279,447	$ 5,094,754

Note 3. Investment Securities and Allowance for Credit Losses

The following table presents information related to available-for-sale debt securities:

	Available-for-sale				
($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
At September 30, 2021					
Agency residential MBS	$ 1,787,082	$ 2,175	$ (43,222)	$ —	$ 1,746,035
Other residential MBS	15,422	301	—	—	15,723
Agency commercial MBS	1,139,630	11,729	(18)	—	1,151,341
Securities of U.S. states and political subdivisions—taxable	47,297	175	—	—	47,472
Total	$ 2,989,431	$ 14,380	$ (43,240)	$ —	$ 2,960,571
At December 31, 2020					
Agency residential MBS	$ 1,091,159	$ 7,734	$ (2,510)	$ —	$ 1,096,383
Other residential MBS	21,105	346	—	—	21,451
Agency commercial MBS	714,509	26,499	(0)	—	741,008
Securities of U.S. states and political subdivisions—taxable	47,291	182	—	—	47,473
Total	$ 1,874,064	$ 34,761	$ (2,510)	$ —	$ 1,906,315

The following table presents information related to held-to-maturity debt securities:

	Held-to-maturity					
($ in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Allowance for Credit Losses**	**Amortized Cost, Net of Allowance**
At September 30, 2021						
U.S. Government-sponsored agency securities	$ 100,000	$ —	$ (3,056)	$ 96,944	$ —	$ 100,000
Agency residential MBS	1,503,203	20,180	(6,631)	1,516,752	—	1,503,203
Other residential MBS	10,375	22	—	10,397	—	10,375
Agency commercial MBS	2,182,257	61,461	(2,188)	2,241,530	—	2,182,257
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	14,335,024	897,703	(99,632)	15,133,095	(7,168)	14,327,856
Tax-exempt nonprofit debentures	72,426	422	—	72,848	(36)	72,390
Taxable municipal securities	1,620,490	59,518	(2,493)	1,677,515	(810)	1,619,680
Corporate debt securities	1,377,465	41,921	(4,838)	1,414,548	(689)	1,376,776
Total	$ 21,201,240	$ 1,081,227	$ (118,838)	$ 22,163,629	$ (8,703)	$ 21,192,537
At December 31, 2020						
U.S. Government-sponsored agency securities	$ 50,000	$ —	$ (21)	$ 49,979	$ —	$ 50,000
Agency residential MBS	1,300,551	34,942	—	1,335,493	—	1,300,551
Other residential MBS	12,875	215	—	13,090	—	12,875
Agency commercial MBS	2,488,504	160,055	—	2,648,559	—	2,488,504
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	11,799,170	1,092,721	(64)	12,891,827	(6,499)	11,792,671
Tax-exempt nonprofit debentures	74,910	442	—	75,352	(143)	74,767
Taxable municipal securities	811,504	61,925	—	873,429	(220)	811,284
Corporate debt securities	72,698	3,592	—	76,290	(40)	72,658
Total	$ 16,610,212	$ 1,353,892	$ (85)	$ 17,964,019	$ (6,902)	$ 16,603,310

The following table presents information related to equity securities measured at fair value:

($ in thousands)	September 30, 2021	December 31, 2020
Equity securities (fair value):		
Mutual funds and marketable equity securities	$ 31,682	$ 20,566

The components of amortized cost for debt securities on the consolidated balance sheets exclude interest receivable since the Bank elected to present interest receivable within “Other assets.” The following table presents interest receivable on debt securities:

($ in thousands)	September 30, 2021	December 31, 2020
Interest receivable on debt securities available-for-sale	$ 3,648	$ 3,053
Interest receivable on debt securities held-to-maturity	$ 136,706	$ 139,371

Credit Quality

The Bank uses external ratings from third party rating agencies, such as Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's"), to determine the credit quality of each security at purchase and to monitor the credit quality of securities in the portfolio on an ongoing basis. For certain securities that do not have an external rating at the security level, an implied external rating is used. This includes securities explicitly or implicitly guaranteed by the Federal Government, securities that are pre-refunded by the issuer or securities that are rated at only the issuer level. For tax-exempt nonprofit debentures and certain tax-exempt municipal securities that do not have an external or implied external rating, the security is internally graded and subsequently translated to a corresponding external rating. Rating changes and creditworthiness of all securities are reviewed at least on a quarterly basis. The ratings are described below, with the S&P rating first and the corresponding Moody's rating indicated parenthetically.

The credit quality indicators for the securities in the held-to-maturity portfolio range from the highest credit rating of AAA (Aaa) to BBB (Baa), which reflect the strong overall credit quality of the investment portfolio. All of the securities in the held-to-maturity portfolio are investment grade, given that none are rated below the BBB (Baa) category. The following are descriptions of each credit quality indicator:

- AAA (Aaa) rated securities are considered to be of the highest quality, and reflect the lowest level of credit risk of an obligor.
- AA (Aa) rated securities vary slightly from the AAA (Aaa) rated securities, but are still considered to be of very high quality, and reflect very low credit risk of an obligor.
- A (A) rated securities reflect low credit risk of an obligor, given the likelihood that such an obligor will be more impacted by an adverse economic environment than an AA (Aa) rated obligor.
- BBB (Baa) rated securities reflect moderate credit risk of an obligor, given that such an obligor is assumed to be more susceptible to an adverse economic environment than an A (A) rated obligor.

The following tables present the amortized cost of debt securities held-to-maturity by credit quality indicator:

	Held-to-maturity				
($ in thousands)	**AAA (Aaa)**	**AA (Aa)**	**A (A)**	**BBB (Baa)**	**Total**
At September 30, 2021					
U.S. Government-sponsored agency securities	$ —	$ 100,000	$ —	$ —	$ 100,000
Agency residential MBS	—	1,503,203	—	—	1,503,203
Other residential MBS	10,026	349	—	—	10,375
Agency commercial MBS	—	2,182,257	—	—	2,182,257
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	4,118,278	9,986,107	230,639	—	14,335,024
Tax-exempt nonprofit debentures	—	—	19,074	53,352	72,426
Taxable municipal securities	561,710	1,058,780	—	—	1,620,490
Corporate debt securities	525,256	852,209	—	—	1,377,465
Total	$ 5,215,270	$ 15,682,905	$ 249,713	$ 53,352	$ 21,201,240

	Held-to-maturity				
($ in thousands)	AAA (Aaa)	AA (Aa)	A (A)	BBB (Baa)	Total
At December 31, 2020					
U.S. Government-sponsored agency securities	$ —	$ 50,000	$ —	$ —	$ 50,000
Agency residential MBS	—	1,300,551	—	—	1,300,551
Other residential MBS	12,526	349	—	—	12,875
Agency commercial MBS	—	2,488,504	—	—	2,488,504
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	3,031,638	8,486,667	280,865	—	11,799,170
Tax-exempt nonprofit debentures	—	—	19,616	55,294	74,910
Taxable municipal securities	217,871	593,633	—	—	811,504
Corporate debt securities	48,620	24,078	—	—	72,698
Total	$ 3,310,655	$ 12,943,782	$ 300,481	$ 55,294	$ 16,610,212

The carrying value of held-to-maturity debt securities that were internally rated and translated to a corresponding external grade, all of which were tax-exempt nonprofit debentures, was $72.4 million and $74.9 million at September 30, 2021 and December 31, 2020, respectively.

Aging and Nonaccrual

As of both September 30, 2021 and December 31, 2020, there were no debt securities past due or on nonaccrual status.

Allowance for Credit Losses

Debt Securities Available-for-Sale

The following table presents gross unrealized losses and fair value of available-for-sale debt securities by length of time that individual securities in each category had been in a continuous loss position:

	Available-for-sale						
	Less than 12 months		12 months or more		Total		
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Number of Securities
At September 30, 2021							
Agency residential MBS	$ (34,414)	$ 1,334,975	$ (8,808)	$ 281,621	$ (43,222)	$ 1,616,596	463
Agency commercial MBS	(18)	45,068	—	—	(18)	45,068	1
Total	$ (34,432)	$ 1,380,043	$ (8,808)	$ 281,621	$ (43,240)	$ 1,661,664	464
At December 31, 2020							
Agency residential MBS	$ (2,500)	$ 477,767	$ (10)	$ 1,595	$ (2,510)	$ 479,362	207
Agency commercial MBS	—	—	(0)	860	(0)	860	1
Total	$ (2,500)	$ 477,767	$ (10)	$ 2,455	$ (2,510)	$ 480,222	208

For available-for-sale debt securities that experienced a decline in fair value below amortized cost, the Bank concluded that it does not intend to nor would it be required to sell any of the securities prior to recovery of the amortized cost. The Bank then evaluated whether the decline in fair value resulted from a credit loss. Due to their explicit or implicit guarantee by the Federal Government, the Bank’s agency residential MBS and agency commercial MBS have no expected credit losses. Therefore, no ACL was recognized on available-for-sale debt securities as of September 30, 2021 and December 31, 2020.

Debt Securities Held-to-Maturity

The Bank's held-to-maturity U.S. Government-sponsored agency securities, agency residential MBS and agency commercial MBS are considered to not have expected credit losses due to the explicit or implicit guarantee by the Federal Government. Therefore, no ACL has been recognized on these securities.

Held-to-maturity debt securities with similar risk characteristics are pooled when developing the ACL. Beginning in the second quarter of 2021, the Bank's ACL on its held-to-maturity securities of U.S. states and political subdivisions (including tax-exempt municipal securities, tax-exempt nonprofit debentures and taxable municipal securities) and corporate debt securities is determined by expert judgment, which is based on historical ratings-based average probabilities of default and industry average LGD to determine expected credit losses over the life of the securities. Prior to the second quarter of 2021, the Bank's estimate used a PD/LGD model to project credit losses over a reasonable and supportable period of three years, followed by an immediate reversion to its historical loss rate for the remaining life of the security.

The increase in the ACL on held-to-maturity debt securities during the nine months ended September 30, 2021 was primarily due to purchases of municipal securities and corporate debt securities.

The following table presents the activity in the ACL on held-to-maturity debt securities:

	Allowance for Credit Losses		
	Held-to-maturity		
($ in thousands)	Balance at Beginning of Period	Provision (Reversal of Provision)	Balance at End of Period
At or for the Quarter Ended September 30, 2021			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$ 6,896	$ 272	$ 7,168
Tax-exempt nonprofit debentures	37	(1)	36
Taxable municipal securities	785	25	810
Corporate debt securities	689	—	689
Total	$ 8,407	$ 296	$ 8,703
At or for the Nine Months Ended September 30, 2021			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$ 6,499	$ 669	$ 7,168
Tax-exempt nonprofit debentures	143	(107)	36
Taxable municipal securities	220	590	810
Corporate debt securities	40	649	689
Total	$ 6,902	$ 1,801	$ 8,703
At or for the Quarter Ended September 30, 2020			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$ 4,971	$ 413	$ 5,384
Tax-exempt nonprofit debentures	227	(76)	151
Taxable municipal securities	174	(4)	170
Corporate debt securities	11	—	11
Total	$ 5,383	$ 333	$ 5,716
At or for the Nine Months Ended September 30, 2020 (1)			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$ 4,432	$ 952	$ 5,384
Tax-exempt nonprofit debentures	100	51	151
Taxable municipal securities	127	43	170
Corporate debt securities	10	1	11
Total	$ 4,669	$ 1,047	$ 5,716

(1) The beginning balance represents the ACL after the transition adjustments from the adoption of the CECL ACL methodology.

Other Disclosures

The Bank pledges investment securities at the Federal Reserve Bank to maintain the ability to borrow at the discount window, or at a correspondent bank as collateral to secure trust funds and public deposits. At September 30, 2021, the carrying value of investment securities pledged was $4.01 billion, of which $4.00 billion was unencumbered and available to support additional borrowings.

The following table presents proceeds received from sales of investment securities:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Sales proceeds:				
Debt securities available-for-sale	$ 7	$ —	$ 7	$ 70,868
Debt securities held-to-maturity	$ —	$ —	$ —	$ 34,822
Equity securities (fair value)	$ —	$ 221	$ —	$ 221

The following table presents gains and losses on investment securities:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Debt securities available-for-sale:				
Gross realized gains on sales	$ 7	$ —	$ 7	$ 37
Gross realized losses on sales	—	—	—	(151)
Debt securities held-to-maturity:				
Gross realized gains on sales	—	—	—	2,753
Equity securities (fair value):				
Gross realized losses on sales	—	(10)	—	(10)
Net change in fair value	2,132	(395)	4,116	1,123
Total gain (loss) on investment securities	$ 2,139	$ (405)	$ 4,123	$ 3,752

The following table presents interest income on investment securities:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Interest income on tax-exempt securities	$ 109,513	$ 97,651	$ 314,188	$ 286,915
Interest income on taxable securities	51,504	45,320	144,487	151,140
Total	$ 161,017	$ 142,971	$ 458,675	$ 438,055

Contractual Maturities

The following tables present contractual maturities of debt securities available-for-sale and held-to-maturity. Actual maturities for certain U.S. Government agency securities, U.S. Government-sponsored agency securities and municipal securities may occur earlier than their stated contractual maturities because the note issuers may have the right to call outstanding amounts ahead of their contractual maturities. In addition, the remaining contractual principal maturities for MBS do not consider prepayments. Expected remaining maturities for MBS can differ from contractual maturities because borrowers have the right to prepay their mortgage obligations, with or without penalties, prior to contractual maturity.

	Available-for-sale				
($ in thousands)	**Amount**	**Within 1 Year**	**After 1 Through 5 Years**	**After 5 Through 10 Years**	**After 10 Years**
At September 30, 2021					
Amortized cost:					
Agency residential MBS	$ 1,787,082	$ —	$ 953	$ —	$ 1,786,129
Other residential MBS	15,422	—	—	—	15,422
Agency commercial MBS	1,139,630	—	104,530	741,403	293,697
Securities of U.S. states and political subdivisions—taxable	47,297	—	—	—	47,297
Total	$ 2,989,431	$ —	$ 105,483	$ 741,403	$ 2,142,545
Fair value:					
Agency residential MBS	$ 1,746,035	$ —	$ 949	$ —	$ 1,745,086
Other residential MBS	15,723	—	—	—	15,723
Agency commercial MBS	1,151,341	—	104,729	743,507	303,105
Securities of U.S. states and political subdivisions—taxable	47,472	—	—	—	47,472
Total	$ 2,960,571	$ —	$ 105,678	$ 743,507	$ 2,111,386
At December 31, 2020					
Amortized cost:					
Agency residential MBS	$ 1,091,159	$ —	$ 1,448	$ —	$ 1,089,711
Other residential MBS	21,105	—	—	—	21,105
Agency commercial MBS	714,509	860	110,382	129,140	474,127
Securities of U.S. states and political subdivisions—taxable	47,291	—	—	—	47,291
Total	$ 1,874,064	$ 860	$ 111,830	$ 129,140	$ 1,632,234
Fair value:					
Agency residential MBS	$ 1,096,383	$ —	$ 1,439	$ —	$ 1,094,944
Other residential MBS	21,451	—	—	—	21,451
Agency commercial MBS	741,008	860	110,653	130,553	498,942
Securities of U.S. states and political subdivisions—taxable	47,473	—	—	—	47,473
Total	$ 1,906,315	$ 860	$ 112,092	$ 130,553	$ 1,662,810

	Held-to-maturity				
($ in thousands)	**Amount**	**Within 1 Year**	**After 1 Through 5 Years**	**After 5 Through 10 Years**	**After 10 Years**
At September 30, 2021					
Amortized cost, net of allowance:					
U.S. Government-sponsored agency securities	$ 100,000	$ —	$ —	$ —	$ 100,000
Agency residential MBS	1,503,203	—	3,594	—	1,499,609
Other residential MBS	10,375	—	—	—	10,375
Agency commercial MBS	2,182,257	—	24,941	—	2,157,316
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	14,327,856	338,622	602,065	109,387	13,277,782
Tax-exempt nonprofit debentures	72,390	—	—	—	72,390
Taxable municipal securities	1,619,680	—	—	—	1,619,680
Corporate debt securities	1,376,776	—	—	—	1,376,776
Total	$ 21,192,537	$ 338,622	$ 630,600	$ 109,387	$ 20,113,928
At December 31, 2020					
Amortized cost, net of allowance:					
U.S. Government-sponsored agency securities	$ 50,000	$ —	$ —	$ —	$ 50,000
Agency residential MBS	1,300,551	—	3,661	—	1,296,890
Other residential MBS	12,875	—	—	—	12,875
Agency commercial MBS	2,488,504	—	—	—	2,488,504
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	11,792,671	235,314	659,651	168,669	10,729,037
Tax-exempt nonprofit debentures	74,767	—	—	—	74,767
Taxable municipal securities	811,284	—	—	—	811,284
Corporate debt securities	72,658	—	—	—	72,658
Total	$ 16,603,310	$ 235,314	$ 663,312	$ 168,669	$ 15,536,015

Note 4. Loans and Allowance for Credit Losses

Loan Profile

The Bank's portfolio segments consist of residential real estate, income property, business and other loans. Each segment is further disaggregated by classes. Beginning in April 2020, the Bank became a lender under the PPP. The following table presents loans held for investment by portfolio segment and class, and the ACL:

($ in thousands)	September 30, 2021	December 31, 2020
Residential real estate		
Single family	$ 73,490,788	$ 61,370,246
Home equity lines of credit	2,429,152	2,449,533
Single family construction	984,835	787,854
Total residential real estate	76,904,775	64,607,633
Income property		
Multifamily	15,416,780	13,768,957
Commercial real estate	8,486,124	8,018,158
Multifamily/commercial construction	2,064,107	2,024,420
Total income property	25,967,011	23,811,535
Business		
Capital call lines of credit	9,088,424	8,149,946
Tax-exempt	3,577,586	3,365,572
Other business	3,553,875	3,340,048
PPP	876,487	1,841,376
Total business	17,096,372	16,696,942
Other		
Stock secured	3,120,176	2,518,338
Other secured	2,261,224	1,818,550
Unsecured	3,025,536	3,113,267
Total other	8,406,936	7,450,155
Total loans held for investment	128,375,094	112,566,265
Less: Allowance for credit losses	(668,186)	(635,019)
Loans, net	$ 127,706,908	$ 111,931,246

The following table presents loans held for sale:

($ in thousands)	September 30, 2021	December 31, 2020
Loans held for sale	$ 3,782	$ 20,679

Real estate loans are secured by single family, multifamily and commercial real estate properties and generally mature over periods of up to thirty years. At September 30, 2021 and December 31, 2020, approximately 52% and 51%, respectively, of the total loan portfolio was secured by California real estate. At September 30, 2021 and December 31, 2020, approximately 62% and 64%, respectively, of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years.

As of September 30, 2021, the Bank had pledged $69.7 billion of loans to secure borrowings of $7.7 billion from the FHLB, although only approximately $9.7 billion of collateral was required in connection with the outstanding FHLB advances.

The components of amortized cost for loans on the consolidated balance sheets exclude interest receivable since the Bank elected to present interest receivable within "Other assets." The following table presents interest receivable on loans held for investment:

($ in thousands)	September 30, 2021	December 31, 2020
Interest receivable [1]	$ 309,233	$ 288,094

[1] Includes $1.8 million and $7.2 million of deferred interest from loan modifications to assist borrowers experiencing financial difficulties as a result of COVID-19 at September 30, 2021 and December 31, 2020, respectively. Deferred interest will be added to the principal balance of the loan at the end of the deferral period, and may be included as a final balloon payment, reamortized over the remaining loan life, or repaid over the extended term utilizing the pre-modification monthly payments.

Aging and Nonaccrual

The following tables present an aging analysis of loans:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
At September 30, 2021						
Residential real estate						
Single family	$ 8,453	$ 10,212	$ 41,941	$ 60,606	$ 73,430,182	$ 73,490,788
Home equity lines of credit	2,369	1,103	18,238	21,710	2,407,442	2,429,152
Single family construction	—	—	—	—	984,835	984,835
Total residential real estate	10,822	11,315	60,179	82,316	76,822,459	76,904,775
Income property						
Multifamily	1,813	396	—	2,209	15,414,571	15,416,780
Commercial real estate	689	—	5,429	6,118	8,480,006	8,486,124
Multifamily/commercial construction	—	—	—	—	2,064,107	2,064,107
Total income property	2,502	396	5,429	8,327	25,958,684	25,967,011
Business						
Capital call lines of credit	—	—	—	—	9,088,424	9,088,424
Tax-exempt	—	—	—	—	3,577,586	3,577,586
Other business	—	—	—	—	3,553,875	3,553,875
PPP	593	—	—	593	875,894	876,487
Total business	593	—	—	593	17,095,779	17,096,372
Other						
Stock secured	—	—	—	—	3,120,176	3,120,176
Other secured	—	307	161	468	2,260,756	2,261,224
Unsecured	429	—	—	429	3,025,107	3,025,536
Total other	429	307	161	897	8,406,039	8,406,936
Total	$ 14,346	$ 12,018	$ 65,769	$ 92,133	$ 128,282,961	$ 128,375,094

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
At December 31, 2020						
Residential real estate						
Single family	$ 30,565	$ —	$ 37,649	$ 68,214	$ 61,302,032	$ 61,370,246
Home equity lines of credit	3,333	—	12,785	16,118	2,433,415	2,449,533
Single family construction	—	—	—	—	787,854	787,854
Total residential real estate	33,898	—	50,434	84,332	64,523,301	64,607,633
Income property						
Multifamily	—	—	—	—	13,768,957	13,768,957
Commercial real estate	7,768	—	726	8,494	8,009,664	8,018,158
Multifamily/commercial construction	—	—	57,843	57,843	1,966,577	2,024,420
Total income property	7,768	—	58,569	66,337	23,745,198	23,811,535
Business						
Capital call lines of credit	—	—	—	—	8,149,946	8,149,946
Tax-exempt	—	—	—	—	3,365,572	3,365,572
Other business	58	—	698	756	3,339,292	3,340,048
PPP	—	—	—	—	1,841,376	1,841,376
Total business	58	—	698	756	16,696,186	16,696,942
Other						
Stock secured	—	—	—	—	2,518,338	2,518,338
Other secured	2,890	—	23	2,913	1,815,637	1,818,550
Unsecured	567	144	1,128	1,839	3,111,428	3,113,267
Total other	3,457	144	1,151	4,752	7,445,403	7,450,155
Total	$ 45,181	$ 144	$ 110,852	$ 156,177	$ 112,410,088	$ 112,566,265

The table below presents information on loans 90 days or more past due and accruing and loans on nonaccrual status:

	September 30, 2021			December 31, 2020		
		Nonaccrual			Nonaccrual	
($ in thousands)	90 Days or More Past Due and Accruing	Total	Total Without an Allowance	90 Days or More Past Due and Accruing	Total	Total Without an Allowance
Residential real estate						
Single family	$ —	$ 78,229	$ 70,211	$ —	$ 85,630	$ 73,394
Home equity lines of credit	—	28,152	27,049	—	31,571	26,711
Total residential real estate	—	106,381	97,260	—	117,201	100,105
Income property						
Commercial real estate	—	7,631	6,613	—	2,320	1,200
Multifamily/commercial construction	—	8,861	8,861	—	57,843	57,843
Total income property	—	16,492	15,474	—	60,163	59,043
Business						
Other business	—	1,531	1,283	—	4,534	2,822
Other						
Other secured	—	797	—	—	23	—
Unsecured	—	2,229	189	—	2,211	192
Total other	—	3,026	189	—	2,234	192
Total	$ —	$127,430	$ 114,206	$ —	$184,132	$ 162,162

The interest income that would have been recognized related to nonaccrual loans at each respective period end is presented in the following table:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2021	2020	2021	2020
Actual interest income recognized	$ —	$ —	$ —	$ —
Interest income under original terms	$ 1,138	$ 1,406	$ 2,975	$ 3,982

Credit Quality

The Bank's primary credit quality indicator for loans is its internal loan risk grades. The Bank maintains a loan risk grading system that takes into consideration regulatory guidelines and incorporates a number of considerations, such as a borrower's financial condition, adequacy of collateral, and other factors that may impact a borrower's ability to repay the loan. The Bank's internal loan grades apply to all loans and are as follows:

Pass—These loans are performing substantially as agreed, with no current identified material weakness in repayment ability. Any credit or collateral exceptions existing with respect to the loan should be minimal and immaterial, in the process of correction, and not such that they could subsequently impair credit quality and introduce risk of collection.

Special Mention—These loans have potential weaknesses and deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Bank's credit position at some future date. However, these loans do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard—These loans are inadequately protected by the current worth and paying capacity of the obligor or of the collateral pledged, if any. These loans have a well-defined weakness that jeopardizes the liquidation of the debt.

Doubtful—These loans have weaknesses that make collection or liquidation in full highly improbable. The possibility of some loss is extremely high, but because of certain important and reasonable specific pending factors that may work to the advantage and strengthening of the loan, its classification as a loss is deferred until a more exact status may be determined.

The majority of the Bank's loan portfolio is secured by real estate. A decline in real estate values can negatively impact our ability to recover our investment should the borrower become delinquent. We safeguard against this risk by rarely exceeding an LTV ratio of 80% with respect to real estate lending.

We perform regular monitoring and annual reviews of our loan portfolio to identify and evaluate any deterioration in primary and/or secondary sources of repayment, including evaluations of the borrower's financial condition and value of the collateral. Annual reviews of residential real estate and other loans include an analysis of payment history, collateral value and credit scores. Annual reviews of our larger income property and business loans include analysis of financial statements of the property and/or borrower to determine the current ability to repay outstanding obligations. Updates to risk grades are made, as needed, upon completion of reviews.

For loans that are criticized or classified, the Bank's Special Assets Committee reviews loan grades, reserves and accrual status on a quarterly or more frequent basis. This review includes an evaluation of the market conditions, the property's trends, the borrower and guarantor status, the level of reserves required and loan accrual status.

Additionally, we have an independent, third-party review performed on our loan grades and our credit administration functions each year. The results of the third-party review are presented to the Audit Committee of the Board. These asset review procedures provide management with additional information for assessing and affirming our asset quality.

Other Real Estate Owned and Residential Mortgage Loans in the Process of Foreclosure

As of both September 30, 2021 and December 31, 2020, the Bank did not have any residential real estate owned (acquired through foreclosure).

The carrying amount of residential mortgage loans in the process of foreclosure was $5.8 million and $8.0 million at September 30, 2021 and December 31, 2020, respectively.

Vintage

The following tables present loan balances by credit quality indicator and vintage year of origination or the year of modification if such modifications meet the criteria to be considered a new loan under ASC 310-20, "Nonrefundable Fees and Other Costs." For revolving lines of credit that converted to term loans, if the conversion involved a credit decision, such loans are included in the origination year in which the credit decision was made. If revolving lines of credit converted to term loans without a credit decision, such lines of credit are included in the "Revolving lines of credit converted to term" column in the following tables.

($ in thousands)	2021	2020	2019	2018	2017	Prior	Revolving lines of credit	Revolving lines of credit converted to term	Total
At September 30, 2021									
Residential real estate									
Single family:									
Pass	$22,140,767	$21,029,110	$10,776,754	$5,078,365	$ 5,673,145	$ 8,546,485	$ —	$ —	$73,244,626
Special mention	—	4,901	20,616	17,676	29,422	68,380	—	—	140,995
Substandard	—	2,221	—	12,964	17,997	71,985	—	—	105,167
	22,140,767	21,036,232	10,797,370	5,109,005	5,720,564	8,686,850	—	—	73,490,788
Home equity lines of credit:									
Pass	—	—	—	—	—	—	2,329,896	54,000	2,383,896
Special mention	—	—	—	—	—	—	9,960	2,829	12,789
Substandard	—	—	—	—	—	—	28,544	3,923	32,467
	—	—	—	—	—	—	2,368,400	60,752	2,429,152
Single family construction:									
Pass	283,263	278,809	247,125	126,731	34,809	11,505	—	—	982,242
Special mention	—	—	2,593	—	—	—	—	—	2,593
	283,263	278,809	249,718	126,731	34,809	11,505	—	—	984,835
Total residential real estate	22,424,030	21,315,041	11,047,088	5,235,736	5,755,373	8,698,355	2,368,400	60,752	76,904,775
Income property									
Multifamily:									
Pass	3,279,195	3,626,907	2,662,934	2,155,290	1,349,494	2,020,541	209,071	—	15,303,432
Special mention	—	—	30,312	—	866	4,863	—	—	36,041
Substandard	34,794	—	6,011	14,077	—	22,425	—	—	77,307
	3,313,989	3,626,907	2,699,257	2,169,367	1,350,360	2,047,829	209,071	—	15,416,780
Commercial real estate:									
Pass	1,489,483	1,552,750	1,184,509	1,018,381	770,402	1,954,635	286,440	—	8,256,600
Special mention	2,093	5,230	14,344	25,706	16,192	61,575	153	—	125,293
Substandard	20,056	1,513	38,698	4,873	17,672	19,455	1,964	—	104,231
	1,511,632	1,559,493	1,237,551	1,048,960	804,266	2,035,665	288,557	—	8,486,124
Multifamily/commercial construction									
Pass	338,841	740,895	649,935	268,309	23,020	7,634	6,025	—	2,034,659
Special mention	20,586	—	—	—	—	—	—	—	20,586
Substandard	—	—	—	8,862	—	—	—	—	8,862
	359,427	740,895	649,935	277,171	23,020	7,634	6,025	—	2,064,107
Total income property	5,185,048	5,927,295	4,586,743	3,495,498	2,177,646	4,091,128	503,653	—	25,967,011

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($ in thousands)	2021	2020	2019	2018	2017	Prior	Revolving lines of credit	Revolving lines of credit converted to term	Total
At September 30, 2021									
Business									
Capital call lines of credit:									
Pass	—	—	10,653	—	—	—	9,077,771	—	9,088,424
Tax-exempt:									
Pass	461,883	991,858	163,735	223,633	373,376	1,353,680	—	—	3,568,165
Special mention	—	—	6,568	—	—	2,853	—	—	9,421
	461,883	991,858	170,303	223,633	373,376	1,356,533	—	—	3,577,586
Other business:									
Pass	532,655	778,869	413,728	314,187	137,780	311,258	1,031,096	—	3,519,573
Special mention	2,054	1,917	2,492	—	11,574	2,232	740	—	21,009
Substandard	219	—	3,434	—	2,207	6,241	945	—	13,046
Doubtful	99	—	115	—	—	8	25	—	247
	535,027	780,786	419,769	314,187	151,561	319,739	1,032,806	—	3,553,875
PPP:									
Pass	674,115	189,644	—	—	—	—	—	—	863,759
Special mention	—	12,728	—	—	—	—	—	—	12,728
	674,115	202,372	—	—	—	—	—	—	876,487
Total business	1,671,025	1,975,016	600,725	537,820	524,937	1,676,272	10,110,577	—	17,096,372
Other									
Stock secured:									
Pass	1	19,798	877	3,232	—	—	3,095,069	—	3,118,977
Substandard	—	—	—	—	—	—	1,199	—	1,199
	1	19,798	877	3,232	—	—	3,096,268	—	3,120,176
Other secured:									
Pass	159,921	189,275	191,204	119,593	39,113	60,740	1,470,879	26,891	2,257,616
Special mention	—	—	—	—	—	—	2,096	—	2,096
Substandard	—	—	504	—	635	373	—	—	1,512
	159,921	189,275	191,708	119,593	39,748	61,113	1,472,975	26,891	2,261,224
Unsecured:									
Pass	123,416	389,412	536,480	496,661	307,258	281,282	877,747	—	3,012,256
Substandard	1,262	836	1,452	2,664	2,148	2,714	164	—	11,240
Doubtful	—	—	251	401	151	419	818	—	2,040
	124,678	390,248	538,183	499,726	309,557	284,415	878,729	—	3,025,536
Total other	284,600	599,321	730,768	622,551	349,305	345,528	5,447,972	26,891	8,406,936
Total	$29,564,703	$29,816,673	$16,965,324	$9,891,605	$ 8,807,261	$14,811,283	$18,430,602	$ 87,643	$128,375,094

($ in thousands)	2020	2019	2018	2017	2016	Prior	Revolving lines of credit	Revolving lines of credit converted to term	Total
At December 31, 2020									
Residential real estate									
Single family:									
Pass	$23,175,447	$13,083,243	$6,682,850	$7,137,020	$5,034,400	$5,999,314	$ —	$ —	$ 61,112,274
Special mention	5,730	27,479	18,394	31,313	12,198	58,530	—	—	153,644
Substandard	4,850	4,108	10,656	16,234	27,462	41,018	—	—	104,328
	23,186,027	13,114,830	6,711,900	7,184,567	5,074,060	6,098,862	—	—	61,370,246
Home equity lines of credit:									
Pass	—	—	—	—	—	—	2,345,229	52,766	2,397,995
Special mention	—	—	—	—	—	—	15,721	2,179	17,900
Substandard	—	—	—	—	—	—	28,462	5,176	33,638
	—	—	—	—	—	—	2,389,412	60,121	2,449,533
Single family construction:									
Pass	220,745	278,559	218,570	49,119	17,227	3,634	—	—	787,854
Total residential real estate	23,406,772	13,393,389	6,930,470	7,233,686	5,091,287	6,102,496	2,389,412	60,121	64,607,633
Income property									
Multifamily:									
Pass	3,824,340	2,934,972	2,493,386	1,631,544	1,228,929	1,396,955	210,256	—	13,720,382
Special mention	—	—	1,597	—	—	—	—	—	1,597
Substandard	—	46,978	—	—	—	—	—	—	46,978
	3,824,340	2,981,950	2,494,983	1,631,544	1,228,929	1,396,955	210,256	—	13,768,957
Commercial real estate:									
Pass	1,687,047	1,474,889	1,144,297	899,077	796,430	1,751,983	191,890	—	7,945,613
Special mention	—	15,556	2,085	1,290	21,763	6,894	—	—	47,588
Substandard	1,594	—	—	17,267	4,722	725	649	—	24,957
	1,688,641	1,490,445	1,146,382	917,634	822,915	1,759,602	192,539	—	8,018,158
Multifamily/commercial construction									
Pass	583,995	669,245	522,731	115,873	10,824	—	37,118	—	1,939,786
Special mention	7,993	—	—	—	—	—	—	—	7,993
Substandard	18,798	57,843	—	—	—	—	—	—	76,641
	610,786	727,088	522,731	115,873	10,824	—	37,118	—	2,024,420
Total income property	6,123,767	5,199,483	4,164,096	2,665,051	2,062,668	3,156,557	439,913	—	23,811,535

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($ in thousands)	2020	2019	2018	2017	2016	Prior	Revolving lines of credit	Revolving lines of credit converted to term	Total
At December 31, 2020									
Business									
Capital call lines of credit:									
Pass	—	34,620	112,340	—	—	—	8,002,986	—	8,149,946
Tax-exempt:									
Pass	982,247	135,122	221,041	434,895	292,953	1,290,922	—	—	3,357,180
Substandard	—	—	—	—	8,392	—	—	—	8,392
	982,247	135,122	221,041	434,895	301,345	1,290,922	—	—	3,365,572
Other business:									
Pass	881,074	564,965	350,527	214,483	138,549	236,896	916,353	—	3,302,847
Special mention	5,600	2,694	—	12,269	80	2,288	5,128	—	28,059
Substandard	—	1,443	2,463	2,210	77	690	2,093	—	8,976
Doubtful	—	—	—	—	—	71	95	—	166
	886,674	569,102	352,990	228,962	138,706	239,945	923,669	—	3,340,048
PPP:									
Pass	1,841,376	—	—	—	—	—	—	—	1,841,376
Total business	3,710,297	738,844	686,371	663,857	440,051	1,530,867	8,926,655	—	16,696,942
Other									
Stock secured:									
Pass	20,783	882	25,756	205	—	—	2,470,712	—	2,518,338
Other secured:									
Pass	179,137	190,061	143,802	109,910	55,736	38,209	1,067,340	24,504	1,808,699
Special mention	6,091	—	—	—	—	—	3,637	—	9,728
Substandard	—	—	—	100	—	—	—	—	100
Doubtful	—	—	—	—	—	23	—	—	23
	185,228	190,061	143,802	110,010	55,736	38,232	1,070,977	24,504	1,818,550
Unsecured:									
Pass	446,984	674,752	642,212	385,786	285,034	64,793	599,873	—	3,099,434
Special mention	—	—	—	—	—	—	1,156	—	1,156
Substandard	677	1,490	3,642	1,755	2,735	257	1,081	—	11,637
Doubtful	62	—	188	—	47	148	595	—	1,040
	447,723	676,242	646,042	387,541	287,816	65,198	602,705	—	3,113,267
Total other	653,734	867,185	815,600	497,756	343,552	103,430	4,144,394	24,504	7,450,155
Total	$33,894,570	$20,198,901	$12,596,537	$11,060,350	$7,937,558	$10,893,350	$15,900,374	$ 84,625	$112,566,265

The following table presents revolving lines of credit that converted to term loans without an additional credit decision during the periods indicated:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2021	2020	2021	2020
Residential real estate				
Home equity lines of credit	$ 12,855	$ 2,794	$ 18,770	$ 5,174
Other				
Other secured	9,126	179	17,616	8,619
Total	$ 21,981	$ 2,973	$ 36,386	$ 13,793

Allowance for Credit Losses on Loans

The Bank estimates its ACL using quantitative models, expert judgment, qualitative factors and individual assessments. The Bank's estimate incorporates individual loan and/or property level characteristics, macroeconomic forecasts and historical loss rates to determine expected credit losses over the life of its loans. Loans with similar risk characteristics within each class are pooled when developing the allowance, and loans that do not share similar risk characteristics are individually assessed. As of September 30, 2021, the total ACL on loans was $668.2 million, and $626.1 million was the portion of the ACL attributable to loans with similar risk characteristics, compared to a total ACL on loans of $635.0 million as of December 31, 2020, of which $584.5 million was attributable to loans with similar risk characteristics. The following is a discussion of the models, expert judgment and individual assessments the Bank uses to determine its ACL.

Quantitative Models

For residential real estate, income property, tax-exempt business, and other business loans, expected credit losses are determined by PD/LGD models. For other secured and certain unsecured loans, expected credit losses are determined by loss rate models.

The quantitative models incorporate forward-looking macroeconomic information over a reasonable and supportable period of two years, and a reversion period of one year, after which the Bank reverts to its historical loss rate for the remaining life of the loan. These models also account for prepayments (or repayments) during the life of the loan. The Bank currently uses a single macroeconomic scenario in estimating expected credit losses. On a quarterly or more frequent basis, the Bank's EFC discusses and approves the macroeconomic forecast scenario used for these models and determines whether any changes to the reasonable and supportable period, as well as reversion period, are necessary.

During the reasonable and supportable period, the quantitative models determine estimated loss amounts based on the macroeconomic forecast scenario, contractual maturity dates, prepayment (or repayment) projections and, in most cases, loan specific risk characteristics. Prepayment (or repayment) projections are either developed based on historical experience or modeled using the macroeconomic forecast scenario, contractual maturity dates, and loan specific risk characteristics. Macroeconomic forecasts include various factors, but the most impactful to our loan portfolios are residential home price indices, commercial real estate price indices, apartment price indices, unemployment rates, and interest rates, which impact prepayment (or repayment) estimates. The macroeconomic forecast scenario selected by the EFC assumes that the most adverse aspects of the economic disruption from COVID-19 have already occurred, resulting in substantial improvement in the economic forecast as of September 30, 2021 compared to December 31, 2020. The scenario forecasts an overall appreciation in residential, apartment and commercial real estate prices during the reasonable and supportable period. The current scenario also projects lower unemployment rates and higher interest rates compared to December 31, 2020 scenario due to a more positive economic outlook.

For PD/LGD models, loan specific risk characteristics include LTV and credit scores for residential real estate, LTV and debt service coverage ratios for income property loans and tax-exempt business loans, and risk grade and past due status for other business loans. PD/LGD models estimate the likelihood that a loan will default and measure the loss the Bank would incur if that loan defaults. Estimated losses are calculated using the product of PD and LGD to produce a loss rate. For other secured and certain unsecured loans, the loss rate models use the relationship between historical losses, historical macroeconomic factors, and forward-looking macroeconomic information to determine an expected loss rate.

Subsequent to the reasonable and supportable period, the Bank reverts to its historical loss rate and historical prepayment (or repayment) speed on a straight-line basis over the reversion period of one year.

After the reversion period, the Bank's historical loss rate and historical prepayment (or repayment) speed are used to estimate expected credit losses for the remaining life of the loan. These rates are based on the average net charge-offs and average prepayment (or repayment) speeds, respectively, over a 12-year historical period for all loans. The historical period used by the Bank is reviewed at least annually. Prior to the third quarter of 2021, a ten-year historical period was used for all loans except tax-exempt business loans, for which a 15-year historical period was used. Beginning in the third quarter of 2021, the Bank changed the historical period over which these rates are calculated to reflect the length of the most recent economic cycle (i.e., 12 years).

Expert Judgment

For capital call lines of credit and the majority of unsecured loans, expected credit losses are determined by expert judgment. The Bank uses expert judgment to estimate credit losses for these loan types because a quantitative model would not appropriately reflect the specific loan characteristics or other factors that could result in loan losses, specifically, idiosyncratic risks or risks related to newer loan products, not already reflected in the historical loss experience. Expected loan losses are based on credit attributes specific to each loan type. For capital call lines of credit, such attributes used to estimate a lifetime loss rate include loan commitment size and expected line utilization. For unsecured loans, such attributes include external publicly available credit metrics for similar products.

Qualitative Factors

The Bank also maintains a portion of the overall allowance that is comprised of adjustments to historical loss information resulting from asset-specific risk characteristics and current economic conditions. These adjustments are developed using a systematic methodology and are based on loss rates derived using a more adverse macroeconomic forecast scenario than the scenario used for the quantitative models and the Bank's historical loss rates, as well as qualitative factors that are not reflected in the quantitative models or expert judgment, but are likely to impact the measurement of estimated credit losses. The qualitative factors are evaluated on a portfolio by portfolio basis and are intended to address considerations including, but not limited to: the nature and volume of the Bank's loan portfolio changes, the existence and effects of credit concentrations, problem loan trends, lending policies and procedures, and other external factors, such as competition and the legal and regulatory environment.

Individually Assessed Stock Secured Loans

The Bank applies the collateral maintenance practical expedient to estimate credit losses on its stock secured loan portfolio. Since the underlying collateral is required to be continually adjusted to maintain a fair value greater than or equal to the loan's amortized cost, no expected credit losses are recognized unless the fair value of the collateral is less than the amortized cost of the loan. Expected credit losses are measured at the individual loan level on the excess of amortized cost over the fair value of the collateral.

Other Individually Assessed Loans

Loans that do not share similar risk characteristics with the other loans in their class are not pooled, but are individually assessed. The following discussion describes these individually assessed loans.

Collateral Dependent Loans: The Bank considers loans (1) for which the repayment is expected to be provided substantially through the operation or sale of collateral and the borrower is experiencing financial difficulty, or (2) where foreclosure is probable to be collateral dependent. Expected credit losses are measured at the individual loan level. If the fair value of the collateral, net of selling costs, is less than the loan's amortized cost, the Bank recognizes expected credit losses in the amount of the difference. At September 30, 2021, the Bank's collateral dependent loans were fully collateralized and primarily secured by residential real estate.

TDR Loans: The Bank grants concessions in TDRs when a borrower is experiencing financial difficulties. TDR loans that are collateral dependent follow the assessment described under "Collateral Dependent Loans" above. For TDR loans that are not collateral dependent, expected credit losses are measured at the individual loan level and are based on expected future cash flows. If the present value of expected future cash flows, discounted at the loan's effective interest rate, is less than the loan's amortized cost, the Bank recognizes expected credit losses in the amount of the difference.

Criticized or Classified Loans and Certain COVID-19 Loan Modifications: For criticized or classified loans (that are not collateral dependent or TDRs) and certain COVID-19 loan modifications that have increased credit risk, expected credit losses are also individually assessed based on consideration of individual risk characteristics that affect the collectability of the loan but are not reflected in the quantitative model.

PPP Loans

Loans originated by the Bank under the PPP are 100% guaranteed by the SBA. Due to this explicit guarantee, PPP loans are considered not to have any expected credit losses. Therefore, no ACL has been recognized on these loans.

Provision (Reversal of Provision) for Credit Losses and Changes in the Allowance for Credit Losses

The following table presents information related to the provision (reversal of provision) for credit losses:

	Quarter Ended September 30,		**Nine Months Ended September 30,**	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Provision (reversal of provision) for credit losses:				
Debt securities held-to-maturity [(1)]	$ 296	$ 333	$ 1,801	$ 1,047
Loans	31,568	22,437	35,165	113,305
Unfunded loan commitments	2,161	5,768	(1,406)	7,673
Total provision	$ 34,025	$ 28,538	$ 35,560	$ 122,025

[(1)] Refer to Note 3, “Investment Securities and Allowance for Credit Losses,” for disclosures of the ACL on held-to-maturity debt securities.

As of September 30, 2021, the total ACL on loans was $668.2 million, compared to $636.9 million as of June 30, 2021 and $635.0 million as of December 31, 2020. The increase in the total ACL on loans as of September 30, 2021 compared to June 30, 2021 was primarily due to loan growth and qualitative considerations related to the nature and volume of loan portfolio changes and problem loan trends. The increase as of September 30, 2021 compared to December 31, 2020 was primarily due to loan growth, which was offset by a reduction in ACL due to an improved economic outlook being utilized in the quantitative models and individually assessed COVID-19 loan modifications that have resumed regular payments subsequent to their modification period.

The following tables present the changes in the ACL on loans:

	Allowance for Credit Losses on Loans				
($ in thousands)	Balance at Beginning of Period	Provision (Reversal of provision)	Charge-offs	Recoveries	Balance at End of Period
At or for the Quarter Ended September 30, 2021					
Residential real estate					
Single family	$ 141,759	$ 9,760	$ (409)	$ 9	$ 151,119
Home equity lines of credit	5,492	(1,088)	—	83	4,487
Single family construction	3,260	1,080	—	—	4,340
Total residential real estate	150,511	9,752	(409)	92	159,946
Income property					
Multifamily	115,011	10,984	—	—	125,995
Commercial real estate	77,238	1,362	—	—	78,600
Multifamily/commercial construction	32,313	(7,448)	—	—	24,865
Total income property	224,562	4,898	—	—	229,460
Business					
Capital call lines of credit	97,530	10,299	—	—	107,829
Tax-exempt	37,096	9,031	—	—	46,127
Other business	73,622	(3,362)	(47)	109	70,322
PPP	—	—	—	—	—
Total business	208,248	15,968	(47)	109	224,278
Other					
Stock secured	—	60	—	—	60
Other secured	7,125	247	—	—	7,372
Unsecured	46,464	643	(195)	158	47,070
Total other	53,589	950	(195)	158	54,502
Total	$ 636,910	$ 31,568	$ (651)	$ 359	$ 668,186
At or for the Nine Months Ended September 30, 2021					
Residential real estate					
Single family	$ 137,117	$ 14,901	$ (936)	$ 37	$ 151,119
Home equity lines of credit	8,039	(3,716)	(211)	375	4,487
Single family construction	3,681	659	—	—	4,340
Total residential real estate	148,837	11,844	(1,147)	412	159,946
Income property					
Multifamily	120,994	5,001	—	—	125,995
Commercial real estate	71,430	7,170	—	—	78,600
Multifamily/commercial construction	36,059	(11,194)	—	—	24,865
Total income property	228,483	977	—	—	229,460
Business					
Capital call lines of credit	89,983	17,846	—	—	107,829
Tax-exempt	39,752	6,375	—	—	46,127
Other business	68,071	2,264	(359)	346	70,322
PPP	—	—	—	—	—
Total business	197,806	26,485	(359)	346	224,278
Other					
Stock secured	—	60	—	—	60
Other secured	8,240	(863)	(5)	—	7,372
Unsecured	51,653	(3,338)	(1,604)	359	47,070
Total other	59,893	(4,141)	(1,609)	359	54,502
Total	$ 635,019	$ 35,165	$ (3,115)	$ 1,117	$ 668,186

	Allowance for Credit Losses on Loans				
($ in thousands)	Balance at Beginning of Period	Provision (Reversal of provision)	Charge-offs	Recoveries	Balance at End of Period
At or for the Quarter Ended September 30, 2020					
Residential real estate					
Single family	$ 125,642	$ 4,373	$ (1,639)	$ 6	$ 128,382
Home equity lines of credit	10,386	(690)	(97)	12	9,611
Single family construction	3,227	516	—	—	3,743
Total residential real estate	139,255	4,199	(1,736)	18	141,736
Income property					
Multifamily	120,293	2,175	—	—	122,468
Commercial real estate	70,390	(693)	—	—	69,697
Multifamily/commercial construction	33,054	1,386	—	—	34,440
Total income property	223,737	2,868	—	—	226,605
Business					
Capital call lines of credit	66,335	8,112	—	—	74,447
Tax-exempt	35,778	(975)	—	—	34,803
Other business	63,573	(60)	—	31	63,544
PPP	—	—	—	—	—
Total business	165,686	7,077	—	31	172,794
Other					
Stock secured	—	—	—	—	—
Other secured	4,735	4,869	—	—	9,604
Unsecured	50,584	3,424	(26)	26	54,008
Total other	55,319	8,293	(26)	26	63,612
Total	$ 583,997	$ 22,437	$ (1,762)	$ 75	$ 604,747
At or for the Nine Months Ended September 30, 2020 [(1)]					
Residential real estate					
Single family	$ 101,532	$ 28,534	$ (1,728)	$ 44	$ 128,382
Home equity lines of credit	9,070	478	(381)	444	9,611
Single family construction	4,801	(379)	(679)	—	3,743
Total residential real estate	115,403	28,633	(2,788)	488	141,736
Income property					
Multifamily	111,384	11,084	—	—	122,468
Commercial real estate	55,413	14,284	—	—	69,697
Multifamily/commercial construction	23,884	10,556	—	—	34,440
Total income property	190,681	35,924	—	—	226,605
Business					
Capital call lines of credit	66,844	7,603	—	—	74,447
Tax-exempt	29,678	5,125	—	—	34,803
Other business	56,471	6,995	(7)	85	63,544
PPP	—	—	—	—	—
Total business	152,993	19,723	(7)	85	172,794
Other					
Stock secured	—	—	—	—	—
Other secured	3,399	6,205	—	—	9,604
Unsecured	31,953	22,820	(909)	144	54,008
Total other	35,352	29,025	(909)	144	63,612
Total	$ 494,429	$ 113,305	$ (3,704)	$ 717	$ 604,747

(1) The beginning balance represents the ACL on loans after the transition adjustments from the adoption of the CECL ACL methodology.

Allowance for Credit Losses on Unfunded Loan Commitments

To estimate the ACL on unfunded loan commitments, the Bank determines the probability of funding based on historical utilization statistics for unfunded loan commitments. Expected credit losses are determined based on the dollar amounts expected to fund, and the loss rates that are calculated using the same assumptions as the associated funded balance. The loss rate represents expected credit losses over the life of the loans. The ACL on unfunded loan commitments increased during the quarter ended September 30, 2021 and decreased during the nine months ended September 30, 2021. The increase in ACL on unfunded commitments as of September 30, 2021 compared to June 30, 2021 was primarily due to an increase in unfunded commitments. The decrease as of September 30, 2021 compared to December 31, 2020 was primarily due to a generally lower probability of funding, and an improved economic outlook, partially offset by an increase in unfunded commitments. The following table presents the changes in the ACL on unfunded loan commitments:

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020** [1]
Balance at beginning of period	$ 24,011	$ 17,602	$ 27,578	$ 15,697
Provision (reversal of provision)	2,161	5,768	(1,406)	7,673
Balance at end of period	$ 26,172	$ 23,370	$ 26,172	$ 23,370

[1] The beginning balance represents the ACL on unfunded loan commitments after the transition adjustments from the adoption of the CECL ACL methodology.

Troubled Debt Restructurings

Generally, when the Bank restructures a loan because of the borrower's financial difficulties and grants a concession to reduce the interest rate or to defer payments, it is considered a TDR. Loans that have been modified in TDRs are generally reported as nonaccrual loans until at least six consecutive payments are received and the loan meets the Bank's other criteria for returning to accrual status. The following table presents loans modified in TDRs:

	At September 30, 2021			At December 31, 2020		
($ in thousands)	**Restructured - Nonaccrual**	**Restructured - Accruing**	**Total**	**Restructured - Nonaccrual**	**Restructured - Accruing**	**Total**
Residential real estate						
Single family	$ 45,672	$ 5,423	$ 51,095	$ 45,603	$ 5,737	$ 51,340
Home equity lines of credit	10,339	—	10,339	12,990	10	13,000
Total residential real estate	56,011	5,423	61,434	58,593	5,747	64,340
Income property						
Commercial real estate	1,164	4,706	5,870	1,200	4,709	5,909
Multifamily/commercial construction	—	—	—	57,843	—	57,843
Total income property	1,164	4,706	5,870	59,043	4,709	63,752
Business						
Other business	1,283	68	1,351	3,670	797	4,467
Total	$ 58,458	$ 10,197	$ 68,655	$ 121,306	$ 11,253	$ 132,559

During the quarters and nine months ended September 30, 2021 and 2020, TDRs were primarily modified through payment deferrals, extensions of the maturity date or reductions in interest rate, both temporary and permanent. The following table presents loans modified in TDRs during the periods indicated:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2021	2020	2021	2020
Residential real estate				
Single family	$ 9,860	$ 1,956	$ 9,860	$ 15,756
Home equity lines of credit	—	875	562	4,794
Total residential real estate	9,860	2,831	10,422	20,550
Income property				
Multifamily/commercial construction	—	—	—	58,135
Business				
Other business	—	—	—	1,818
Total	$ 9,860	$ 2,831	$ 10,422	$ 80,503

TDRs that were modified in the previous twelve months and for which there was a payment default totaled $29.3 million for the quarter and nine months ended September 30, 2021, and $61.9 million and $63.4 million for the quarter and nine months ended September 30, 2020, respectively. The ACL on these loans is individually assessed at the loan level and is based on the collateral dependent methodology.

COVID-19 Loan Modifications

Loan modifications to assist borrowers who are experiencing financial difficulties as a result of COVID-19 generally include deferring scheduled principal and/or interest payments for six months. For certain loans, the maturity of the loan may also be extended to allow for monthly payments to remain the same as they were pre-modification. Interest continues to accrue during the deferral period, and the deferred payments may be included in the borrower's final payment as a balloon payment, reamortized over the remaining maturity of the loan, or repaid over the extended term utilizing the pre-modification monthly payments, subject to the borrower's loan terms. Certain borrowers may receive additional relief beyond their initial modification period.

Loan modifications made to borrowers impacted by COVID-19 that meet specific eligibility criteria are not considered TDRs. The CARES Act, as amended by the CAA, allows entities to elect to suspend the GAAP requirements for qualifying loan modifications that would otherwise be considered TDRs for the period beginning March 1, 2020 and ending on the earlier of 1) 60 days after the end of the national emergency related to COVID-19 or 2) January 1, 2022. The Bank has elected this relief, and therefore, loan modifications, including subsequent modifications, made to borrowers impacted by COVID-19 who were current, or less than 30 days past due, as of December 31, 2019, are not considered TDRs. Further, loan modifications not eligible under the CARES Act provision, as amended by the CAA, are also not considered TDRs provided that these short-term loan modifications, including subsequent modifications, are made to borrowers impacted by COVID-19 who were current, or less than 30 days past due, as of the modification date. Loan modifications are considered short-term if the cumulative deferral period is six months or less.

Loan modifications made to borrowers impacted by COVID-19 are predominantly not reported as nonaccrual. In addition, the deferrals may result in delayed delinquency status for borrowers who would otherwise be past due.

The unpaid principal balance of such loan modifications (which are not classified as TDRs) totaled $206 million, and was only 0.2% of total loans as of September 30, 2021, compared to $1.3 billion, or 1.1% of total loans as of December 31, 2020. In addition, as of September 30, 2021, deferred interest related to these modifications was $1.8 million, as compared to $7.2 million as of December 31, 2020.

Note 5. Mortgage Banking Activities

MSRs are reported at the lower of amortized cost or fair value. The recorded value of MSRs is amortized in proportion to, and over the period of, estimated net servicing income. The Bank values MSRs by stratifying loans by the year they are sold, by product type (fixed, hybrid or adjustable) and interest rate coupon range. Hybrid loans are further stratified by their initial fixed-rate period.

The following table presents information on the level of loans originated, loans sold and gain on sale of loans:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Total loans originated	$ 15,454,099	$ 12,237,946	$ 47,925,861	$ 35,978,360
Single family loans originated	$ 6,998,315	$ 6,813,850	$ 22,562,187	$ 16,208,370
Loans sold:				
Flow sales:				
Agency	$ 17,544	$ 44,118	$ 64,261	$ 80,702
Non-agency	—	—	1,073	31,870
Total flow sales	17,544	44,118	65,334	112,572
Bulk sales:				
Non-agency	—	235,732	—	673,401
Securitizations	—	—	—	300,116
Total loans sold	$ 17,544	$ 279,850	$ 65,334	$ 1,086,089
Gain on sale of loans:				
Amount [(1)]	$ 140	$ 13,797	$ 507	$ 14,575
Gain as a percentage of loans sold	0.80 %	4.93 %	0.78 %	1.34 %

[(1)] The gain for the quarter and nine months ended September 30, 2020 included $10.3 million related to realized discounts on previously purchased loans when these loans were sold.

The following table presents changes in the portfolio of loans serviced for others and changes in the carrying value of the Bank's MSRs and valuation statistics:

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Loans serviced for others:				
Beginning balance	$ 5,640,470	$ 8,315,632	$ 7,094,221	$ 9,297,972
Loans sold	17,544	279,850	65,334	1,086,089
Repayments	(541,132)	(796,442)	(2,042,673)	(2,188,512)
Loans purchased	—	—	—	(396,509)
Ending balance	$ 5,116,882	$ 7,799,040	$ 5,116,882	$ 7,799,040
MSRs:				
Beginning balance	$ 20,801	$ 31,721	$ 25,998	$ 41,720
Additions due to new loans sold	119	1,479	442	7,547
Amortization expense	(2,098)	(3,322)	(6,835)	(10,478)
Provision for valuation allowance	(780)	(1,503)	(1,593)	(8,139)
Reversal of valuation allowance	—	—	30	—
Reductions due to purchases	—	—	—	(2,275)
Ending balance	$ 18,042	$ 28,375	$ 18,042	$ 28,375
Estimated fair value of MSRs	$ 22,144	$ 32,628	$ 22,144	$ 32,628
MSRs as a percent of loans serviced	0.35 %	0.36 %	0.35 %	0.36 %
Weighted average servicing fee collected for the period (annualized)	0.25 %	0.24 %	0.25 %	0.24 %
MSRs as a multiple of weighted average servicing fee	1.41 x	1.50 x	1.41 x	1.49 x

The following table presents changes in the valuation allowance for MSRs:

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Valuation allowance:				
Beginning balance	$ 2	$ 6,736	$ 329	$ 1,862
Provision	780	1,503	1,593	8,139
Reversal to income due to increase in fair value	—	—	(30)	—
Write-down due to permanent impairment	(781)	(6,231)	(1,891)	(7,993)
Ending balance	$ 1	$ 2,008	$ 1	$ 2,008

The following table presents loan servicing fees:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Contractually specified servicing fees	$ 3,426	$ 4,969	$ 11,491	$ 15,968
Late charges and ancillary fees, net of costs	$ (265)	$ (337)	$ (914)	$ (1,305)

The following table presents the Bank's key assumptions used in measuring the fair value of MSRs and the pre-tax sensitivity of the fair values to an immediate 10% and 20% adverse change in these assumptions:

($ in thousands)	September 30, 2021	December 31, 2020
Fair value of MSRs	$ 22,144	$ 31,368
Weighted average prepayment speed (CPR)	24.4 %	24.5 %
Impact on fair value of 10% adverse change	$ (1,783)	$ (2,513)
Impact on fair value of 20% adverse change	$ (3,383)	$ (4,750)
Weighted average discount rate	11.9 %	12.1 %
Impact on fair value of 10% adverse change	$ (530)	$ (765)
Impact on fair value of 20% adverse change	$ (1,035)	$ (1,494)

The sensitivity analysis above is hypothetical and should be used with caution. In particular, the effect of a variation in a particular assumption on the fair value of MSRs is calculated independent of changes in any other assumption; in practice, changes in one factor may result in changes in another factor, which may magnify or counteract the sensitivities. Further changes in fair value based on a single variation in assumptions generally cannot be extrapolated because the relationship of the change in a single assumption to the change in fair value may not be linear.

Refer to Note 8, "Goodwill and Intangible Assets," for disclosures of the gross carrying value, accumulated amortization, valuation allowance, carrying value and estimated future amortization expense of MSRs.

Note 6. Variable Interest Entities

The Bank's involvement with VIEs includes its interests in tax credit investments, other investments and securitizations. The Bank consolidates a VIE when it is the primary beneficiary. The Bank is the primary beneficiary if it has a controlling financial interest, which includes both the power to direct the activities that most significantly impact the VIE and a variable interest that could potentially be significant to the VIE.

The Bank has a variable interest in a securitization trust related to its retention of a 5% interest in the investment securities issued in a securitization of single family loans. The retained investments consist of senior and subordinated tranches and an interest-only strip, and are classified as either available-for-sale or held-to-maturity debt securities. Since the Bank is not the primary beneficiary of the VIE, it does not consolidate this interest.

The Bank has variable interests in low-income housing tax credit funds that are designed to generate a return primarily through the realization of federal tax credits. These investments are typically limited partnerships in which the general partner, other than the Bank, holds the power over significant activities of the VIE. Since the Bank is not the primary beneficiary of these investments, it does not consolidate these interests.

In addition, the Bank has variable interests in other investments, which are accounted for under the equity method. Since the Bank is not the primary beneficiary of these investments, it does not consolidate these investments.

The Bank has a variable interest related to its reimbursement obligation to Freddie Mac for certain losses from the securitization of multifamily loans. Since the Bank is not the primary beneficiary of the VIE, it does not consolidate this interest.

All assets and liabilities recorded associated with transactions with VIEs are not consolidated. The following table summarizes the assets and liabilities recorded on the consolidated balance sheets associated with transactions with VIEs:

	Unconsolidated VIEs	
($ in thousands)	**September 30, 2021**	**December 31, 2020**
Assets:		
Debt securities	$ 10,913	$ 13,502
Tax credit investments	1,180,690	1,131,905
Other investments	70,890	60,034
Total Assets	1,262,493	1,205,441
Liabilities:		
Reimbursement obligation	—	20
Unfunded commitments—tax credit investments	502,596	399,665
Unfunded commitments—other investments	15,050	16,858
Total Liabilities	517,646	416,543
Net Assets	$ 744,847	$ 788,898

The Bank's exposure to loss with respect to VIEs that are not consolidated includes the Bank's investment in these assets of $1.3 billion and $1.2 billion at September 30, 2021 and December 31, 2020, respectively. The Bank's exposure to loss related to the reimbursement obligation is 12% of the multifamily loans securitized in 2018, or $30.2 million at both September 30, 2021 and December 31, 2020.

Note 7. Leases

The Bank primarily leases corporate, preferred banking and wealth management offices, as well as equipment. The Bank's lease terms range from less than 1 year to 21 years. The majority of our office leases include one or more options to extend the lease term, primarily up to 5 years at a time. The Bank includes renewal options when measuring the lease liability if it is reasonably certain to exercise the option during the lease term.

Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Some of the Bank's lease arrangements include rental payments that adjust periodically for inflation. These and other variable lease payments are expensed as incurred.

The following tables present information related to leases:

($ in thousands)	September 30, 2021	December 31, 2020
Supplemental balance sheet information:		
Lease assets [1]	$ 1,364,683	$ 951,971
Lease liabilities [1]	$ 1,428,968	$ 995,115

[1] Lease assets are included in other assets and lease liabilities are included in other liabilities on the consolidated balance sheets.

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2021	2020	2021	2020
Components of lease cost:				
Operating lease cost [1]	$ 41,367	$ 32,660	$ 117,321	$ 97,280
Variable lease cost [1]	228	30	423	270
Total lease cost	$ 41,595	$ 32,690	$ 117,744	$ 97,550

[1] Included in occupancy expense on the consolidated statements of income and comprehensive income.

	Nine Months Ended September 30,	
($ in thousands)	2021	2020
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 98,241	$ 85,755
Non-cash activity related to lease assets:		
Lease assets obtained from new operating lease liabilities [1]	$ 508,615	$ 222,940

[1] For the nine months ended September 30, 2021, includes approximately $300 million for a lease of offices in New York City, which commenced in March 2021.

Note 8. Goodwill and Intangible Assets

The following table presents the Bank's intangible assets (excluding MSRs) and goodwill:

	September 30, 2021			December 31, 2020		
($ in thousands)	**Gross Carrying Value**	**Accumulated Amortization**	**Carrying Value**	**Gross Carrying Value**	**Accumulated Amortization**	**Carrying Value**
Intangible assets:						
Customer relationship and core deposit intangibles	$ 220,650	$ (211,983)	$ 8,667	$ 220,650	$ (207,654)	$ 12,996
Trade name	42,900	—	42,900	42,900	—	42,900
Intangible assets	$ 263,550	$ (211,983)	51,567	$ 263,550	$ (207,654)	55,896
Goodwill			171,616			171,616
Total			$ 223,183			$ 227,512

Amortization of intangible assets (excluding MSRs) was $1.3 million and $4.3 million for the quarter and nine months ended September 30, 2021, respectively, and $1.8 million and $6.1 million for the quarter and nine months ended September 30, 2020, respectively, and is included in other expenses on the consolidated statements of income and comprehensive income.

The following table presents the Bank's MSRs:

	September 30, 2021				December 31, 2020			
($ in thousands)	**Gross Carrying Value**	**Accumulated Amortization**	**Valuation Allowance**	**Carrying Value**	**Gross Carrying Value**	**Accumulated Amortization**	**Valuation Allowance**	**Carrying Value**
MSRs [1]	$ 134,700	$ (116,657)	$ (1)	$ 18,042	$ 135,453	$ (109,126)	$ (329)	$ 25,998

[1] Amortization of MSRs is included in loan servicing fees, net on the consolidated statements of income and comprehensive income.

Refer to Note 5, "Mortgage Banking Activities," for further discussion on MSRs.

The following table presents goodwill by business segment:

($ in thousands)	Commercial Banking	Wealth Management	Total
Balance as of September 30, 2021, December 31, 2020 and 2019	$ 24,604	$ 147,012	$ 171,616

The following table presents the estimated future amortization for amortizable intangible assets as of September 30, 2021. The projections of amortization expense are based on existing asset balances as of September 30, 2021. Future amortization expense may vary from these projections.

($ in thousands)	Customer relationship intangibles	MSRs
October 1 - December 31, 2021	$ 1,202	$ 1,842
2022	$ 3,666	$ 5,184
2023	$ 2,235	$ 3,084
2024	$ 1,259	$ 1,983
2025	$ 305	$ 1,487
2026	$ —	$ 1,115

Note 9. Borrowings

The Bank uses FHLB advances primarily as a funding source for long-term debt, and, in certain cases, for short-term borrowings. Other sources of funding include federal funds purchased, senior notes and subordinated notes. Short-term borrowings have an original maturity of one year or less. Long-term debt has an original maturity in excess of one year. The following table presents the carrying values, interest expense and components of short-term borrowings and long-term debt:

	Carrying Values		Interest Expense			
			Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	September 30, 2021	December 31, 2020	2021	2020	2021	2020
Short-term borrowings:						
Federal funds purchased	$ —	$ —	$ —	$ —	$ —	$ 1,135
FHLB advances	—	—	—	—	—	3,565
Total	—	—	—	—	—	4,700
Long-term debt:						
FHLB advances	7,700,000	11,755,000	27,820	62,201	103,175	197,158
Senior notes [(1)]	997,722	996,145	6,044	6,032	18,122	16,839
Subordinated notes [(1)]	778,648	778,313	9,113	9,108	27,335	27,320
Total	9,476,370	13,529,458	42,977	77,341	148,632	241,317
Total borrowings	$ 9,476,370	$ 13,529,458	$ 42,977	$ 77,341	$ 148,632	$ 246,017

[(1)] Carrying value represents the principal balance, net of unamortized issuance discounts and deferred issuance costs. Interest expense includes amortization of issuance discounts and deferred issuance costs, which are amortized over the contractual or estimated life using a level yield methodology.

FHLB Advances

FHLB advances may be either adjustable-rate in nature or fixed for a specific term. At September 30, 2021, the Bank had no short-term FHLB advances. At September 30, 2021, all of the long-term FHLB advances were fixed-rate for a specific term. At September 30, 2021, the contractual maturities and weighted average contractual rates of long-term FHLB advances were as follows:

	September 30, 2021	
($ in thousands)	Amount	Rate
FHLB advances maturing in:		
October 1 - December 31, 2021	$ 1,100,000	1.55 %
2022	2,900,000	1.55 %
2023	1,225,000	0.77 %
2024	1,275,000	1.26 %
2025	800,000	0.88 %
2026 and thereafter	400,000	0.65 %
Total	$ 7,700,000	1.26 %

The Bank prepaid FHLB advances totaling $1.3 billion and $4.1 billion for the quarter and nine months ended September 30, 2021, respectively, and $1.9 billion and $3.4 billion for the quarter and nine months ended September 30, 2020, respectively. Prepayment penalties for FHLB advances, which are included in other noninterest expense, totaled $2.4 million and $12.5 million for the quarter and nine months ended September 30, 2021, respectively, and $10.3 million and $14.1 million for the quarter and nine months ended September 30, 2020, respectively.

In addition, in October 2021, as a result of the Bank's strong liquidity position, the Bank prepaid FHLB advances totaling $1.1 billion that were scheduled to mature by the end of 2021 and $2.9 billion that were scheduled to mature in 2022. Refer to Note 19, "Subsequent Events," for additional information.

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $239.3 million and $354.3 million at September 30, 2021 and December 31, 2020, respectively. At both September 30, 2021 and December 31, 2020, the Bank was required to own FHLB stock at least equal to 2.7% of outstanding FHLB advances.

Senior Notes and Subordinated Notes

The following table presents the principal balances, carrying values, coupon rates, optional redemption dates and maturity dates of the Bank's unsecured, term, fixed-rate senior notes, fixed-to-floating rate senior notes, and fixed-rate subordinated notes as of September 30, 2021:

	September 30, 2021				
($ in thousands)	**Principal Balance**	**Carrying Value (1)**	**Rate**	**Optional Redemption Date (2)**	**Maturity Date (3)**
Senior notes:					
Fixed-rate, issued June 2017	$ 500,000	$ 499,345	2.500 %	May 6, 2022	June 6, 2022
Fixed-to-floating rate, issued February 2020	$ 500,000	$ 498,377	1.912% (4)	February 12, 2023	February 12, 2024
Subordinated notes:					
Fixed-rate, issued August 2016	$ 400,000	$ 388,466	4.375 %	February 1, 2046	August 1, 2046
Fixed-rate, issued February 2017	$ 400,000	$ 390,182	4.625 %	August 13, 2046	February 13, 2047

(1) Principal balance, net of unamortized issuance discounts and deferred issuance costs.

(2) The Bank has the option to redeem these notes prior to their maturity at the dates specified.

(3) Unless previously redeemed, the notes will mature at the dates specified.

(4) Interest is paid at a fixed rate of 1.912% per annum from February 12, 2020 through February 12, 2023, and is paid based on a floating rate of compounded SOFR plus 0.620% beginning February 12, 2023.

Available Borrowing Capacity

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at September 30, 2021 was $47.1 billion and $4.2 billion, respectively. This available borrowing capacity is supported by pledged loans at the FHLB and investment securities at the Federal Reserve Bank.

Note 10. Derivative Financial Instruments

The Bank has freestanding derivative assets and liabilities and currently does not have any derivatives designated as hedging instruments. The Bank recognizes all derivatives on the balance sheet at fair value, with changes in fair value recognized in earnings. The Bank has elected to present its derivative assets and derivative liabilities on a gross basis on its balance sheet. The Bank does not conduct proprietary trading activities in derivative instruments for its own account.

The Bank has derivative assets and liabilities consisting of foreign exchange contracts executed with clients. In these transactions, the Bank offsets the client exposure with another financial institution counterparty, such as a major investment bank or a large commercial bank. The Bank does not retain significant foreign exchange risk. The Bank does retain credit risk, both to the client and the financial institution counterparty, which is evaluated and managed by the Bank in the normal course of its operations. In addition, the Bank has foreign exchange contracts associated with client deposits denominated in various foreign currencies. Management does not currently anticipate non-performance by any of the counterparties. The amounts presented in the table below include the foreign exchange contracts with both the client and the financial institution counterparties.

The Bank originates certain mortgage loans with the intention of selling these loans to investors. The Bank enters into commitments to originate the loans whereby the interest rate on the loan paid by the borrower is set prior to funding. The Bank's interest rate risk exposure to these commitments is not significant as these derivatives are economically hedged with forward commitments to sell the loans to investors.

The following table presents the total notional or contractual amounts and fair values of derivatives:

	September 30, 2021			December 31, 2020		
		Fair Value			Fair Value	
($ in thousands)	Notional or Contractual Amount	Derivative Assets (1)	Derivative Liabilities (2)	Notional or Contractual Amount	Derivative Assets (1)	Derivative Liabilities (2)
Foreign exchange contracts	$ 6,183,382	$ 34,446	$ 37,323	$ 4,211,234	$ 81,088	$ 73,073
Interest rate lock commitments	$ 11,240	—	76	$ 35,045	224	—
Forward loan sale commitments	$ 15,006	76	—	$ 55,635	—	224
Total		$ 34,522	$ 37,399		$ 81,312	$ 73,297

(1) Included in other assets on the consolidated balance sheets.

(2) Included in other liabilities on the consolidated balance sheets.

The credit risk associated with these derivative instruments is the risk of non-performance by the counterparties to the contracts. The Bank's counterparty credit exposure is equal to the amount reported as a derivative asset on the Bank's balance sheet. To mitigate this risk, the Bank enters into master netting and bilateral collateral agreements with certain counterparties. These agreements allow the Bank to settle its derivative contracts with such counterparties on a net basis and to offset the net derivative exposure against the related collateral in the event of default.

The following table presents additional information related to the Bank's foreign exchange derivative contracts:

	Total	Contracts Not Subject to Master Netting Arrangements	Contracts Subject to Master Netting Arrangements					
						Gross Amounts Not Offset on the Balance Sheet		
($ in thousands)	Gross Amounts Recognized	Gross Amounts Recognized	Gross Amounts Recognized	Gross Amounts Offset on the Balance Sheet	Net Amounts Presented on the Balance Sheet	Derivative Amount	Cash Collateral (1)	Net Amount
September 30, 2021								
Derivative assets:								
Foreign exchange contracts	$ 34,446	$ 13,761	$ 20,685	$ —	$ 20,685	$ 20,685	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 37,323	$ 15,260	$ 22,063	$ —	$ 22,063	$ 20,685	$ 1,378	$ —
December 31, 2020								
Derivative assets:								
Foreign exchange contracts	$ 81,088	$ 57,378	$ 23,710	$ —	$ 23,710	$ 23,710	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 73,073	$ 18,152	$ 54,921	$ —	$ 54,921	$ 23,710	$ 31,211	$ —

(1) Collateral presented in the table above is limited to the amount required to settle the net derivative position and does not include any excess collateral.

Note 11. Fair Value Measurements

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Under ASC 820, "Fair Value Measurement," 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. Debt securities available-for-sale, mutual funds, marketable equity securities and derivative instruments are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record other assets at fair value on a nonrecurring basis, which typically involve adjustments of individual assets or application of the lower-of-cost-or-market accounting. Nonrecurring fair value adjustments of loans are generally based on the fair value of the underlying collateral of the loan, adjusted for certain factors such as estimated costs to sell and current market conditions. Nonrecurring fair value adjustments of loans held for sale, MSRs and other real estate owned result from the application of lower-of-cost-or-market accounting.

Although management uses its best judgment in estimating fair value, there are inherent weaknesses in any estimates that are made at a discrete point in time based on relevant market data, information about the financial instruments and other factors. Estimates of fair value of instruments without quoted market prices are subjective in nature and involve various assumptions that are matters of judgment. Changes in the assumptions used could significantly affect these estimates.

The estimated fair values presented neither include nor give effect to the values associated with the Bank's existing client relationships, lending and deposit office networks, or certain tax implications related to the realization of unrealized gains or losses.

Fair Value Hierarchy

Under ASC 820, the Bank groups its assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1—Valuation is based on quoted prices for identical instruments traded in active markets.
- Level 2—Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3—Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

It is the Bank's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy of ASC 820.

Recurring Fair Value Measurements

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value on a recurring basis.

Available-for-sale debt securities: For most debt securities, the Bank uses quoted prices obtained through third-party valuation sources. Valuation techniques are based on observable market inputs appropriate for the type of security being measured. In some instances, prices are obtained from dealer quotes. The fair value of tax-exempt nonprofit debentures and certain municipal securities is determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

Equity securities measured at fair value: The Bank's mutual funds and marketable equity securities are valued using quoted market prices from the active exchange on which the securities are traded. Mutual funds are valued using the NAV per share using quoted market prices.

Derivatives: Derivative assets and liabilities consist of foreign exchange contracts, interest rate lock commitments and forward loan sale commitments. The Bank uses current market prices to determine the fair value of foreign exchange contracts. The fair values of interest rate lock commitments and forward loan sale commitments are estimated using analysis based on current market prices.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis:

($ in thousands)	Level 1	Level 2	Level 3	Total
September 30, 2021				
Assets:				
Debt securities available-for-sale:				
Agency residential MBS	$ —	$ 1,746,035	$ —	$ 1,746,035
Other residential MBS	—	15,723	—	15,723
Agency commercial MBS	—	1,151,341	—	1,151,341
Securities of U.S. states and political subdivisions—taxable	—	—	47,472	47,472
Equity securities (fair value):				
Mutual funds and marketable equity securities	31,682	—	—	31,682
Derivative assets	—	34,522	—	34,522
Total	$ 31,682	$ 2,947,621	$ 47,472	$ 3,026,775
Liabilities:				
Derivative liabilities	$ —	$ 37,399	$ —	$ 37,399
December 31, 2020				
Assets:				
Debt securities available-for-sale:				
Agency residential MBS	$ —	$ 1,096,383	$ —	$ 1,096,383
Other residential MBS	—	21,451	—	21,451
Agency commercial MBS	—	741,008	—	741,008
Securities of U.S. states and political subdivisions—taxable	—	—	47,473	47,473
Equity securities (fair value):				
Mutual funds and marketable equity securities	20,566	—	—	20,566
Derivative assets	—	81,312	—	81,312
Total	$ 20,566	$ 1,940,154	$ 47,473	$ 2,008,193
Liabilities:				
Derivative liabilities	$ —	$ 73,297	$ —	$ 73,297

There were no transfers in or out of Level 3 assets measured at fair value on a recurring basis in the quarters and nine months ended September 30, 2021 and 2020.

The following table presents changes in Level 3 assets measured at fair value on a recurring basis:

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	2021	2020	2021	2020
Available-for-sale debt securities of U.S. states and political subdivisions—taxable:				
Balance at beginning of period	$ 47,471	$ 47,455	$ 47,473	$ 47,450
Unrealized gains (losses) included in other comprehensive income (loss)	(1)	16	(6)	14
Accretion included in interest income	2	2	5	9
Balance at end of period	$ 47,472	$ 47,473	$ 47,472	$ 47,473

The table and discussion below provide information about the significant unobservable inputs in our recurring Level 3 fair value measurements:

	September 30, 2021	December 31, 2020	September 30, 2021 and December 31, 2020	
($ in thousands)	**Fair Value**		**Valuation Technique**	**Unobservable Input**
Available-for-sale debt securities of U.S. states and political subdivisions—taxable	$ 47,472	$ 47,473	Discounted cash flow	Weighted average liquidity risk yield premium of 50 bps

For taxable municipal securities, the Bank calculates the fair value using estimated future cash flows on a quarterly basis. In addition to the inputs listed above, the Bank's management considers interest rate reset frequency, spread to index, market yield curves and the underlying bond rating at the time of valuation. The liquidity risk yield premium is applied to account for liquidity considerations since the bond is not publicly traded. An unfavorable change in the general business and credit environments could cause an increase in the liquidity risk yield premium, resulting in a decrease in the fair value of the investment.

Nonrecurring Fair Value Measurements

The following is a description of valuation methodologies used in estimating the fair value of assets measured at fair value on a nonrecurring basis.

Loans: The fair value of loans with nonrecurring fair value adjustments is generally based on the fair value of the underlying collateral, primarily real estate, adjusted for certain factors such as estimated costs to sell and current market conditions.

Loans held for sale: The fair value of loans held for sale is derived from actual prices at which loans were committed for sale adjusted for loan servicing value.

MSRs: The fair value of MSRs is based on a present value calculation of expected future cash flows, with assumptions regarding prepayments, discount rates, cost to service, escrow account earnings, contractual servicing fees and ancillary income.

Other real estate owned: Other real estate owned includes foreclosed properties securing mortgage loans. Fair value is generally based upon independent market prices or appraised values of the collateral, adjusted for estimated costs to sell.

The following table presents the assets measured at fair value on a nonrecurring basis that were held on the balance sheet at September 30, 2021 and December 31, 2020:

($ in thousands)	Level 1	Level 2	Level 3	Total
September 30, 2021				
Loans	$ —	$ —	$ 7,701	$ 7,701
MSRs	—	—	11,629	11,629
Total	$ —	$ —	$ 19,330	$ 19,330
December 31, 2020				
Loans	$ —	$ —	$ 6,305	$ 6,305
MSRs	—	—	18,205	18,205
Total	$ —	$ —	$ 24,510	$ 24,510

The following table presents net losses related to nonrecurring fair value measurements. The net losses relate to assets held on the balance sheet at each respective period end.

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Loans	$ (499)	$ (1,226)	$ (821)	$ (1,602)
MSRs	(780)	(1,503)	(1,563)	(8,139)
Total	$ (1,279)	$ (2,729)	$ (2,384)	$ (9,741)

Fair Value of Financial Instruments

The following tables present the carrying values, estimated fair values and the levels in the fair value hierarchy of financial instruments, excluding those measured at fair value on a recurring basis:

	September 30, 2021				
		Fair Value			
($ in thousands)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	$ 12,279,447	$ 12,279,447	$ 12,279,447	$ —	$ —
Debt securities held-to-maturity, net: (1)					
U.S. Government-sponsored agency securities	100,000	96,944	—	96,944	—
Agency residential MBS	1,503,203	1,516,752	—	1,516,752	—
Other residential MBS	10,375	10,397	—	10,397	—
Agency commercial MBS	2,182,257	2,241,530	—	2,241,530	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	14,327,856	15,133,095	—	15,105,189	27,906
Tax-exempt nonprofit debentures	72,390	72,848	—	—	72,848
Taxable municipal securities	1,619,680	1,677,515	—	1,677,515	—
Corporate debt securities	1,376,776	1,414,548	—	1,414,548	—
Loans, net: (1)					
Real estate secured mortgages	102,482,380	100,337,609	—	72,226,671	28,110,938
Other loans	25,224,528	23,593,651	—	—	23,593,651
Loans held for sale	3,782	3,809	—	3,809	—
Other assets:					
MSRs	18,042	22,144	—	—	22,144
FHLB stock	239,299	239,299	—	—	239,299
Liabilities:					
Deposits:					
CDs	$ 7,596,366	$ 7,618,985	$ —	$ —	$ 7,618,985
Borrowings:					
Long-term FHLB advances	7,700,000	7,746,164	—	7,746,164	—
Senior notes	997,722	1,014,535	—	1,014,535	—
Subordinated notes	778,648	995,492	—	995,492	—

(1) Carrying amount is presented net of ACL.

	December 31, 2020				
		Fair Value			
($ in thousands)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	$ 5,094,754	$ 5,094,754	$ 5,094,754	$ —	$ —
Debt securities held-to-maturity, net: [1]					
U.S. Government-sponsored agency securities	50,000	49,979	—	49,979	—
Agency residential MBS	1,300,551	1,335,493	—	1,335,493	—
Other residential MBS	12,875	13,090	—	13,090	—
Agency commercial MBS	2,488,504	2,648,559	—	2,648,559	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	11,792,671	12,891,827	—	12,829,362	62,465
Tax-exempt nonprofit debentures	74,767	75,352	—	—	75,352
Taxable municipal securities	811,284	873,429	—	873,429	—
Corporate debt securities	72,658	76,290	—	76,290	—
Loans, net: [1]					
Real estate secured mortgages	88,041,848	86,725,687	—	60,812,876	25,912,811
Other loans	23,889,398	22,515,278	—	—	22,515,278
Loans held for sale	20,679	21,258	—	21,258	—
Other assets:					
MSRs	25,998	31,368	—	—	31,368
FHLB stock	354,339	354,339	—	—	354,339
Liabilities:					
Deposits:					
CDs	$ 8,681,061	$ 8,716,190	$ —	$ —	$ 8,716,190
Borrowings:					
Long-term FHLB advances	11,755,000	11,924,517	—	11,924,517	—
Senior notes	996,145	1,027,985	—	1,027,985	—
Subordinated notes	778,313	1,023,584	—	1,023,584	—

[1] Carrying amount is presented net of ACL.

Note 12. Preferred Stock

At September 30, 2021, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 2,892,500 shares were issued and outstanding. Each share of preferred stock has a liquidation preference of $1,000. The following table presents the authorized, issued and outstanding shares and carrying amount for each series of the Bank's preferred stock:

		September 30, 2021			December 31, 2020		
(in thousands, except share amounts)	Dividend Rate	Shares Authorized	Shares Issued and Outstanding	Carrying Amount	Shares Authorized	Shares Issued and Outstanding	Carrying Amount
Series G Preferred Stock	5.50 %	—	—	$ —	172,500	150,000	$ 150,000
Series H Preferred Stock	5.125 %	200,000	200,000	200,000	200,000	200,000	200,000
Series I Preferred Stock	5.50 %	300,000	300,000	300,000	300,000	300,000	300,000
Series J Preferred Stock	4.70 %	400,000	395,000	395,000	400,000	395,000	395,000
Series K Preferred Stock	4.125 %	500,000	500,000	500,000	500,000	500,000	500,000
Series L Preferred Stock	4.250 %	747,500	747,500	747,500	—	—	—
Series M Preferred Stock	4.000 %	750,000	750,000	750,000	—	—	—
Total			2,892,500	$ 2,892,500		1,545,000	$ 1,545,000

On February 9, 2021, the Series L Preferred Stock was issued. Net proceeds, after underwriting discounts and expenses, were $732.8 million. The public offering consisted of 29,900,000 depositary shares, each representing a 1/40th interest in a share of the Series L Preferred Stock, at a public offering price of $25.00 per depositary share. Dividends on the Series L Preferred Stock commenced on April 30, 2021. The Series L Preferred Stock is redeemable at the option of the Bank, subject to all applicable regulatory approvals, on or after March 30, 2026.

On March 30, 2021 (the "Series G Redemption Date"), the Bank redeemed all of the outstanding shares of its Series G Preferred Stock. All 6,000,000 depositary shares, representing a 1/40th interest in the Series G Preferred Stock, were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $150.0 million plus all accrued and unpaid dividends as of the Series G Redemption Date.

On July 21, 2021, the Series M Preferred Stock was issued. Net proceeds, after underwriting discounts and expenses, were $735.7 million. The public offering consisted of 30,000,000 depositary shares, each representing a 1/40th interest in a share of the Series M Preferred Stock, at a public offering price of $25.00 per depositary share. Dividends on the Series M Preferred Stock commenced on October 30, 2021. The Series M Preferred Stock is redeemable at the option of the Bank, subject to all applicable regulatory approvals, on or after August 30, 2026.

Dividends on each series of preferred stock are payable quarterly in arrears when, as and if declared by the Board (or a duly authorized committee of the Board). If declared, dividends on the Series H Preferred Stock and Series I Preferred Stock are paid each March 30, June 30, September 30 and December 30. Additionally, dividends on the Series J Preferred Stock, Series K Preferred Stock, Series L Preferred Stock and Series M Preferred Stock are paid each January 30, April 30, July 30 and October 30. The following table presents dividends on the Bank's preferred stock:

(in thousands, except per share amounts)	Quarter Ended September 30, 2021 Total	2021 Per Share	2020 Total	2020 Per Share	Nine Months Ended September 30, 2021 Total	2021 Per Share	2020 Total	2020 Per Share
Series F Preferred Stock	$ —	$ —	$ 1,425	$ 14.25	$ —	$ —	$ 4,275	$ 42.75
Series G Preferred Stock	—	$ —	2,063	$ 13.75	2,063	$ 13.75	6,188	$ 41.25
Series H Preferred Stock	2,562	$ 12.81	2,562	$ 12.81	7,687	$ 38.44	7,687	$ 38.44
Series I Preferred Stock	4,125	$ 13.75	4,125	$ 13.75	12,375	$ 41.25	12,375	$ 41.25
Series J Preferred Stock	4,641	$ 11.75	4,641	$ 11.75	13,924	$ 35.25	12,128	$ 30.70
Series K Preferred Stock	5,156	$ 10.31	—	$ —	15,468	$ 30.94	—	$ —
Series L Preferred Stock	7,943	$ 10.63	—	$ —	15,090	$ 20.19	—	$ —
Total	$ 24,427		$ 14,816		$ 66,607		$ 42,653	

Note 13. Common Stock and Stock Plans

Common Stock

At September 30, 2021, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At September 30, 2021, the Bank had 179,260,978 shares issued and outstanding. During the nine months ended September 30, 2021, the Bank sold 4,312,500 shares of common stock in underwritten offerings, which added approximately $775.3 million to common equity.

First Republic Bank 2017 Omnibus Award Plan

At September 30, 2021, the Bank had 1,744,178 shares reserved for future stock award grants.

Stock Options

During the nine months ended September 30, 2021, 17,850 options were exercised with a total intrinsic value of $2.6 million. There were no options outstanding as of September 30, 2021.

Restricted Stock Units

RSUs have time-based vesting requirements ("Time RSUs") or both time-based and performance-based vesting requirements ("Performance RSUs"). The following table presents information related to Performance RSUs and Time RSUs:

	Performance RSUs			Time RSUs		
	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2020	2,932,264	$106.80		463,055	$106.81	
Granted	1,083,618	$188.52		196,212	$169.42	
Vested	(702,352)	$100.37		(176,331)	$103.93	
Canceled or forfeited	(61,329)	$130.08		(4,693)	$122.29	
Nonvested awards as of September 30, 2021	3,252,201	$134.98	3.3 years	478,243	$133.40	1.7 years

The total fair value of Performance RSUs and Time RSUs that vested in the nine months ended September 30, 2021 was $134.4 million and $30.8 million, respectively.

Performance Share Units

The following table presents information related to PSUs:

	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2020	1,025,407	$104.14	
Granted	247,400	$195.18	
Vested	(248,707)	$91.93	
Canceled or forfeited	—	—	
Nonvested awards as of September 30, 2021	1,024,100	$129.10	1.8 years

The total fair value of PSUs that vested in the nine months ended September 30, 2021 was $45.2 million.

Compensation Expense

The following tables present information regarding share-based compensation expense for RSUs and PSUs:

	Quarter Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
($ in thousands)	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit
RSUs	$ 53,939	$ 15,481	$ 25,058	$ 7,104	$ 128,990	$ 36,781	$ 76,257	$ 21,742
PSUs	13,022	1,953	8,543	1,484	35,969	5,786	26,206	4,825
Total	$ 66,961	$ 17,434	$ 33,601	$ 8,588	$ 164,959	$ 42,567	$ 102,463	$ 26,567

	September 30, 2021	
($ in thousands)	Unrecognized Expense	Weighted Average Expected Recognition Period
RSUs	$ 402,495	2.7 years
PSUs	83,162	2.0 years
Total	$ 485,657	

Excess Tax Benefits

Excess tax benefits from exercise or vesting of share-based awards totaled $8.5 million and $30.9 million for the quarter and nine months ended September 30, 2021, respectively, and $801,000 and $15.3 million for the quarter and nine months ended September 30, 2020, respectively.

Note 14. Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in the components of accumulated other comprehensive income (loss), which relate to debt securities available-for-sale:

($ in thousands)	At or for the Quarter Ended September 30, 2021	At or for the Quarter Ended September 30, 2020	At or for the Nine Months Ended September 30, 2021	At or for the Nine Months Ended September 30, 2020
Beginning balance	**$ (10,375)**	**$ 27,191**	**$ 23,378**	**$ 5,131**
Net unrealized gain (loss) on debt securities available-for-sale	(13,369)	(4,082)	(61,104)	27,716
Related tax effect	3,984	1,216	18,209	(8,260)
Reclassification of (gain) loss on debt securities available-for-sale to net income [(1)]	(7)	—	(7)	114
Related tax effect [(2)]	2	—	2	(33)
Amortization of unrealized gain on debt securities transferred from available for-sale to held-to-maturity [(3)]	(116)	(237)	(461)	(725)
Related tax effect [(2)]	35	71	137	216
Other comprehensive income (loss)	(9,471)	(3,032)	(43,224)	19,028
Ending balance	**$ (19,846)**	**$ 24,159**	**$ (19,846)**	**$ 24,159**

(1) Included in gain (loss) on investment securities on the consolidated statements of income and comprehensive income.

(2) Included in provision for income taxes on the consolidated statements of income and comprehensive income.

(3) Included in interest income on investments on the consolidated statements of income and comprehensive income.

Note 15. Income Taxes

The Bank's effective tax rate was 21.4% and 20.2% for the quarter and nine months ended September 30, 2021, respectively. The Bank's effective tax rate for the quarter and nine months ended September 30, 2020 was 19.6% and 19.5%, respectively. The following table presents the reconciliation between the effective tax rate and the federal statutory rate:

Effective Tax Rate	Quarter Ended September 30, 2021	Quarter Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefits	8.4	7.7	8.2	8.1
Tax-exempt income	(5.7)	(6.3)	(5.7)	(6.9)
Investments in life insurance	(0.9)	(1.2)	(0.9)	(0.8)
Tax credits	(10.0)	(12.0)	(10.6)	(13.9)
Tax credit investment amortization	9.2	10.8	9.6	12.5
Excess tax benefits—stock awards	(1.8)	(0.2)	(2.3)	(1.6)
FDIC assessments	0.6	0.6	0.6	0.7
Tax refund from an amended tax return	—	(1.3)	—	(0.5)
Other, net	0.6	0.5	0.3	0.9
Effective tax rate	21.4 %	19.6 %	20.2 %	19.5 %

Note 16. Earnings Per Common Share

The following table presents a reconciliation of the income and share amounts used in the basic and diluted EPS computations:

(in thousands, except per share amounts)	Quarter Ended September 30, 2021	Quarter Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Basic EPS:				
Net income	$ 369,687	$ 293,137	$ 1,077,626	$ 768,591
Less: Dividends on preferred stock	24,427	14,816	66,607	42,653
Net income available to common shareholders	$ 345,260	$ 278,321	$ 1,011,019	$ 725,938
Weighted average common shares outstanding	178,065	172,142	176,446	171,537
Basic EPS	$ 1.94	$ 1.62	$ 5.73	$ 4.23
Diluted EPS:				
Net income available to common shareholders	$ 345,260	$ 278,321	$ 1,011,019	$ 725,938
Weighted average shares:				
Common shares outstanding	178,065	172,142	176,446	171,537
Dilutive effect of stock options, RSUs and PSUs	2,355	790	2,311	977
Weighted average diluted common shares outstanding	180,420	172,932	178,757	172,514
Diluted EPS	$ 1.91	$ 1.61	$ 5.66	$ 4.21

Stock awards that are anti-dilutive are not included in the calculation of diluted EPS. The following table presents the weighted average shares of outstanding stock awards that were anti-dilutive for the periods indicated:

(in thousands)	Quarter Ended September 30, 2021	Quarter Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
RSUs and PSUs	1	15	190	76

Note 17. Revenue from Contracts with Customers

Revenue Recognition

The following table presents revenue from contracts with customers, disaggregated by revenue stream, as well as other noninterest income:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Noninterest income:				
Revenue from contracts with customers:				
Investment management fees	$ 148,491	$ 96,638	$ 404,049	$ 281,017
Brokerage and investment fees	20,022	9,954	48,044	36,957
Insurance fees	5,918	2,216	11,660	6,086
Trust fees	6,231	4,543	18,207	14,118
Deposit fees	6,849	5,753	19,636	17,598
Other income	1,520	1,269	5,472	4,080
Total revenue from contracts with customers	189,031	120,373	507,068	359,856
Other sources of noninterest income	61,327	50,610	165,749	106,740
Total noninterest income	$ 250,358	$ 170,983	$ 672,817	$ 466,596

The Bank earns revenues from contracts with customers primarily for performing investment management, brokerage, sales of insurance and annuity policies, trust and deposit services. Most of the Bank's contracts with customers are open-ended, and the Bank provides services on an ongoing basis for an unspecified contract term. For these ongoing services, the fees are variable, since they are dependent on factors such as the value of underlying AUM, AUA or volume of transactions. The Bank recognizes revenue over the period services are provided to customers and when the uncertainties that determine the amount of revenue are resolved, and the actual fees are known or can be estimated. For certain services that are provided at a specific point in time, the Bank recognizes revenue in full at the time such services are provided.

Contract Balances and Receivables

The Bank records contract liabilities, or deferred revenue, when payments from customers are received or due in advance of providing services to customers. The Bank generally receives payments for its services during the period or at the time services are provided and, therefore, does not have deferred revenue balances at period end.

Receivables from contracts with customers were $23.3 million and $29.2 million at September 30, 2021 and December 31, 2020, respectively, and consist primarily of investment management, brokerage and trust receivables, which are included in other assets on the consolidated balance sheets.

Note 18. Segment Reporting

ASC 280-10, "Segment Reporting," requires that a public business enterprise report certain financial and descriptive information about its reportable operating segments on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments. The Bank's two reportable segments are Commercial Banking and Wealth Management.

The principal business activities of the Commercial Banking segment are gathering deposits (retail deposit gathering and private banking activities), originating and servicing loans (primarily real estate secured mortgage loans) and investing in investment securities. The primary sources of revenue for this segment are: interest earned on loans and investment securities, fees earned in connection with loan and deposit services, and income earned on loans serviced for investors. Principal expenses for this segment are interest incurred on interest-bearing liabilities, including deposits and borrowings, general and administrative costs and provision for credit losses.

The principal business activities of the Wealth Management segment are (i) the investment management activities of FRIM, which manages investments for individuals and institutions in equity securities, fixed income securities, balanced portfolios, and alternative investments; (ii) our money market mutual fund activities through third-party providers and the brokerage activities of FRSC (these two activities collectively, "Brokerage and Investment"); (iii) sales of life insurance policies and annuity contracts through FRSC and FRIM; (iv) trust and custody services provided by the Trust Company; and (v) our foreign exchange activities conducted on behalf of clients. The primary sources of revenue for this segment are investment management fees, brokerage and investment fees, insurance fees, trust fees and foreign exchange fee income. In addition, the Wealth Management segment earns a deposit earnings credit for client deposit accounts that are maintained at the Bank, including sweep deposit accounts. The Wealth Management segment's principal expenses are personnel-related costs and other general and administrative expenses.

Income tax expense for the segments is presented based on the segment's contribution to total consolidated tax expense. Tax preference items are allocated to the segment responsible for the related investments resulting in the tax preference item.

The reconciling items for revenues include fees for managing the Bank's investment portfolio by FRIM and intercompany management fees related to the training and licensing of the Bank's licensed representatives by FRSC. The reconciling items for assets include subsidiary funds on deposit with the Bank and any intercompany receivable that is reimbursed at least on a quarterly basis.

The following table presents the operating results of the Bank's two reportable segments, as well as any reconciling items:

($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Consolidated Total
Quarter Ended September 30, 2021				
Net interest income	$ 1,002,537	$ 49,747	$ —	$ 1,052,284
Provision for credit losses	34,025	—	—	34,025
Noninterest income from contracts with customers [1]	6,792	194,611	(12,372)	189,031
Other noninterest income	33,015	28,312	—	61,327
Noninterest income	39,807	222,923	(12,372)	250,358
Amortization of intangibles	—	1,314	—	1,314
Other noninterest expense	621,931	187,658	(12,372)	797,217
Noninterest expense	621,931	188,972	(12,372)	798,531
Income before provision for income taxes	386,388	83,698	—	470,086
Provision for income taxes	76,555	23,844	—	100,399
Net income	$ 309,833	$ 59,854	$ —	$ 369,687
Quarter Ended September 30, 2020				
Net interest income	$ 796,989	$ 33,291	$ —	$ 830,280
Provision for credit losses	28,538	—	—	28,538
Noninterest income from contracts with customers [1]	5,752	124,954	(10,333)	120,373
Other noninterest income	37,318	13,292	—	50,610
Noninterest income	43,070	138,246	(10,333)	170,983
Amortization of intangibles	—	1,790	—	1,790
Other noninterest expense	491,949	124,804	(10,333)	606,420
Noninterest expense	491,949	126,594	(10,333)	608,210
Income before provision for income taxes	319,572	44,943	—	364,515
Provision for income taxes	58,324	13,054	—	71,378
Net income	$ 261,248	$ 31,889	$ —	$ 293,137
Nine Months Ended September 30, 2021				
Net interest income	$ 2,857,738	$ 137,193	$ —	$ 2,994,931
Provision for credit losses	35,560	—	—	35,560
Noninterest income from contracts with customers [1]	19,422	521,723	(34,077)	507,068
Other noninterest income	95,916	69,833	—	165,749
Noninterest income	115,338	591,556	(34,077)	672,817
Amortization of intangibles	—	4,329	—	4,329
Other noninterest expense	1,788,349	523,091	(34,077)	2,277,363
Noninterest expense	1,788,349	527,420	(34,077)	2,281,692
Income before provision for income taxes	1,149,167	201,329	—	1,350,496
Provision for income taxes	216,288	56,582	—	272,870
Net income	$ 932,879	$ 144,747	$ —	$ 1,077,626
Nine Months Ended September 30, 2020				
Net interest income	$ 2,285,329	$ 84,495	$ —	$ 2,369,824
Provision for credit losses	122,025	—	—	122,025
Noninterest income from contracts with customers [1]	18,511	371,371	(30,026)	359,856
Other noninterest income	70,253	36,487	—	106,740
Noninterest income	88,764	407,858	(30,026)	466,596
Amortization of intangibles	253	5,831	—	6,084
Other noninterest expense	1,400,383	383,244	(30,026)	1,753,601
Noninterest expense	1,400,636	389,075	(30,026)	1,759,685
Income before provision for income taxes	851,432	103,278	—	954,710
Provision for income taxes	158,763	27,356	—	186,119
Net income	$ 692,669	$ 75,922	$ —	$ 768,591

[1] The Commercial Banking segment consists of noninterest income from contracts with customers related to deposit fees and the Wealth Management segment consists of investment management, brokerage and investment, insurance and trust fees.

The following table presents the goodwill and total assets of the Bank's two reportable segments, as well as any reconciling items:

($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Consolidated Total
At September 30, 2021				
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total assets	$ 171,659,719	$ 1,439,333	$ (528,549)	$ 172,570,503
At September 30, 2020				
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total assets	$ 132,674,587	$ 961,092	$ (409,908)	$ 133,225,771

Note 19. Subsequent Events

The Bank evaluated the effects of events that have occurred subsequent to the quarter ended September 30, 2021.

In October 2021, given the Bank's strong liquidity position, the Bank prepaid FHLB advances totaling $1.1 billion that were scheduled to mature by the end of 2021 and $2.9 billion that were scheduled to mature in 2022. While such prepayments resulted in approximately $19 million of prepayment penalties (to be included in other noninterest expense) in the fourth quarter of 2021, the prepayments will reduce related interest expense by approximately $11 million in the fourth quarter of 2021.

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

Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Quarterly Report that are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimates," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties. Our actual results could differ materially from those expressed or anticipated in such forward-looking statements as a result of risks and uncertainties more fully described under "Item 1A. Risk Factors" in this Quarterly Report or under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Form 10-K").

Forward-looking statements involving such risks and uncertainties include, but are not limited to, statements regarding:

- Projections of loans, assets, deposits, liabilities, revenues, expenses, tax liabilities, net income, capital expenditures, liquidity, dividends, capital structure, investments or other financial items;
- Expectations regarding the banking and wealth management industries;
- Descriptions of plans or objectives of management for future operations, products or services;
- Forecasts of future economic conditions generally and in our market areas in particular, which may affect the ability of borrowers to repay their loans and the value of real property or other property held as collateral for such loans;
- Our opportunities for growth and our plans for expansion (including opening new offices);
- Expectations about the performance of any new offices;
- Projections about the amount and the value of intangible assets, as well as amortization of recorded amounts;
- Future provisions for credit losses on loans and debt securities, as well as for unfunded loan commitments;
- Changes in nonperforming assets;
- Expectations regarding the impact and duration of COVID-19;
- Projections about future levels of loan originations or loan repayments;
- Projections regarding costs, including the impact on our efficiency ratio; and
- Descriptions of assumptions underlying or relating to any of the foregoing.

Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- Significant competition to attract and retain banking and wealth management customers, from both traditional and non-traditional financial services and technology companies;
- Our ability to recruit and retain key managers, employees and board members;
- Natural or other disasters, including earthquakes, wildfires, pandemics or acts of terrorism affecting the markets in which we operate;
- The negative impacts and disruptions resulting from COVID-19 on our colleagues and clients, the communities we serve and the domestic and global economy, which may have an adverse effect on our business, financial position and results of operations;

- Interest rate risk and credit risk;
- Our ability to maintain and follow high underwriting standards;
- Economic and market conditions, including those affecting the valuation of our investment securities portfolio and credit losses on our loans and debt securities;
- Real estate prices generally and in our markets;
- Our geographic and product concentrations;
- Demand for our products and services;
- Developments and uncertainty related to the future use and availability of some reference rates, such as LIBOR and COFI, as well as other alternative reference rates;
- The regulatory environment in which we operate, our regulatory compliance and future regulatory requirements;
- Any future changes to regulatory capital requirements;
- Legislative and regulatory actions affecting us and the financial services industry, such as the Dodd-Frank Act, including increased compliance costs, limitations on activities and requirements to hold additional capital, as well as changes to the Dodd-Frank Act pursuant to the EGRRCPA;
- Our ability to avoid litigation and its associated costs and liabilities;
- Future FDIC special assessments or changes to regular assessments;
- Fraud, cybersecurity and privacy risks; and
- Custom technology preferences of our customers and our ability to successfully execute on initiatives relating to enhancements of our technology infrastructure, including client-facing systems and applications.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Quarterly Report, the 2020 Form 10-K and our other public filings under the Exchange Act. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Non-GAAP Financial Measures

Our management uses and believes that investors benefit from using certain non-GAAP measures of our financial performance, which include tangible book value per common share, return on average tangible common shareholders' equity, and net interest income on a fully taxable-equivalent basis. Management believes that tangible book value per common share and return on average tangible common shareholders' equity are useful additional measures to evaluate our performance and capital position without the impact of goodwill and other intangible assets and preferred stock. In addition, to facilitate relevant comparisons of net interest income from taxable and tax-exempt interest-earning assets, when calculating yields and net interest margin, we adjust interest income on tax-exempt securities and tax-advantaged loans so such amounts are fully equivalent to interest income on taxable sources. We believe that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information that is not otherwise required by GAAP or other applicable requirements. These non-GAAP financial measures should be considered in addition to, not as a substitute for, financial measures prepared in accordance with GAAP. A reconciliation of the non-GAAP calculation of the financial measure to the most comparable GAAP financial measure is presented in relevant tables under "—Capital Resources—Return on Average Common Shareholders' Equity and Return on Average Tangible Common Shareholders' Equity," "—Capital Resources—Book Value per Common Share and Tangible Book Value per Common Share," and "Results of Operations—Quarter and Nine Months Ended September 30, 2021, Compared to Quarter and Nine Months Ended September 30, 2020—Net Interest Income and Net Interest Margin."

Selected Financial Data

The following table presents our selected financial data and ratios at the dates or for the periods indicated:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands, except per share amounts)	**2021**	**2020**	**2021**	**2020**
Selected Financial Data:				
Interest income	$ 1,117,671	$ 961,976	$ 3,217,640	$ 2,861,521
Interest expense	65,387	131,696	222,709	491,697
Net interest income	1,052,284	830,280	2,994,931	2,369,824
Provision for credit losses	34,025	28,538	35,560	122,025
Net interest income after provision for credit losses	1,018,259	801,742	2,959,371	2,247,799
Noninterest income	250,358	170,983	672,817	466,596
Noninterest expense	798,531	608,210	2,281,692	1,759,685
Net income	369,687	293,137	1,077,626	768,591
Dividends on preferred stock	24,427	14,816	66,607	42,653
Net income available to common shareholders	$ 345,260	$ 278,321	$ 1,011,019	$ 725,938
Selected Ratios:				
Basic EPS	$ 1.94	$ 1.62	$ 5.73	$ 4.23
Diluted EPS	$ 1.91	$ 1.61	$ 5.66	$ 4.21
Return on average assets [(1), (2)]	0.86 %	0.88 %	0.89 %	0.82 %
Return on average common shareholders' equity [(1)]	11.87 %	11.56 %	12.30 %	10.40 %
Return on average tangible common shareholders' equity [(1), (3)]	12.10 %	11.84 %	12.56 %	10.67 %
Average equity to average assets	8.37 %	8.19 %	8.20 %	8.35 %
Dividends per common share	$ 0.22	$ 0.20	$ 0.64	$ 0.59
Dividend payout ratio	11.5 %	12.4 %	11.3 %	14.0 %
Net interest margin [(1)]	2.65 %	2.71 %	2.67 %	2.72 %
Efficiency ratio [(4)]	61.3 %	60.7 %	62.2 %	62.0 %
Selected Asset Quality Ratios:				
Net loan charge-offs to average total loans [(1)]	0.00 %	0.01 %	0.00 %	0.00 %
Selected Asset Quality Ratios (period-end):				
Nonperforming assets to total assets	0.07 %	0.12 %		
Allowance for loan credit losses to total loans	0.52 %	0.58 %		
Allowance for loan credit losses to nonaccrual loans	524.4 %	368.2 %		
Selected Ratios (period-end):				
Book value per common share	$ 66.44	$ 56.33		
Tangible book value per common share [(5)]	$ 65.19	$ 55.00		
Capital Ratios (period-end):				
Tier 1 leverage ratio	8.55 %	8.38 %		
CET1 ratio	9.81 %	9.78 %		
Tier 1 risk-based capital ratio	12.25 %	11.50 %		
Total risk-based capital ratio	13.45 %	12.94 %		

(1) Ratios are annualized.

(2) Return on average assets is the ratio of net income to average assets.

(3) Refer to table in "—Capital Resources—Return on Average Common Shareholders' Equity and Return on Average Tangible Common Shareholders' Equity" for a reconciliation of this non-GAAP financial measure to the most comparable GAAP measure.

(4) Efficiency ratio is the ratio of noninterest expense to the sum of net interest income and noninterest income.

(5) Refer to table in "—Capital Resources—Book Value per Common Share and Tangible Book Value per Common Share" for a reconciliation of this non-GAAP financial measure to the most comparable GAAP measure.

Introduction

We derive our income from the following principal areas: (1) net interest income, which is our largest source of income, and constitutes the difference between the interest income that we receive from interest-earning assets, such as loans and investment securities, and the interest expense that we pay on interest-bearing liabilities, such as deposits and borrowings; (2) fee income from wealth management activities, including investment management, trust, brokerage, insurance and foreign exchange; (3) fees for deposit services; (4) loan and related fees, including late charge income, loan-related processing fees, prepayment penalties on sold loans, and payoff fees; and (5) earnings from the sale and servicing of real estate secured loans. We currently operate our business through two business segments: Commercial Banking and Wealth Management.

Critical Accounting Policies and the Impact of Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to ACL on loans and income taxes. We base these estimates on our historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We consider ACL on loans and income taxes to be critical accounting policies because of the significance to our financial condition and results of operations and the complex and subjective judgments, assumptions and estimates involved. Actual results may differ from these estimates under different assumptions or conditions.

For a discussion of our critical accounting policies and estimates, refer to "—Critical Accounting Policies and the Impact of Accounting Estimates" in Item 7 of our 2020 Form 10-K.

Current Accounting Developments

The following ASU has been issued by the FASB, but was not yet effective as of September 30, 2021:

ASU 2020-04—Reference Rate Reform (ASC 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting and subsequent related ASU	
The amendments were issued in March 2020 to address the expected discontinuation of LIBOR and other reference rates. Under the new guidance, entities can elect not to apply certain modification accounting requirements to contracts affected by the reference rate reform if 1) the contract references LIBOR or another reference rate expected to be discontinued and 2) the modified terms either directly replace or have the potential to replace the rate expected to be discontinued, and 3) any contemporaneous changes either change or have the potential to change the amount and timing of cash flows related to the replacement of the reference rate. Contract modifications meeting such criteria can generally be accounted for as a continuation of the existing contract and do not need to be remeasured. The amendments may be adopted prospectively from the beginning of the first quarter 2020, or any date between March 12, 2020 and December 31, 2022. Once adopted, entities must apply the guidance prospectively to all eligible contract modifications.	The Bank has loans that determine the amount of interest by reference to certain benchmark rates or indices, including COFI and certain tenors of USD LIBOR that are expected to no longer be available after January 31, 2022 and June 30, 2023, respectively. The Bank has ceased originating new loans indexed to these rates, and has established a working group to transition existing loans indexed to COFI and LIBOR. New loan originations are currently indexed to Prime or a 12-month average of 1-year CMT. In February 2022, the Bank expects to transition outstanding loans indexed to COFI to Freddie Mac's Enterprise 11th District COFI Institutional Replacement Index, which is based on Federal COFI plus/minus a spread adjustment equal to the five-year historical median spread between COFI and Federal COFI. The Bank is continuing the assessment of its loan portfolio indexed to LIBOR to determine the appropriate replacement index. In anticipation of the above transitions, the Bank plans to adopt this guidance prospectively on January 1, 2022 and will account for all eligible loan contract modifications as continuations of the existing loan contracts. The Bank does not expect a material impact on its financial statements as a result of the application of this new guidance.

Key Factors Affecting Our Business and Financial Statements

COVID-19

COVID-19 has created significant volatility in the financial markets and impacted global and local economies. Various measures, including legislative and regulatory actions, have been taken to stabilize markets, promote economic growth, and assist those negatively impacted by the pandemic. Although there has been an improvement in economic outlook in recent months, economic conditions continue to be subject to rapid changes in response to ongoing COVID-19 developments.

Our response to the pandemic included: company-wide remote working arrangements, social distancing and other measures to ensure the safety of our colleagues and clients; and community support through corporate contributions for those in need. In addition, we provided loan modifications to borrowers experiencing financial difficulties as a result of COVID-19. We have also provided loans to small businesses under the PPP. See "—Balance Sheet Analysis—Asset Quality—COVID-19 Loan Modifications" and "—Balance Sheet Analysis—Loan Portfolio—Business—PPP Loans" for additional information.

Interest Rates

Net interest income is our largest source of income and is the difference between the interest income on interest-earning assets (usually loans and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (usually deposits and borrowings). The level of net interest income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the contractual yield on such assets and the contractual cost of such liabilities. These factors are influenced by both the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as the local economy, competition for loans and deposits, the monetary policy of the FOMC and market interest rates.

The rates paid on our deposits and short-term borrowings are largely based on short-term interest rates, the level of which is driven primarily by the FOMC's actions. However, the yields generated by our loans and securities are typically driven by short-term and longer-term interest rates, which are set by the market, or, at times by the FOMC's actions, and generally vary from day to day. The level of net interest income is therefore influenced by movements in such interest rates and the pace at which such movements occur. Declines in the yield curve or a decline in longer-term yields relative to short-term yields (a flatter yield curve) would have an adverse impact on our net interest margin and net interest income. The FOMC's actions are meaningfully influencing the interest-rate environment, which may impact our net interest margin.

For additional information, see "Item 1A. Risk Factors—Market and Interest Rate Risk—We are subject to interest rate risk and fluctuations in interest rates may negatively impact our net interest income" in our 2020 Form 10-K and "Item 3. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" in this Quarterly Report on Form 10-Q.

Regulatory and Supervisory Matters

Our results of operations are affected by the regulatory environment and requirements imposed on us by regulators. The extensive regulation and supervision that govern our business continue to evolve as the legal and regulatory framework changes and as our business grows. As described in our 2020 Form 10-K under "Item 1. Business—Supervision and Regulation—Capital Requirements," we are subject to regulatory requirements specifying minimum amounts and types of capital that we must maintain. In addition, as described in our 2020 Form 10-K under "Item 1. Business—Supervision and Regulation—Liquidity Rules," although we are not subject to certain liquidity ratio requirements, we nevertheless maintain on-balance sheet liquidity and a portfolio of HQLA. Changes in regulation or continued growth of the Bank may cause us to be subject to more stringent capital and/or liquidity requirements. The timing, nature and impact of any future changes to legal and regulatory requirements cannot be predicted.

Additionally, as described in our 2020 Form 10-K under "Item 1. Business—Supervision and Regulation—COVID-19," there have been a number of recent bank regulatory actions and legislative changes intended to help mitigate the adverse economic impact of COVID-19 on borrowers, including mandates requiring financial institutions to work constructively with borrowers affected by COVID-19, which include the CARES Act and CAA enacted by the U.S. Government and measures adopted by California and other states. Further actions taken by U.S. or other governmental authorities may result in regulatory uncertainty and may impose additional restrictions. While such regulatory and legislative responses to COVID-19 have not had a materially negative impact on our business to date, we cannot predict the impact of any current or future regulatory or legislative responses on our business.

In addition to these regulatory and supervisory matters, our results of operations may be affected by other legislative developments or reforms, including comprehensive tax reform that may be adopted by Congress. We continue to monitor potential changes being considered to the tax code, including potential changes to the taxation of business entities, as well as other potential reforms. The adoption, details and timing of any such tax reform are uncertain, and the impact of any changes or developments cannot be predicted.

Financial Highlights

Assets

- At September 30, 2021, total assets were $172.6 billion, a 21% increase compared to $142.5 billion at December 31, 2020 and a 30% increase compared to $133.2 billion at September 30, 2020. Asset growth was driven primarily by very strong deposit growth, which was deployed into loans, investments and higher cash balances.

Investments

- At September 30, 2021, total investment securities were $24.2 billion, a 31% increase compared to $18.5 billion at December 31, 2020 and a 30% increase compared to $18.7 billion at September 30, 2020. Total investment securities represented 14% of total assets at September 30, 2021, compared to 13% at December 31, 2020 and 14% at September 30, 2020. The increases in investment securities were primarily due to purchases, partially offset by calls and paydowns. For additional discussion regarding our investment portfolio, see "—Balance Sheet Analysis—Investments."

- Our holdings of assets that are considered HQLA, including eligible cash, totaled $28.6 billion at September 30, 2021, compared to $18.1 billion at December 31, 2020 and $17.1 billion at September 30, 2020. At September 30, 2021, HQLA represented 16.7% of average total assets for the third quarter of 2021.

Loans

- At September 30, 2021, loans, excluding loans held for sale, were $128.4 billion, a 14% increase compared to $112.6 billion at December 31, 2020 and a 23% increase compared to $104.8 billion at September 30, 2020. Loans increased primarily as a result of growth in single family and multifamily loans and capital call lines of credit, partially offset by a decrease in PPP loans. For additional discussion regarding our loan portfolio, see "—Balance Sheet Analysis—Loan Portfolio."

- Average loan balances were $125.9 billion for the third quarter of 2021, an increase of 23% compared to $102.4 billion for the third quarter of 2020, and were $120.5 billion for the nine months ended September 30, 2021, compared to $97.9 billion for the nine months ended September 30, 2020, an increase of 23%.

- Our single family mortgage loans, including single family mortgage loans held for sale and HELOCs, were $75.9 billion and represented 59% of total loans at September 30, 2021, compared to $63.8 billion, or 57% of total loans at December 31, 2020 and $59.1 billion, or 56% of total loans at September 30, 2020.

- Loan origination volume was $15.5 billion for the third quarter of 2021, compared to $12.2 billion for the third quarter of 2020, an increase of 26%, and was $47.9 billion for the nine months ended September 30, 2021, compared to $36.0 billion for the nine months ended September 30, 2020, an increase of 33%. Loan originations increased primarily due to increases in capital call lines of credit and commercial real estate lending for the quarter, and primarily due to increases in single family and capital call lines of credit, partially offset by decreases in loan originations under the PPP, for the nine months.

Deposits

- Total deposits were $145.3 billion at September 30, 2021, an increase of 26% compared to $114.9 billion at December 31, 2020, and an increase of 39% compared to $104.4 billion at September 30, 2020. Deposits increased as a result of expanding existing client relationships, referrals from existing clients, and new deposit clients. We continue to emphasize building banking relationships through checking and other transaction deposit accounts. See "—Balance Sheet Analysis—Deposit Gathering" for additional information.

- Average total deposit balances were $143.1 billion for the third quarter of 2021, an increase of 40% from $102.4 billion for the third quarter of 2020, and were $134.0 billion for the nine months ended September 30, 2021, an increase of 39% from $96.3 billion for the nine months ended September 30, 2020.

- At September 30, 2021, checking deposit balances were $99.9 billion, or 69% of total deposits, compared to $76.9 billion, or 67% of total deposits at December 31, 2020 and $67.6 billion, or 65% of total deposits at September 30, 2020.

- The following table presents percentages of business and consumer deposits:

Business and Consumer Deposits as a % of Total Deposits	**September 30, 2021**	**December 31, 2020**	**September 30, 2020**
Business deposits	62 %	57 %	58 %
Consumer deposits	38	43	42
Total	100 %	100 %	100 %

Capital, Book Value per Common Share and Tangible Book Value per Common Share

- Our Tier 1 leverage ratio at September 30, 2021 was 8.55%. We continue to exceed regulatory guidelines for well-capitalized institutions. See "—Capital Resources—Regulatory Capital Components and Ratios" for further discussion of capital ratios and our capital requirements.

- Book value per common share was $66.44 at September 30, 2021, a 13% increase from December 31, 2020 and an 18% increase during the last twelve months.

- Tangible book value per common share was $65.19 at September 30, 2021, a 14% increase from December 31, 2020 and a 19% increase during the last twelve months.

Capital Markets Activity

- Our capital markets activity for the first nine months of 2021 included the following:

    - In February 2021, we sold 29,900,000 depositary shares, each representing a 1/40th interest in a share of our 4.250% Series L Preferred Stock, at a public offering price of $25.00 per depositary share in an underwritten public offering. We issued 747,500 shares of the Series L Preferred Stock in connection with the offering, each with a liquidation preference of $1,000. Net proceeds, after underwriting discounts and expenses, were $732.8 million.

    - In March 2021, we sold 2,012,500 shares of common stock in an underwritten public offering. Net proceeds, after underwriting discounts and expenses, were $331.3 million.

    - In March 2021, we redeemed all outstanding shares of our 5.50% Series G Preferred Stock, which totaled $150.0 million plus all accrued and unpaid dividends through the date of redemption.

- In July 2021, we sold 30,000,000 depositary shares, each representing a 1/40th interest in a share of our 4.000% Series M Preferred Stock, at a public offering price of $25.00 per depositary share in an underwritten public offering. We issued 750,000 shares of the Series M Preferred Stock in connection with the offering, each with a liquidation preference of $1,000. Net proceeds, after underwriting discounts and expenses, were $735.7 million.

- In August 2021, we sold 2,300,000 shares of common stock in an underwritten public offering. Net proceeds, after underwriting discounts and estimated expenses, were approximately $443.9 million.

Dividends

- Cash dividends paid in the third quarter of 2021 were $0.22 per share of common stock to shareholders of record as of July 29, 2021, compared to $0.20 in the third quarter of 2020. Cash dividends paid in the nine months ended September 30, 2021 were $0.64 per share of common stock, compared to $0.59 in the nine months ended September 30, 2020.

- On October 13, 2021, we declared a cash dividend for the third quarter of $0.22 per share, which is payable on November 12, 2021 to shareholders of record as of October 28, 2021. Any future payment of dividends will be subject to ongoing regulatory oversight and Board approval.

Wealth Management Assets

- Wealth management AUM and AUA were $251.7 billion at September 30, 2021, compared to $194.5 billion at December 31, 2020, an increase of 29%, and $168.2 billion at September 30, 2020, an increase of 50%. The increases in AUM and AUA were due to net client inflow and market appreciation. See "—Business Segments" for additional information.

Effective Tax Rate

- The Bank's effective tax rate was 21.4% and 20.2% for the quarter and nine months ended September 30, 2021, respectively, compared to 19.6% and 19.5% for the quarter and nine months ended September 30, 2020, respectively. See "—Results of Operations—Quarter and Nine Months Ended September 30, 2021, Compared to Quarter and Nine Months Ended September 30, 2020—Provision for Income Taxes" for additional information.

Results of Operations—Quarter and Nine Months Ended September 30, 2021, Compared to Quarter and Nine Months Ended September 30, 2020

Overview

Net income for the quarter and nine months ended September 30, 2021 was $369.7 million and $1.1 billion, compared to $293.1 million and $768.6 million for the quarter and nine months ended September 30, 2020, respectively, an increase of 26% for the quarter and an increase of 40% for the nine months. The increases were primarily due to higher net interest income and higher noninterest income, partially offset by higher noninterest expense. The increase for the nine months was also due to lower provision for credit losses. Diluted EPS for the quarter and nine months ended September 30, 2021 were $1.91 and $5.66, compared to $1.61 and $4.21 for the quarter and nine months ended September 30, 2020, respectively, an increase of 19% for the quarter and an increase of 34% for the nine months.

Net income for the Commercial Banking segment was $309.8 million and $932.9 million for the quarter and nine months ended September 30, 2021, compared to $261.2 million and $692.7 million for the quarter and nine months ended September 30, 2020, respectively, an increase of 19% for the quarter and an increase of 35% for the nine months. The Wealth Management segment's net income for the quarter and nine months ended September 30, 2021 was $59.9 million and $144.7 million, compared to $31.9 million and $75.9 million for the quarter and nine months ended September 30, 2020, respectively, an increase of 88% for the quarter and an increase of 91% for the nine months. For a discussion of segment results, see "—Business Segments."

Net Interest Income and Net Interest Margin

Net interest income for the quarter and nine months ended September 30, 2021 was $1.1 billion and $3.0 billion, compared to $830.3 million and $2.4 billion for the quarter and nine months ended September 30, 2020, respectively, an increase of 27% for the quarter and an increase of 26% for the nine months.

Net interest margin represents net interest income on a fully taxable-equivalent basis divided by total average interest-earning assets. Net interest margin for the quarter and nine months ended September 30, 2021 was 2.65% and 2.67%, compared to 2.71% and 2.72% for the quarter and nine months ended September 30, 2020, respectively. The decreases were primarily due to higher average cash balances during the quarter and nine months ended September 30, 2021.

On an average basis, interest-earning assets and interest-bearing liabilities for the third quarter of 2021 increased 29% and 12% from the third quarter a year ago, respectively. For the nine months ended September 30, 2021, average interest-earning assets and interest-bearing liabilities increased 29% and 15% from the nine months ended September 30, 2020, respectively. Average noninterest-bearing checking deposit balances, a significant source of our funding, increased 63% for the third quarter of 2021 and 59% for the nine months ended September 30, 2021.

Yields/Rates (Fully Taxable-Equivalent Basis)

The following tables present the distribution of average assets, liabilities and equity, interest income and resulting yields on average interest-earning assets, and interest expense and rates on average interest-bearing liabilities on a fully taxable-equivalent basis. Average balances are based on daily averages. Nonaccrual loans are included in the average balances of loans and in the calculation of average loan yields.

($ in millions)	2021 Average Balance	2021 Interest Income/ Expense (1)	2021 Yields/ Rates (2)	2020 Average Balance	2020 Interest Income/ Expense (1)	2020 Yields/ Rates (2)
	Quarter Ended September 30,					
Assets:						
Interest-bearing deposits with banks	$ 13,384	$ 5	0.15 %	$ 4,428	$ 1	0.11 %
Investment securities:						
U.S. Government-sponsored agency securities	100	0	1.59 %	202	1	2.35 %
Agency residential and commercial MBS	6,200	28	1.84 %	6,251	37	2.40 %
Other residential and commercial MBS	28	0	2.25 %	38	0	2.13 %
Tax-exempt municipal securities	14,174	141	3.97 %	11,551	123	4.26 %
Taxable municipal securities	1,670	12	2.98 %	758	6	3.26 %
Other investment securities	1,405	10	2.86 %	45	0	2.76 %
Total investment securities	23,576	192	3.26 %	18,845	168	3.57 %
Loans:						
Residential real estate	74,233	520	2.80 %	56,907	422	2.96 %
Multifamily	15,126	135	3.49 %	13,313	125	3.67 %
Commercial real estate	8,357	82	3.82 %	7,802	78	3.93 %
Multifamily/commercial construction	2,963	34	4.54 %	2,740	31	4.37 %
Business	15,928	129	3.17 %	12,538	110	3.45 %
PPP	1,123	12	4.01 %	2,092	11	2.03 %
Other	8,158	43	2.06 %	6,996	42	2.33 %
Total loans	125,887	954	3.00 %	102,386	818	3.16 %
FHLB stock	266	5	6.99 %	458	6	5.31 %
Total interest-earning assets	163,113	1,156	2.81 %	126,117	994	3.12 %
Noninterest-earning assets:						
Noninterest-earning cash	392			434		
Goodwill and other intangibles	224			230		
Other assets	6,891			5,075		
Total noninterest-earning assets	7,506			5,738		
Total Assets	$ 170,619			$ 131,855		
Liabilities and Shareholders' Equity:						
Deposits:						
Interest-bearing checking	$ 33,642	1	0.01 %	$ 25,539	2	0.04 %
Money market checking	21,861	6	0.11 %	15,432	8	0.21 %
Money market savings and passbooks	15,831	6	0.16 %	10,788	5	0.20 %
CDs	7,779	9	0.46 %	11,334	38	1.34 %
Total interest-bearing deposits (3)	79,114	22	0.11 %	63,093	54	0.34 %
Borrowings:						
Short-term borrowings	0	0	0.09 %	5	0	0.00 %
Long-term FHLB advances	8,545	28	1.29 %	14,739	62	1.68 %
Senior notes	997	6	2.42 %	995	6	2.42 %
Subordinated notes	779	9	4.68 %	778	9	4.68 %
Total borrowings	10,321	43	1.66 %	16,518	77	1.86 %
Total interest-bearing liabilities (4)	89,434	65	0.29 %	79,611	132	0.66 %
Noninterest-bearing checking	64,008			39,357		
Other noninterest-bearing liabilities	2,904			2,083		
Total noninterest-bearing liabilities	66,912			41,440		
Preferred shareholders' equity	2,729			1,227		
Common shareholders' equity	11,543			9,578		
Total Liabilities and Shareholders' Equity	$ 170,619			$ 131,855		
Net interest spread (5)			2.52 %			2.47 %
Net interest income (fully taxable-equivalent basis) and net interest margin (6)		$ 1,090	2.65 %		$ 862	2.71 %
Reconciliation of tax-equivalent net interest income to net interest income: (7)						
Municipal securities tax-equivalent adjustment		(31)			(25)	
Business loans tax-equivalent adjustment		(7)			(7)	
Net interest income		$ 1,052			$ 830	
Supplemental information:						
Total deposits (interest-bearing and noninterest-bearing)	$ 143,122	$ 22	0.06 %	$ 102,450	$ 54	0.21 %
Total deposits (interest-bearing and noninterest-bearing) and borrowings	$ 153,442	$ 65	0.17 %	$ 118,968	$ 132	0.44 %

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	Nine Months Ended September 30,					
	2021			2020		
($ in millions)	Average Balance	Interest Income/ Expense (1)	Yields/ Rates (2)	Average Balance	Interest Income/ Expense (1)	Yields/ Rates (2)
Assets:						
Interest-bearing deposits with banks	$ 12,045	$ 11	0.12 %	$ 3,029	$ 6	0.25 %
Investment securities:						
U.S. Government-sponsored agency securities	98	1	1.54 %	241	5	2.63 %
Agency residential and commercial MBS	5,826	88	2.01 %	6,537	127	2.60 %
Other residential and commercial MBS	30	0	2.04 %	23	0	2.40 %
Tax-exempt municipal securities	13,312	403	4.04 %	11,165	361	4.32 %
Taxable municipal securities	1,456	32	2.98 %	709	18	3.34 %
Other investment securities	1,074	22	2.78 %	44	1	2.83 %
Total investment securities	21,795	548	3.35 %	18,719	513	3.65 %
Loans:						
Residential real estate	69,880	1,480	2.82 %	53,992	1,231	3.04 %
Multifamily	14,484	385	3.50 %	12,923	364	3.70 %
Commercial real estate	8,170	238	3.84 %	7,699	235	4.00 %
Multifamily/commercial construction	2,933	103	4.63 %	2,641	90	4.49 %
Business	15,636	382	3.22 %	12,666	349	3.62 %
PPP	1,649	43	3.42 %	1,241	18	1.96 %
Other	7,722	124	2.12 %	6,703	131	2.58 %
Total loans	120,476	2,754	3.03 %	97,865	2,420	3.27 %
FHLB stock	307	15	6.51 %	452	18	5.36 %
Total interest-earning assets	154,623	3,328	2.86 %	120,065	2,956	3.26 %
Noninterest-earning assets:						
Noninterest-earning cash	397			434		
Goodwill and other intangibles	225			232		
Other assets	6,572			4,901		
Total noninterest-earning assets	7,194			5,567		
Total Assets	$ 161,817			$ 125,633		
Liabilities and Shareholders' Equity:						
Deposits:						
Interest-bearing checking	$ 32,993	5	0.02 %	$ 22,736	14	0.08 %
Money market checking	20,237	20	0.13 %	14,162	47	0.45 %
Money market savings and passbooks	14,760	19	0.17 %	10,122	26	0.35 %
CDs	8,075	31	0.51 %	12,742	158	1.66 %
Total interest-bearing deposits (3)	76,065	74	0.13 %	59,762	246	0.55 %
Borrowings:						
Short-term borrowings	0	0	0.09 %	412	5	1.52 %
Long-term FHLB advances	9,966	103	1.38 %	14,676	197	1.79 %
Senior notes	997	18	2.42 %	919	17	2.44 %
Subordinated notes	778	27	4.68 %	778	27	4.68 %
Total borrowings	11,741	149	1.69 %	16,785	246	1.96 %
Total interest-bearing liabilities (4)	87,806	223	0.34 %	76,547	492	0.86 %
Noninterest-bearing checking	57,961			36,530		
Other noninterest-bearing liabilities	2,780			2,060		
Total noninterest-bearing liabilities	60,741			38,590		
Preferred shareholders' equity	2,281			1,172		
Common shareholders' equity	10,989			9,323		
Total Liabilities and Shareholders' Equity	$ 161,817			$ 125,633		
Net interest spread (5)			2.52 %			2.41 %
Net interest income (fully taxable-equivalent basis) and net interest margin (6)		$ 3,105	2.67 %		$ 2,464	2.72 %
Reconciliation of tax-equivalent net interest income to net interest income: (7)						
Municipal securities tax-equivalent adjustment		(89)			(75)	
Business loans tax-equivalent adjustment		(21)			(20)	
Net interest income		$ 2,995			$ 2,370	
Supplemental information:						
Total deposits (interest-bearing and noninterest-bearing)	$ 134,026	$ 74	0.07 %	$ 96,292	$ 246	0.34 %
Total deposits (interest-bearing and noninterest-bearing) and borrowings	$ 145,767	$ 223	0.20 %	$ 113,077	$ 492	0.58 %

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Note: Amounts presented in the tables above may not add due to rounding. Certain prior period amounts have been reclassified to conform to the current period presentation.
(1) Interest income on tax-exempt securities and loans has been adjusted to the fully taxable-equivalent basis using the statutory federal income tax rate in effect for each respective period presented.
(2) Yields/rates are annualized.
(3) Refer to supplemental information in this table for average balances, interest expense and rates for total deposits (interest-bearing and noninterest-bearing).
(4) Refer to supplemental information in this table for average balances, interest expense and rates for total deposits (interest-bearing and noninterest-bearing) and borrowings.
(5) Net interest spread represents the average yield on interest-earning assets less the average rate on interest-bearing liabilities.
(6) Net interest margin represents net interest income on a fully taxable-equivalent basis divided by total average interest-earning assets.
(7) Fully taxable-equivalent net interest income is considered a non-GAAP financial measure, and is reconciled to GAAP net interest income in this table.

Interest Income

The following table presents interest income and fully taxable-equivalent interest income:

	Quarter Ended September 30,		Nine Months Ended September 30,		% Change Quarter Ended September 30,	% Change Nine Months Ended September 30,
($ in thousands)	**2021**	**2020**	**2021**	**2020**	**2021 vs. 2020**	**2021 vs. 2020**
Interest income:						
Loans	$ 946,846	$ 811,708	$ 2,732,901	$ 2,399,646	17 %	14 %
Investments	161,017	142,971	458,675	438,055	13 %	5 %
Other [1]	4,677	6,116	14,969	18,135	(24)%	(17)%
Cash and cash equivalents	5,131	1,181	11,095	5,685	334 %	95 %
Total interest income	$ 1,117,671	$ 961,976	$ 3,217,640	$ 2,861,521	16 %	12 %
Fully taxable-equivalent interest income: [2]						
Loans	$ 954,056	$ 818,371	$ 2,754,094	$ 2,419,707	17 %	14 %
Investments	$ 192,015	$ 168,231	$ 547,711	$ 512,579	14 %	7 %

(1) Represents dividends on FHLB stock.
(2) Refer to the table in "—Net Interest Income and Net Interest Margin—Yields/Rates (Fully Taxable-Equivalent Basis)" for a reconciliation of the fully taxable-equivalent net interest income non-GAAP financial measure to the most comparable GAAP measure.

Total interest income consists of interest income on loans and investments, FHLB stock dividends, and interest income on cash and cash equivalents. The increase in interest income for the third quarter of 2021 was the result of an increase of 29% in average interest-earning assets compared to the third quarter of 2020, partially offset by a decrease in the average yield on interest-earning assets to 2.81% from 3.12% for the third quarter of 2020. The increase for the nine months ended September 30, 2021 was the result of an increase of 29% in average interest-earning assets compared to the nine months ended September 30, 2020, partially offset by a decrease in the average yield on interest-earning assets to 2.86% from 3.26% for the nine months ended September 30, 2020.

Loans

Interest income on loans for the quarter and nine months ended September 30, 2021 increased due to continued loan growth, partially offset by decreases in the average yield. Average loan balances increased 23% for both the third quarter of 2021 and nine months ended September 30, 2021. The average yield on loans was 3.00% for the third quarter of 2021, compared to 3.16% for the third quarter of 2020, and was 3.03% for the nine months ended September 30, 2021, compared to 3.27% for the nine months ended September 30, 2020. The decreases in the average yield on loans were driven by lower rates on new loans, and also by the level of the federal funds rate, which averaged 0.25% for both the quarter and nine months ended September 30, 2021, compared to 0.25% and 0.63% for the quarter and nine months ended September 30, 2020.

Interest income on loans included prepayment penalty fees of $4.6 million and $13.5 million for the quarter and nine months ended September 30, 2021, compared to $5.6 million and $13.0 million for the quarter and nine months ended September 30, 2020, respectively.

Our yield on loans is affected by a number of factors: market interest rates, the level of adjustable-rate loan indices, interest rate floors and caps, the repayment rate of loans, portfolio mix and the level of nonaccrual loans. Our weighted average contractual loan rate (on a fully taxable-equivalent basis) was 3.00% at September 30, 2021, compared to 3.09% at December 31, 2020 and 3.13% at September 30, 2020. For ARMs, the yield is also affected by the timing of changes in the loan rates, which generally lag market rate changes. At September 30, 2021, approximately 25% of our total loans were adjustable-rate or mature within one year, compared to 27% and 26% at December 31, 2020 and September 30, 2020, respectively.

Investments

Interest income on investments increased primarily due to higher average investment balances, partially offset by lower average yield. Average investment balances increased 25% for the third quarter of 2021 and increased 16% for the nine months ended September 30, 2021. The increases for the quarter and nine months were primarily due to investment purchases, partially offset by calls and paydowns. The average yield on investment securities for the third quarter of 2021 was 3.26%, compared to 3.57% for the third quarter of 2020, and was 3.35% for the nine months ended September 30, 2021, compared to 3.65% for the nine months ended September 30, 2020. The yield declines for the quarter and nine months were primarily the result of lower yields on new purchases of municipal securities and agency residential and commercial MBS.

Interest Expense

The following table presents interest expense:

	Quarter Ended September 30,		Nine Months Ended September 30,		% Change Quarter Ended September 30,	% Change Nine Months Ended September 30,
($ in thousands)	**2021**	**2020**	**2021**	**2020**	**2021 vs. 2020**	**2021 vs. 2020**
Interest expense:						
Deposits:						
Interest-bearing checking	$ 1,193	$ 2,413	$ 5,007	$ 13,972	(51)%	(64)%
Money market checking	5,855	8,322	19,600	47,485	(30)%	(59)%
Money market savings and passbooks	6,349	5,353	18,777	26,284	19 %	(29)%
CDs	9,013	38,267	30,693	157,939	(76)%	(81)%
Total interest expense on deposits	22,410	54,355	74,077	245,680	(59)%	(70)%
Borrowings:						
Short-term borrowings	0	0	0	4,700	NM	NM
Long-term FHLB advances	27,820	62,201	103,175	197,158	(55)%	(48)%
Senior notes	6,044	6,032	18,122	16,839	0 %	8 %
Subordinated notes	9,113	9,108	27,335	27,320	0 %	0 %
Total interest expense on borrowings	42,977	77,341	148,632	246,017	(44)%	(40)%
Total interest expense	$ 65,387	$ 131,696	$ 222,709	$ 491,697	(50)%	(55)%

Note: Variances that are not meaningful (NM) are not presented in the table above.

Total interest expense consists of interest expense on deposits and borrowings. The decrease in interest expense for the third quarter of 2021 was the result of a decline in the average cost of interest-bearing liabilities to 0.29% from 0.66% for the third quarter of 2020, partially offset by an increase of 12% in average interest-bearing liabilities. The decrease for the nine months ended September 30, 2021 was the result of a decline in the average cost of interest-bearing liabilities to 0.34% from 0.86% for the nine months ended September 30, 2020, partially offset by an increase of 15% in average interest-bearing liabilities. The decreases further reflect the declines in the average cost of total deposits and borrowings to 0.17% from 0.44% for the third quarter and to 0.20% from 0.58% for the nine months ended September 30, 2021.

Deposits

Interest expense on deposits decreased due to decreases in rates paid on deposits due to decreases in market interest rates, partially offset by growth in deposit balances. The average interest rate paid on total deposits was 0.06% and 0.21% for the third quarter of 2021 and 2020, and was 0.07% and 0.34% for the nine months ended September 30, 2021 and 2020, respectively. The rates paid on deposits were impacted by the level of the federal funds rate, which averaged 0.25% for both the quarter and nine months ended September 30, 2021, compared to 0.25% and 0.63% for the quarter and nine months ended September 30, 2020, respectively, and lower rates on new and renewed CDs.

Interest expense on checking deposits decreased due to decreases in rates paid on interest-bearing checking deposits, partially offset by increases in average balances. The average interest rate paid on total checking deposits was less than 0.01% and 0.01% for the quarter and nine months ended September 30, 2021, compared to 0.01% and 0.03% for the quarter and nine months ended September 30, 2020, respectively. Average total checking deposit balances increased 50% for the third quarter of 2021 and increased 53% for the nine months ended September 30, 2021.

Interest expense on money market checking deposits decreased due to decreases in rates paid, partially offset by increases in average balances. The average interest rate paid on money market checking deposits was 0.11% and 0.13% for the quarter and nine months ended September 30, 2021, compared to 0.21% and 0.45% for the quarter and nine months ended September 30, 2020, respectively. Average money market checking deposit balances increased 42% for the third quarter of 2021 and increased 43% for the nine months ended September 30, 2021.

Interest expense on money market savings and passbooks deposits increased for the quarter due to an increase in average balances, partially offset by a decrease in rates paid, and decreased for the nine months due to a decrease in rates paid, partially offset by an increase in average balances. The average interest rate paid on money market savings and passbooks deposits was 0.16% and 0.17% for the quarter and nine months ended September 30, 2021, compared to 0.20% and 0.35% for the quarter and nine months ended September 30, 2020, respectively. Average money market savings and passbooks deposit balances increased 47% for the third quarter of 2021 and increased 46% for the nine months ended September 30, 2021.

Interest expense on CDs decreased due to decreases in rates paid and decreases in average balances. The average interest rate paid on CDs was 0.46% and 0.51% for the quarter and nine months ended September 30, 2021, compared to 1.34% and 1.66% for the quarter and nine months ended September 30, 2020, respectively. Average CD balances decreased 31% for the third quarter of 2021 and decreased 37% for the nine months ended September 30, 2021.

Average total deposit balances increased 40% for the third quarter of 2021 and increased 39% for the nine months ended September 30, 2021. The following table presents average deposit balances by deposit type as a percentage of average total deposits:

	Quarter Ended September 30,		Nine Months Ended September 30,	
Average Deposits by Type as a % of Average Total Deposits	**2021**	**2020**	**2021**	**2020**
Checking	68 %	63 %	68 %	62 %
Money market checking	15 %	15 %	15 %	15 %
Money market savings and passbooks	11 %	11 %	11 %	10 %
CDs	6 %	11 %	6 %	13 %

At September 30, 2021, our total deposits were $145.3 billion, compared to $104.4 billion at September 30, 2020, an increase of 39%, and the weighted average contractual rate paid on total deposits was 0.06% and 0.12%, respectively. We will continue to focus on growth in our core deposit base to fund a significant percentage of our future asset growth, although there can be no assurance we will be successful. If we are not successful, we may need to use other sources of funding, such as federal funds purchased, FHLB advances, unsecured term senior notes or unsecured term subordinated notes, which are generally higher in cost.

Borrowings

Interest expense on borrowings decreased primarily due to decreases in average long-term FHLB advances and the average cost of the long-term FHLB advances. Average long-term FHLB advances decreased 42% for the third quarter of 2021 and decreased 32% for the nine months ended September 30, 2021. Average long-term FHLB advances as a proportion of total average deposits and borrowings were 10% and 11% for the quarter and nine months ended September 30, 2021, compared to 12% and 13% for the quarter and nine months ended September 30, 2020, respectively. The average cost of long-term FHLB advances was 1.29% and 1.68% for the third quarter of 2021 and 2020, respectively, and was 1.38% and 1.79% for the nine months ended September 30, 2021 and 2020, respectively. The decreases were the result of lower interest rates on new advances, compared to the interest rates on matured borrowings.

Provision (Reversal of Provision) for Credit Losses

The following table presents information related to the provision (reversal of provision) for credit losses:

	Quarter Ended September 30,		Nine Months Ended September 30,		% Change Quarter Ended September 30,	% Change Nine Months Ended September 30,
($ in thousands)	2021	2020	2021	2020	2021 vs. 2020	2021 vs. 2020
Provision (reversal of provision) for credit losses:						
Debt securities held-to-maturity	$ 296	$ 333	$ 1,801	$ 1,047	(11)%	72 %
Loans	31,568	22,437	35,165	113,305	41 %	(69)%
Unfunded loan commitments	2,161	5,768	(1,406)	7,673	(63)%	NM
Total	$ 34,025	$ 28,538	$ 35,560	$ 122,025	19 %	(71)%

Note: Variances that are not meaningful (NM) are not presented in the table above.

The increase in the provision for credit losses for the quarter was primarily driven by loan growth, partially offset by a substantially improved economic outlook compared to a year ago and the significant resumption of regular, consistent loan payments on COVID-19 loan modifications following the end of the modification period. Conversely, the decrease in the provision for credit losses for the nine months was primarily driven by a substantially improved economic outlook compared to a year ago and the significant resumption of regular, consistent loan payments on COVID-19 loan modifications following the end of the modification period, partially offset by loan growth. The macroeconomic forecasts, historical loss rates, and historical prepayment (or repayment) speeds used in determining the ACL, under different conditions or using different assumptions or estimates, could result in significantly different changes in the ACL. It is difficult to estimate how potential changes in specific factors might affect the overall ACL and current results may not reflect the potential future impact of macroeconomic forecast changes.

Noninterest Income

The following table presents noninterest income:

($ in thousands)	Quarter Ended September 30, 2021	Quarter Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	% Change Quarter Ended September 30, 2021 vs. 2020	% Change Nine Months Ended September 30, 2021 vs. 2020
Noninterest income:						
Investment management fees	$ 148,491	$ 96,638	$ 404,049	$ 281,017	54 %	44 %
Brokerage and investment fees	22,644	10,796	54,782	39,028	110 %	40 %
Insurance fees	5,918	2,216	11,660	6,086	167 %	92 %
Trust fees	6,231	4,543	18,207	14,118	37 %	29 %
Foreign exchange fee income	26,032	12,575	63,811	34,864	107 %	83 %
Deposit fees	6,849	5,753	19,636	17,598	19 %	12 %
Loan and related fees	8,336	7,171	24,698	20,741	16 %	19 %
Loan servicing fees, net	548	144	3,093	(2,649)	281 %	NM
Gain on sale of loans	140	13,797	507	14,575	(99)%	(97)%
Gain (loss) on investment securities	2,139	(405)	4,123	3,752	NM	10 %
Income from investments in life insurance	20,328	20,546	58,334	36,506	(1)%	60 %
Other income (loss)	2,702	(2,791)	9,917	960	NM	933 %
Total noninterest income	$ 250,358	$ 170,983	$ 672,817	$ 466,596	46 %	44 %

Note: Variances that are not meaningful (NM) are not presented in the table above.

Noninterest income increased for the quarter and nine months ended September 30, 2021 primarily due to higher wealth management fees, partially offset by lower gain on sale of loans. Additionally, noninterest income increased for the nine months due to higher income from investments in life insurance.

Wealth Management Fees

Wealth management fees consist of fees earned for the management or administration of clients' assets, as well as commissions and trading revenues generated from the execution of client-related brokerage and investment activities, revenue earned from selling life insurance and annuity policies and fees earned for assisting clients with foreign exchange transactions. For additional information on the AUM and AUA for the entities comprising the Wealth Management segment, see "—Business Segments."

Investment management fees. We provide traditional portfolio management and customized client portfolios through FRIM. We earn fee income from the management of equity securities, fixed income securities, balanced portfolios, and alternative investments for our clients. In addition, we employ experienced wealth managers to work with our relationship managers to generate new AUM using an open architecture platform. The increases in investment management fees for the quarter and nine months were primarily driven by growth in AUM. Investment management fees vary with the amount of assets managed and the type of services and investments chosen by the client, which are impacted by market conditions. Generally, higher fees are earned for managing equity securities than for managing a fixed income portfolio. FRIM's AUM were $101.1 billion at September 30, 2021, compared to $74.7 billion at September 30, 2020, an increase of 35% due to market appreciation and net client inflow. The future level of investment management fees depends on the level and mix of AUM, type of services and investments chosen by the client, market conditions and our ability to attract new clients.

Brokerage and investment fees. We perform brokerage and investment activities for clients through FRSC. We employ wealth managers to offer brokerage services for equity securities, mutual funds, exchange-traded funds, unit investment trust, alternative investments, hedging strategies, treasury securities, municipal bonds, other fixed income securities, money market mutual funds and other shorter-term liquid investments at the request of clients or their financial advisors. The increases in brokerage and investment fees were primarily due to improved margins. Such fees vary based on the volume and type of transaction activity, conditions in the securities markets and our ability to attract new clients. In addition, at September 30, 2021, we held $133.9 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $81.2 billion at September 30, 2020, an increase of 65% due to net client inflow and market appreciation.

Insurance fees. We earn revenue from selling life insurance and annuity policies to our clients through FRSC and FRIM. Insurance fees consist of initial commissions when a policy is sold and subsequent commissions each year that a policy is renewed. Insurance fees increased primarily as a result of increased insurance contract activity compared to a year ago. Such fees vary based on the level of sales of insurance and annuity products and our ability to attract new clients. There is no underwriting risk for the Bank from the sale of insurance products.

Trust fees. The Trust Company specializes in personal trusts and custody services and operates in California, Oregon, Washington, New York, Massachusetts, Delaware, Florida, Wyoming and Connecticut. The Trust Company draws new trust clients from our Preferred Banking and wealth management client base, as well as from outside of our organization. At September 30, 2021, AUA were $16.8 billion, compared to $12.3 billion at September 30, 2020, an increase of 36% due to market appreciation and net client inflow. Trust fees are primarily based on the level and mix of AUA and will vary in the future based on these factors.

Foreign exchange fee income. Foreign exchange fee income represents fees we earn from transacting foreign exchange business on behalf of our clients. The increases in foreign exchange fee income for the quarter and nine months were primarily driven by higher transaction volume from both existing and new clients.

We execute foreign exchange trades with clients and then offset those trades with other financial institution counterparties, such as major investment banks or large commercial banks. We do not retain significant foreign exchange risk associated with these transactions, as the trades with the client and the financial institution counterparty are matched on our books. We do retain credit risk, both to the client and the counterparty institution, which is evaluated and managed by us in the normal course of our operations. In addition, we have foreign exchange contracts associated with client deposits denominated in various foreign currencies.

Other Noninterest Income

Loan and related fees. Loan and related fee income includes: late charge income, which generally increases with growth in the average loan and servicing portfolios; loan-related processing or commitment fees that vary with market conditions and origination volumes; prepayment penalties on sold loans; and payoff fees that vary with loan repayment activity and market conditions such as the general level of longer-term interest rates.

Loan servicing fees, net. Net loan servicing fees are derived from the amount of loans serviced, the fees earned from servicing such loans (expressed as a percent of loans serviced that are retained), the amortization rate of MSRs and the amount of provisions for, or reversal of, the MSR valuation allowance. The following table presents net loan servicing fees and additional information:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Contractually specified servicing fees	$ 3,426	$ 4,969	$ 11,491	$ 15,968
MSR amortization expense	(2,098)	(3,322)	(6,835)	(10,478)
MSR net provision for valuation allowance	(780)	(1,503)	(1,563)	(8,139)
Loan servicing fees, net	$ 548	$ 144	$ 3,093	$ (2,649)
Average loans serviced for others	$ 5,461,370	$ 8,179,979	$ 6,139,036	$ 8,703,080
Weighted average servicing fee collected as a percent of loans serviced (annualized)	0.25 %	0.24 %	0.25 %	0.24 %
Repayment speed on loans serviced (annualized)	33 %	32 %	36 %	29 %

The increase in net loan servicing fees for the nine months was primarily due to the lower provision for valuation allowance established on MSRs. The amount of contractual servicing fees depends upon the size of the servicing portfolio, the terms of the loans at origination, the interest rate environment and conditions in the secondary market when the loans are sold, as well as the rate of loan payoffs. The amount of net loan servicing fees that we record is affected by the rate of repayment of loans in the servicing portfolio. If actual repayments of loans serviced are lower than our estimate of future repayments, we could reduce the amortization of MSRs and release the valuation allowance which would increase our expected level of future earnings. If actual repayments on loans serviced are higher than our estimates of future repayments, we may be required to increase the amortization of MSRs and reduce the carrying value of MSRs through a provision for valuation allowance, thereby decreasing our expected level of future earnings.

Gain on sale of loans. The net gain on sale of loans fluctuates with the amount and type of loans sold. The amount of loans that we sell depends upon conditions in the mortgage origination, loan securitization and secondary loan sales markets, the interest rate environment, as well as our pricing and ALM strategy. Gain on sale of loans also includes adjustments made to loans held for sale from any adjustments to the cost of loans based on current market prices. The following table presents loan sales activity and gain on sale of loans:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Gain on sale of loans	$ 140	$ 13,797	$ 507	$ 14,575
Loans sold	$ 17,544	$ 279,850	$ 65,334	$ 1,086,089
Gain as a percentage of loans sold	0.80 %	4.93 %	0.78 %	1.34 %

The gain on sale of loans for the quarter and nine months ended September 30, 2020 included $10.3 million related to realized discounts on previously purchased loans when these loans were sold. In addition, the decreases in gain on sale of loans were the result of a lower volume of loans sold and lower margins. The gain on sale of loans for the nine months ended September 30, 2020 included costs associated with a securitization sponsored by the Bank.

Gain (loss) on investment securities. The gain (loss) on investment securities consists of activity from sales of investment securities and changes in fair value of the Bank's marketable equity securities. The gain (loss) varies based on the amount and type of investments sold and market conditions. The following table presents net gain (loss) on investment securities:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Net gain (loss) on sales of investment securities	$ 7	$ (10)	$ 7	$ 2,629
Net change in fair value of equity securities	2,132	(395)	4,116	1,123
Gain (loss) on investment securities	$ 2,139	$ (405)	$ 4,123	$ 3,752

Income from investments in life insurance. Income from investments in life insurance increased for the nine months primarily due to additional purchases of investments in life insurance. The book value of this portfolio of tax-exempt investments was $2.6 billion and $1.9 billion at September 30, 2021 and 2020, respectively. The increase was primarily due to additional purchases of investments in life insurance.

Noninterest Expense

The following table presents noninterest expense:

($ in thousands)	Quarter Ended September 30, 2021	Quarter Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	% Change Quarter Ended September 30, 2021 vs. 2020	% Change Nine Months Ended September 30, 2021 vs. 2020
Noninterest expense:						
Salaries and employee benefits	$ 514,499	$ 373,225	$ 1,459,406	$ 1,078,633	38 %	35 %
Information systems	90,941	74,549	263,437	219,301	22 %	20 %
Occupancy	66,953	55,543	188,028	164,125	21 %	15 %
Professional fees	27,911	19,845	74,640	48,479	41 %	54 %
Advertising and marketing	13,620	8,909	42,813	29,373	53 %	46 %
FDIC assessments	13,368	11,003	38,522	32,463	21 %	19 %
Other expenses	71,239	65,136	214,846	187,311	9 %	15 %
Total noninterest expense	$ 798,531	$ 608,210	$ 2,281,692	$ 1,759,685	31 %	30 %

The increases in noninterest expense for the quarter and nine months ended September 30, 2021 were primarily attributed to the continued investments in the expansion of the franchise, including higher salaries, incentive compensation and employee benefits and information systems expenses.

Noninterest expense was reduced by certain general and administrative costs that have been capitalized, which primarily were compensation costs directly related to loan originations. We capitalized loan origination costs of $68.8 million and $214.3 million for the quarter and nine months ended September 30, 2021, compared to $61.7 million and $162.7 million for the quarter and nine months ended September 30, 2020, respectively, an increase of 12% for the quarter and an increase of 32% for the nine months. The amount of capitalized costs varies directly with the volume of loan originations and the costs incurred to make new loans. The capitalized costs are reported as net deferred loan fees and costs (within loans) on our balance sheet and are amortized to interest income over the contractual life of the loans.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 61.3% for the third quarter of 2021, compared to 60.7% for the third quarter of 2020, and was 62.2% for the nine months ended September 30, 2021, compared to 62.0% for the nine months ended September 30, 2020.

Salaries and employee benefits. Salaries and employee benefits is the largest component of noninterest expense and includes the cost of salaries, incentive compensation, share-based compensation, benefit plans, health insurance and payroll taxes, which have collectively increased as we hired additional personnel to support our growth and our enhanced regulatory infrastructure. The increases in salaries and employee benefit expenses were attributed to the continued expansion of the franchise and primarily the result of the addition of new personnel to support higher levels of lending, deposit growth and expansion of wealth management; higher incentive compensation from the growth in checking deposits and wealth management fees; and higher share-based compensation. At September 30, 2021, we had 6,154 full-time equivalent employees, including temporary employees and independent contractors, a 16% increase from 5,294 at September 30, 2020.

Information systems. These expenses include payments to vendors that provide software and services on an outsourced basis, costs related to supporting and developing digital platforms and the costs associated with telecommunications for ATMs, office activities and internal networks. The increases in information systems expenses for the quarter and nine months were primarily due to continued technology initiatives to upgrade our systems, enhance the client experience and support our growth.

Occupancy. Occupancy costs increased for the quarter and nine months primarily due to expanding our office space in existing markets for new employees, increased rental costs in certain locations and rental costs for additional banking office locations. We expect the level of occupancy costs to vary with the number of offices and our staffing levels.

Professional fees. Professional fees include legal services required to complete certain transactions, resolve legal matters or delinquent loans, and the cost of loan review professionals, co-sourced internal audit, external auditors and other consultants, including consulting services dedicated to technology initiatives. The increases for the quarter and nine months were primarily due to increases in consulting services supporting various technology initiatives. The increase for the nine months was also due to higher legal and audit fees to support our growth.

Advertising and marketing. We advertise in various forms of media, including digital media, newspapers, radio, and television, primarily to support growth in our Preferred Banking offices and for advertising and marketing initiatives. Advertising and marketing expenses vary based on the number of marketing initiatives, level of advertising costs and costs associated with holding client events to support our growth. The increases for the quarter and nine months were primarily due to increased deposit-related promotions, advertising and costs associated with holding client events as a result of increased activity compared to a year ago.

FDIC assessments. FDIC assessments increased for the quarter and nine months primarily due to growth in the assessment base as a result of the growth in average total assets, partially offset by a decrease in our assessment rate.

Other expenses. Other expenses include costs related to lending and deposit activities, client service, charitable contributions, prepayment penalties on FHLB advances, insurance, hiring, training and other costs related to expanding operations. The increases in training, recruiting and travel and entertainment costs were the result of increased activity, including as a result of the lessening of COVID-19 related restrictions, compared to a year ago. Other operating expenses include employee event costs, postage, cash management, and other miscellaneous expenses, as well as amortization of intangibles. The following table presents the main components of other expenses:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Deposit client related costs	$ 12,207	$ 9,131	$ 33,132	$ 29,500
Loan related costs	5,203	6,754	17,948	15,906
Subscriptions	4,949	4,510	14,687	13,638
Recruiting	5,201	2,424	12,975	6,658
Prepayment penalties on FHLB advances	2,445	10,308	12,539	14,123
Charitable contributions	2,142	1,632	12,046	10,455
Travel and entertainment	4,915	2,000	11,740	8,696
Custody and clearing fees	4,764	3,629	11,618	13,849
Insurance	4,095	3,337	11,491	9,354
Training	4,487	1,303	11,434	3,360
Other operating expenses	20,831	20,108	65,236	61,772
Total other expenses	$ 71,239	$ 65,136	$ 214,846	$ 187,311

Provision for Income Taxes

The provision for income taxes varies from statutory rates due to the amount of income for financial statement and tax purposes and the rates charged by federal and state authorities.

The Bank's effective tax rate varies based on the level of tax credit investments, tax-exempt securities, tax-advantaged loans, investments in life insurance and the amount of excess tax benefits from exercise or vesting of share-based awards. The increase for the quarter was primarily due to the prior year including a tax refund from an amended tax return.

The following table presents additional information about the effective tax rate:

Effective Tax Rate	Quarter Ended September 30, 2021	Quarter Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Effective tax rate, prior to excess tax benefits—stock awards and tax refund from an amended tax return	23.2 %	21.1 %	22.5 %	21.6 %
Excess tax benefits—stock awards	(1.8)	(0.2)	(2.3)	(1.6)
Tax refund from an amended tax return	—	(1.3)	—	(0.5)
Effective tax rate	21.4 %	19.6 %	20.2 %	19.5 %

The number of options exercised or stock awards vested impact the amount of excess tax benefits recorded as a reduction in provision for income taxes. The following table presents excess tax benefits recognized for stock options and other stock awards:

	Quarter Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
($ in thousands)	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit
Stock options	8,750	$ 475	18,730	$ 527	17,850	$ 879	301,903	$ 8,006
RSUs	288,935	8,071	52,095	274	878,683	23,209	783,603	5,487
PSUs	—	—	—	—	248,707	6,852	270,710	1,828
Total	297,685	$ 8,546	70,825	$ 801	1,145,240	$ 30,940	1,356,216	$ 15,321

Business Segments

We currently conduct our business through two reportable business segments: Commercial Banking and Wealth Management.

The principal business activities of the Commercial Banking segment are gathering deposits (retail deposit gathering and private banking activities), originating and servicing loans (primarily real estate secured mortgage loans) and investing in investment securities. The primary sources of revenue for this segment are: interest earned on loans and investment securities, fees earned in connection with loan and deposit services, and income earned on loans serviced for investors. Principal expenses for this segment are interest incurred on interest-bearing liabilities, including deposits and borrowings, general and administrative costs and provision for credit losses.

The principal business activities of the Wealth Management segment are (i) the investment management activities of FRIM, which manages investments for individuals and institutions in equity securities, fixed income securities, balanced portfolios, and alternative investments; (ii) our money market mutual fund activities through third-party providers and the brokerage activities of FRSC (these two activities collectively, "Brokerage and Investment"); (iii) sales of life insurance policies and annuity contracts through FRSC and FRIM; (iv) trust and custody services provided by the Trust Company; and (v) our foreign exchange activities conducted on behalf of clients. The primary sources of revenue for this segment are investment management fees, brokerage and investment fees, insurance fees, trust fees and foreign exchange fee income. In addition, the Wealth Management segment earns a deposit earnings credit for client deposit accounts that are maintained at the Bank, including sweep deposit accounts. The Wealth Management segment's principal expenses are personnel-related costs and other general and administrative expenses. For complete segment information, see Note 18 in "Item 1. Financial Statements."

Commercial Banking

The following table presents the operating results of the Bank's Commercial Banking segment:

	Quarter Ended September 30,		Nine Months Ended September 30,		% Change Quarter Ended September 30,	% Change Nine Months Ended September 30,
($ in thousands)	**2021**	**2020**	**2021**	**2020**	**2021 vs. 2020**	**2021 vs. 2020**
Net interest income	$ 1,002,537	$ 796,989	$ 2,857,738	$ 2,285,329	26 %	25 %
Provision for credit losses	34,025	28,538	35,560	122,025	19 %	(71)%
Noninterest income	39,807	43,070	115,338	88,764	(8)%	30 %
Noninterest expense	621,931	491,949	1,788,349	1,400,636	26 %	28 %
Income before provision for income taxes	386,388	319,572	1,149,167	851,432	21 %	35 %
Provision for income taxes	76,555	58,324	216,288	158,763	31 %	36 %
Net income	$ 309,833	$ 261,248	$ 932,879	$ 692,669	19 %	35 %

Net interest income for Commercial Banking increased for the quarter and nine months primarily due to increases in average interest-earning assets, partially offset by decreases in net interest margin.

The increase in the provision for credit losses for the quarter was primarily driven by loan growth, partially offset by a substantially improved economic outlook compared to a year ago and the significant resumption of regular, consistent loan payments on COVID-19 loan modifications following the end of the modification period. Conversely, the decrease in the provision for credit losses for the nine months was primarily driven by a substantially improved economic outlook compared to a year ago and the significant resumption of regular, consistent loan payments on COVID-19 loan modifications following the end of the modification period, partially offset by loan growth. The macroeconomic forecasts, historical loss rates, and historical prepayment (or repayment) speeds used in determining the ACL, under different conditions or using different assumptions or estimates, could result in significantly different changes in the ACL. It is difficult to estimate how potential changes in specific factors might affect the overall ACL and current results may not reflect the potential future impact of macroeconomic forecast changes.

Noninterest income for Commercial Banking decreased for the quarter primarily due to lower gain on sale of loans, and increased for the nine months primarily due to higher income from investment in life insurance and loan servicing fees, partially offset by lower gain on sale of loans.

Noninterest expense for Commercial Banking increased for the quarter and nine months primarily due to the continued investments in the expansion of the franchise, including higher salaries, incentive compensation and employee benefits and information systems expenses.

Provision for income taxes for Commercial Banking increased for the quarter and nine months primarily due to significant increases in pre-tax income and the prior year including a tax refund from an amended tax return.

Wealth Management

The following table presents the operating results of the Bank's Wealth Management segment:

	Quarter Ended September 30,		Nine Months Ended September 30,		% Change Quarter Ended September 30,	% Change Nine Months Ended September 30,
($ in thousands)	**2021**	**2020**	**2021**	**2020**	**2021 vs. 2020**	**2021 vs. 2020**
Net interest income	$ 49,747	$ 33,291	$ 137,193	$ 84,495	49 %	62 %
Noninterest income	222,923	138,246	591,556	407,858	61 %	45 %
Noninterest expense	188,972	126,594	527,420	389,075	49 %	36 %
Income before provision for income taxes	83,698	44,943	201,329	103,278	86 %	95 %
Provision for income taxes	23,844	13,054	56,582	27,356	83 %	107 %
Net income	$ 59,854	$ 31,889	$ 144,747	$ 75,922	88 %	91 %

Net interest income for Wealth Management is earned from Wealth Management client deposits with the Bank, for which Wealth Management earns a deposit earnings credit and fees for Wealth Management sweep deposit accounts. The deposit earnings credit and fees vary based on the amount and type of Wealth Management client deposits. Net interest income increased primarily as a result of growth in Wealth Management client deposits, including sweep deposit accounts.

Wealth Management client deposits totaled $18.5 billion and $14.8 billion at September 30, 2021 and 2020, respectively, including sweep deposits. Wealth Management client deposits, including sweep accounts, averaged $18.8 billion and $12.9 billion for the third quarter of 2021 and 2020, respectively, and averaged $18.0 billion and $11.0 billion for the nine months ended September 30, 2021 and 2020, respectively. As noted above, Wealth Management is allocated a deposit earnings credit and fees as net interest income, which is included in the Wealth Management results. Annualized net interest income as a percentage of the average deposits generated by Wealth Management represented 1.05% for the third quarter of 2021, compared to 1.03% for the third quarter of 2020, and 1.02% for both the nine months ended September 30, 2021 and 2020.

The allocated earnings credit represents only a portion of the total net interest income generated by these deposits for the Bank. The Bank's holistic approach to generating a full relationship with our clients is reflected in the total impact that these Wealth Management deposits have to the Bank's overall net interest income. The Bank's consolidated net interest margin was 2.65% and 2.71% for the third quarter of 2021 and 2020, respectively, and was 2.67% and 2.72% for the nine months ended September 30, 2021 and 2020, respectively. Using this overall net interest margin and the average Wealth Management deposits for each respective period, the Wealth Management deposits, on a consolidated basis, contributed net interest income of $125.4 million and $87.8 million for the third quarter of 2021 and 2020, respectively, and $360.0 million and $224.5 million for the nine months ended September 30, 2021 and 2020, respectively.

Noninterest income for Wealth Management increased for the quarter and nine months primarily due to increases in investment management fees due to growth in AUM, foreign exchange fee income and brokerage and investment fees. Investment management fees vary with the amount of assets managed and the type of services and investments chosen by the client, which are impacted by market conditions. The future level of investment management fees depends on the level and mix of AUM, type of services and investments chosen by the client, market conditions and our ability to attract new clients. Brokerage and investment fees vary based on the volume and type of transaction activity, conditions in the securities markets and our ability to attract new clients.

Noninterest expense for Wealth Management increased for the quarter and nine months primarily due to higher salaries and employee benefits, including incentive compensation, as a result of overall growth in our business and the addition of new wealth managers. We continue to expand our client base and capabilities in all markets to grow this segment.

Provision for income taxes for Wealth Management increased for the quarter and nine months primarily due to higher pre-tax income.

AUM and AUA, in aggregate, increased 50% compared to September 30, 2020 due to net client inflow and market appreciation. Our Wealth Management strategy is focused on both managing investment portfolios for our clients and keeping custody of such assets in brokerage accounts at FRSC. By providing multiple services, we are able to better develop a full Wealth Management and banking relationship, as well as the ability to gather deposits, including sweep accounts. As described above, client deposits from Wealth Management generate net interest income for the Bank. Certain Wealth Management client assets that are held or managed by different areas within our Wealth Management business generate multiple revenue streams for the Bank. As a result of having these multiple revenue streams from certain client assets, such assets are included in more than one type of Wealth Management asset category in the table below. The following table presents the AUM and AUA by the entities comprising our Wealth Management segment:

($ in millions)	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
First Republic Investment Management	$ 101,105	$ 99,459	$ 90,819	$ 83,596	$ 74,661
Brokerage and investment:					
Brokerage	115,793	112,359	101,478	88,059	76,769
Money market mutual funds	18,074	13,109	11,435	9,003	4,416
Total brokerage and investment	133,867	125,468	112,913	97,062	81,185
Trust Company:					
Trust	12,220	11,496	10,986	9,910	8,687
Custody	4,533	4,439	4,216	3,889	3,651
Total Trust Company	16,753	15,935	15,202	13,799	12,338
Total AUM and AUA	$ 251,725	$ 240,862	$ 218,934	$ 194,457	$ 168,184

The following table presents changes in AUM and AUA for our Wealth Management segment. Net client flow includes adding to the balance in existing accounts by the depositing of additional funds and the opening of new accounts, offset by the closing of accounts or the withdrawing of funds. The portion of the net change that cannot be attributed to the deposit or withdrawal of funds is reported in market appreciation.

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2021	2020	2021	2020
Beginning balance	$ 240,862	$ 155,786	$ 194,457	$ 151,043
Net client flow	9,302	4,600	34,425	12,290
Market appreciation	1,561	7,798	22,843	4,851
Ending balance	$ 251,725	$ 168,184	$ 251,725	$ 168,184

The following table presents a distribution of FRIM's AUM by type of investment:

	% of AUM				
Investment Type	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Equities	59 %	59 %	57 %	56 %	51 %
Fixed income	27	27	27	28	31
Alternative investments	9	9	9	9	10
Cash and cash equivalents	5	5	7	7	8
Total	100 %	100 %	100 %	100 %	100 %

The following table presents fee income as an annualized percentage of average AUM and AUA for Wealth Management:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
First Republic Investment Management	0.59 %	0.54 %	0.57 %	0.56 %
Brokerage and investment:				
Brokerage	0.08 %	0.05 %	0.07 %	0.06 %
Money market mutual funds	0.03 %	0.11 %	0.02 %	0.18 %
Total brokerage and investment	0.07 %	0.05 %	0.06 %	0.07 %
Trust Company:				
Trust	0.18 %	0.17 %	0.18 %	0.19 %
Custody	0.09 %	0.10 %	0.09 %	0.10 %
Total Trust Company	0.15 %	0.15 %	0.16 %	0.16 %
Total	0.29 %	0.28 %	0.28 %	0.29 %

Balance Sheet Analysis

Investments

The following table presents the investment portfolio:

($ in thousands)	September 30, 2021	December 31, 2020
Debt securities available-for-sale:		
Agency residential MBS	$ 1,746,035	$ 1,096,383
Other residential MBS	15,723	21,451
Agency commercial MBS	1,151,341	741,008
Securities of U.S. states and political subdivisions—taxable	47,472	47,473
Total	$ 2,960,571	$ 1,906,315
Debt securities held-to-maturity:		
U.S. Government-sponsored agency securities	$ 100,000	$ 50,000
Agency residential MBS	1,503,203	1,300,551
Other residential MBS	10,375	12,875
Agency commercial MBS	2,182,257	2,488,504
Securities of U.S. states and political subdivisions:		
Tax-exempt municipal securities	14,335,024	11,799,170
Tax-exempt nonprofit debentures	72,426	74,910
Taxable municipal securities	1,620,490	811,504
Corporate debt securities	1,377,465	72,698
Total	21,201,240	16,610,212
Less: Allowance for credit losses	(8,703)	(6,902)
Debt securities held-to-maturity, net	$ 21,192,537	$ 16,603,310
Equity securities (fair value):		
Mutual funds and marketable equity securities	$ 31,682	$ 20,566

The total combined investment securities portfolio (consisting of available-for-sale, held-to-maturity and equity securities, excluding any ACL) represented 14% and 13% of total assets at September 30, 2021 and December 31, 2020, respectively.

The weighted average duration of the available-for-sale portfolio was 4.4 and 3.8 years at September 30, 2021 and December 31, 2020, respectively. The weighted average duration of the held-to-maturity portfolio was 11.1 and 8.9 years at September 30, 2021 and December 31, 2020, respectively.

At September 30, 2021, the tax-exempt and taxable municipal securities had an average credit rating of AA and the portfolio was well-diversified with an average issuer position of approximately $33.0 million. The tax-exempt nonprofit debentures are securities issued through state and local agencies where we have a banking relationship with nonprofit entities. The debentures are reviewed, approved and monitored by our business banking group, similar to business loans.

Allowance for Credit Losses on Debt Securities

As of September 30, 2021, no ACL was recognized on available-for-sale debt securities.

As of September 30, 2021, the ACL on held-to-maturity debt securities totaled $8.7 million and consisted primarily of the ACL on securities of U.S. states and political subdivisions (including tax-exempt municipal securities, tax-exempt nonprofit debentures and taxable municipal securities). The ACL on these securities is determined by expert judgment, which is based on historical ratings-based average probabilities of default and industry average LGD to determine expected credit losses over the life of the securities. No ACL is recognized on held-to-maturity U.S. Government-sponsored agency securities, agency residential MBS and agency commercial MBS due to the explicit or implicit guarantee by the Federal Government. The increase in the ACL on held-to-maturity debt securities during the nine months ended September 30, 2021 was primarily due to purchases of municipal securities and corporate debt securities.

Loan Portfolio

The following table presents the Bank's loan portfolio, ACL and loans held for sale. Beginning in April 2020, the Bank became a lender under the PPP.

($ in millions)	September 30, 2021	December 31, 2020
Residential real estate		
Single family	$ 73,491	$ 61,370
Home equity lines of credit	2,429	2,450
Single family construction	985	788
Total residential real estate	76,905	64,608
Income property		
Multifamily	15,417	13,769
Commercial real estate	8,486	8,018
Multifamily/commercial construction	2,064	2,024
Total income property	25,967	23,811
Business		
Capital call lines of credit	9,088	8,150
Tax-exempt	3,578	3,366
Other business	3,554	3,340
PPP	876	1,841
Total business	17,096	16,697
Other		
Stock secured	3,120	2,518
Other secured	2,261	1,819
Unsecured	3,026	3,113
Total other	8,407	7,450
Total loans held for investment	128,375	112,566
Less: Allowance for credit losses	(668)	(635)
Loans, net	127,707	111,931
Loans held for sale	4	21
Total	$ 127,711	$ 111,952

The following table presents an analysis of our loan portfolio at September 30, 2021, by major geographic location:

($ in millions)	San Francisco Bay Area	New York Metro Area	Los Angeles Area	Boston Area	San Diego Area	Other California Areas	Other	Total	%
Residential real estate									
Single family [1]	$27,964	$13,945	$14,608	$6,810	$2,293	$739	$7,136	$73,495	57 %
Home equity lines of credit	987	356	511	262	68	14	231	2,429	2
Single family construction	239	194	353	30	27	9	133	985	1
Total residential real estate	29,190	14,495	15,472	7,102	2,388	762	7,500	76,909	60
Income property									
Multifamily	5,921	2,838	3,410	650	1,544	253	801	15,417	12
Commercial real estate	3,431	1,637	1,859	258	225	286	790	8,486	7
Multifamily/commercial construction	397	193	932	87	90	—	365	2,064	1
Total income property	9,749	4,668	6,201	995	1,859	539	1,956	25,967	20
Business									
Capital call lines of credit	3,434	2,740	709	809	31	—	1,365	9,088	7
Tax-exempt	988	695	880	393	304	2	316	3,578	3
Other business	1,415	565	554	235	155	16	614	3,554	3
PPP	457	126	157	36	29	9	62	876	1
Total business	6,294	4,126	2,300	1,473	519	27	2,357	17,096	14
Other									
Stock secured	612	380	622	241	138	39	1,088	3,120	2
Other secured	380	832	82	290	7	1	669	2,261	2
Unsecured	963	707	599	265	119	46	327	3,026	2
Total other	1,955	1,919	1,303	796	264	86	2,084	8,407	6
Total	$47,188	$25,208	$25,276	$10,366	$5,030	$1,414	$13,897	$128,379	100 %
% by location at September 30, 2021	37 %	19 %	20 %	8 %	4 %	1 %	11 %	100 %	
% by location at December 31, 2020	38 %	20 %	19 %	8 %	4 %	1 %	10 %	100 %	

(1) Includes loans held for sale.

At September 30, 2021 and December 31, 2020, approximately 52% and 51%, respectively, of total loans were secured by real estate properties located in California. Future economic or political conditions, natural disasters, disruptions and instability caused by COVID-19 or other developments in California could adversely affect the value of real estate secured mortgage loans.

The Bank's loan portfolio includes: (1) adjustable-rate loans tied to Prime, LIBOR, COFI, and other reference rates such as 12-month average of 1-year CMT, which are currently adjustable; (2) hybrid-rate loans, for which the initial rate is fixed for a period from one year to as many as ten years, and thereafter the rate becomes adjustable; and (3) fixed-rate loans, for which the interest rate does not change through the life of the loan. The following table presents our loan portfolio at September 30, 2021, by rate type:

	Adjustable Rate							
($ in millions)	**Prime**	**LIBOR**	**COFI**	**Other**	**Total**	**Hybrid Rate**	**Fixed Rate**	**Total**
Residential real estate								
Single family [(1)]	$ 287	$ 2,733	$ 2,121	$ 173	$ 5,314	$ 48,498	$ 19,683	$ 73,495
Home equity lines of credit	2,423	5	—	—	2,428	—	1	2,429
Single family construction	28	—	—	—	28	—	957	985
Total residential real estate	2,738	2,738	2,121	173	7,770	48,498	20,641	76,909
Income property								
Multifamily	242	468	1,355	150	2,215	7,526	5,676	15,417
Commercial real estate	458	458	323	38	1,277	2,400	4,809	8,486
Multifamily/commercial construction	899	28	—	33	960	14	1,090	2,064
Total income property	1,599	954	1,678	221	4,452	9,940	11,575	25,967
Business								
Capital call lines of credit	8,036	562	—	—	8,598	—	490	9,088
Tax-exempt	112	173	—	—	285	311	2,982	3,578
Other business	1,381	161	9	16	1,567	168	1,819	3,554
PPP	—	—	—	—	—	—	876	876
Total business	9,529	896	9	16	10,450	479	6,167	17,096
Other								
Stock secured	1,477	451	—	1,160	3,088	4	28	3,120
Other secured	936	902	—	239	2,077	—	184	2,261
Unsecured	669	25	—	18	712	1	2,313	3,026
Total other	3,082	1,378	—	1,417	5,877	5	2,525	8,407
Total	$ 16,948	$ 5,966	$ 3,808	$ 1,827	$ 28,549	$ 58,922	$ 40,908	$ 128,379
% by rate type at September 30, 2021	13 %	5 %	3 %	1 %	22 %	46 %	32 %	100 %
% by rate type at December 31, 2020	13 %	5 %	4 %	1 %	23 %	47 %	30 %	100 %

(1) Includes loans held for sale.

At September 30, 2021, included in the hybrid-rate and fixed-rate loan portfolios are $3.8 billion, or 3% of the total loan portfolio, that either (1) mature within one year; (2) are within one year of adjusting from the initial fixed-rate period; or (3) are committed for sale.

Many of our loan products determine the amount of interest by reference to certain benchmark rates or indices. The FHLB of San Francisco has announced that it will no longer calculate and publish COFI after January 31, 2022. Additionally, in March 2021, the FCA announced the dates that panel bank submissions for all LIBOR settings will cease, after which the respective LIBOR settings will no longer be provided by any administrator, including the cessation of the one-week and two-month USD LIBOR tenors after December 31, 2021 and all other USD LIBOR tenors after June 30, 2023. The Bank ceased offering new loans indexed to COFI in the first half of 2018 and to LIBOR in the first half of 2019 (with some limited exceptions for business loans). In lieu of COFI or LIBOR, new loan originations are currently indexed to Prime or a 12-month average of 1-year CMT. In February 2022, the Bank expects to transition outstanding loans indexed to COFI to Freddie Mac's Enterprise 11th District COFI Institutional Replacement Index, which is based on Federal COFI plus/minus a spread adjustment equal to the five-year historical median spread between COFI and Federal COFI. The Bank is continuing the assessment of its outstanding loans indexed to LIBOR tenors that will be discontinued after June 30, 2023 to determine the appropriate replacement index.

Residential real estate

Residential real estate includes single family, HELOCs and single family construction loans.

Single Family

Our single family loans include loans that have an initial interest-only period. Subsequent to the initial interest-only period, these loans fully and evenly amortize until maturity. Underwriting standards for all such loans require substantial borrower net worth, substantial post-loan liquidity, excellent credit scores and significant down payments. As part of our underwriting standards, we verify the ability of the borrowers to repay our loans. The following table presents our single family loan portfolio that fully and evenly amortizes until maturity following an initial interest-only period of generally ten years:

	September 30, 2021		December 31, 2020	
($ in thousands)	Unpaid Principal Balance	% of Total Single Family	Unpaid Principal Balance	% of Total Single Family
Interest-only single family	$ 45,158,572	62 %	$ 38,849,327	64 %

At September 30, 2021, interest-only home loans had a weighted average LTV of 55%, based on appraised value at the time of origination, and had credit scores averaging 764 at origination. At September 30, 2021, interest-only home loans with an LTV at origination of more than 80% comprised less than 1% of the unpaid principal balance of our single family loan portfolio, including loans held for sale.

The following table presents LTV information at origination for all single family loans, including loans held for sale:

	September 30, 2021	
($ in thousands)	Unpaid Principal Balance	% of Total
LTV at Origination		
Less than or equal to 60%	$ 38,944,862	53.2 %
Greater than 60% to 70%	22,443,868	30.7
Greater than 70% to 80%	11,381,638	15.5
Greater than 80%	404,106	0.6
Total	$ 73,174,474	100.0 %

We do not originate single family loans with the characteristics generally described as "subprime" or "high cost." Subprime loans are typically made to borrowers with little or no cash reserves and poor or limited credit. Often, subprime loans are underwritten using limited documentation. Over the past two years, the single family loans originated by us had a weighted average credit score of 770, and all of our home loans were underwritten using full documentation.

Home Equity Lines of Credit

Our single family HELOC product requires the payment of interest each month on the outstanding balance. During the first ten years of the loan term, principal amounts may be repaid or drawn at the borrower's option; thereafter, the unpaid principal balance fully and evenly amortizes over a period of fifteen years. We underwrite HELOCs based on the same standards as single family home loans. As a result, our delinquency and loss experience on HELOCs has been similar to the experience for single family loans.

For HELOCs that are in second lien position, the LTVs in the table below are presented on a CLTV basis, including the total HELOC commitment and any balance on a first residential mortgage. As of September 30, 2021, approximately 39% of HELOCs are in first lien position, and approximately 49% of HELOCs are in second lien position behind a first residential mortgage originated by us, including loans subsequently sold to investors, based on total commitment.

The following table presents CLTV information at origination for HELOCs:

	September 30, 2021		
($ in thousands)	Unpaid Principal Balance	Total Commitment	% of Unpaid Principal Balance
CLTV at Origination			
Less than or equal to 60%	$ 1,671,826	$ 6,606,623	69.9 %
Greater than 60% to 70%	512,532	1,733,586	21.4
Greater than 70% to 80%	190,391	486,671	8.0
Greater than 80%	15,523	18,738	0.7
Total	$ 2,390,272	$ 8,845,618	100.0 %

Single Family Construction

Our single family construction loan portfolio includes loans to individual clients for the construction and ownership of single family homes, primarily in our California and New York markets. These loans are typically disbursed as construction progresses and can be converted into a permanent mortgage loan once the property is occupied. At September 30, 2021 and December 31, 2020, the unpaid principal balance of single family construction loans was $987.3 million and $791.4 million, respectively, and the total commitment was $1.9 billion and $1.5 billion, respectively.

Income property

Income property includes multifamily, commercial real estate and multifamily/commercial construction loans.

Multifamily

The following table presents the unpaid principal balance of all multifamily loans and multifamily loans (excluding lines of credit), for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans:

	Unpaid Principal Balance	
($ in thousands)	September 30, 2021	December 31, 2020
Multifamily	$ 15,421,529	$ 13,785,103
Multifamily—interest-only [(1)]	$ 7,190,074	$ 5,953,691

[(1)] Excludes lines of credit.

At September 30, 2021, interest-only multifamily loans (excluding lines of credit) had a weighted average LTV of 51% based on the appraised value at the time of origination.

Additionally, certain multifamily lines of credit allow for interest-only payments for an initial period. The following table presents the unpaid principal balance, total commitment, and percentage of interest-only lines of credit secured by the equity in multifamily real estate:

	September 30, 2021			December 31, 2020		
($ in thousands)	Unpaid Principal Balance	Total Commitment	% of Total Multifamily	Unpaid Principal Balance	Total Commitment	% of Total Multifamily
Multifamily lines of credit—interest-only	$ 283,982	$ 677,656	1.8 %	$ 324,784	$ 687,194	2.4 %

At September 30, 2021, interest-only multifamily lines of credit had a weighted average LTV of 50% based on the appraised value at the time of origination.

Commercial Real Estate

The following table presents the unpaid principal balance of all commercial real estate loans and commercial real estate loans (excluding lines of credit) for which interest-only payments may be made for a period of up to ten years, depending upon the borrower, specific underwriting criteria and terms of the loans:

	Unpaid Principal Balance	
($ in thousands)	**September 30, 2021**	**December 31, 2020**
Commercial real estate	$ 8,493,288	$ 8,026,232
Commercial real estate—interest-only [1]	$ 3,013,402	$ 2,822,751

[1] Excludes lines of credit.

At September 30, 2021, interest-only commercial real estate loans (excluding lines of credit) that allow for interest-only payments had a weighted average LTV of 44% based on the appraised value at the time of origination.

Additionally, certain commercial real estate lines of credit allow for interest-only payments for an initial period. The following table presents the unpaid principal balance, total commitment, and percentage of interest-only lines of credit secured by the equity in commercial real estate:

	September 30, 2021			December 31, 2020		
($ in thousands)	**Unpaid Principal Balance**	**Total Commitment**	**% of Total Commercial Real Estate**	**Unpaid Principal Balance**	**Total Commitment**	**% of Total Commercial Real Estate**
Commercial real estate lines of credit—interest-only	$ 461,494	$ 922,486	5.4 %	$ 360,783	$ 678,878	4.5 %

At September 30, 2021, interest-only commercial real estate lines of credit had a weighted average LTV of 43% based on the appraised value at the time of origination.

As discussed in "—Asset Quality—Industry Information," the Bank has limited exposure to the areas most directly impacted by COVID-19, such as the retail, hotel and restaurant industries. The total unpaid principal balance of these loans was approximately $2.6 billion, and represented 2.0% of our loan portfolio as of September 30, 2021.

Multifamily/Commercial Construction

Our multifamily/commercial construction loan portfolio includes loans for the construction and ownership of other types of properties other than owner-occupied single family homes. These loans are typically disbursed as construction progresses and can be converted into a permanent mortgage loan once the property is occupied. At September 30, 2021 and December 31, 2020, the unpaid principal balance of multifamily/commercial construction loans was $2.1 billion and $2.0 billion, respectively, and the total commitment was $3.7 billion and $3.6 billion at September 30, 2021 and December 31, 2020, respectively.

Business

Business loans include capital call lines of credit, tax-exempt, other business and beginning in April 2020, PPP loans. Business loans provide funding for investment opportunities, bridge capital calls from investors, and meet the working capital cash flow requirements and various other financing needs of our business and non-profit clients.

The business loan portfolio is comprised primarily of capital call lines to private equity and venture capital funds, and loans to independent schools and other non-profit organizations, which include social service organizations, the performing arts, museums, historical societies and community foundations. In addition, we provide operating lines of credit and term loans to other business clients to meet their working capital needs.

The following table presents the amortized cost and total commitment for business loans by type:

	September 30, 2021		December 31, 2020	
($ in thousands)	**Amortized Cost**	**Total Commitment**	**Amortized Cost**	**Total Commitment**
Private Equity/Venture Capital Funds	$ 9,545,646	$ 25,096,340	$ 8,549,842	$ 21,348,503
Schools/Non-Profit Organizations	3,987,181	5,248,683	3,694,549	4,669,183
Investment Firms	459,719	1,420,555	390,536	1,050,473
Real Estate Related Entities	673,069	1,029,351	563,880	890,290
Professional Service Firms	322,641	642,710	226,959	543,845
Aviation/Marine	379,656	405,146	400,010	406,228
Vineyards/Wine	144,881	234,208	157,811	259,385
Clubs and Membership Organizations	86,661	149,830	155,840	238,588
Entertainment Industry	45,043	129,921	17,717	105,585
Other	575,388	924,849	698,422	1,018,604
Total excluding PPP	16,219,885	35,281,593	14,855,566	30,530,684
PPP (1)	876,487	893,294	1,841,376	1,865,864
Total including PPP	$ 17,096,372	$ 36,174,887	$ 16,696,942	$ 32,396,548

(1) Total commitment related to PPP excludes net deferred fees unamortized balance of $16.8 million and $24.5 million as of September 30, 2021 and December 31, 2020, respectively.

The following table presents the unpaid principal balance, total commitment and utilization percentages for business lines of credit by type:

	Lines of Credit					
	September 30, 2021			December 31, 2020		
($ in thousands)	Unpaid Principal Balance	Total Commitment	Utilization Percentage	Unpaid Principal Balance	Total Commitment	Utilization Percentage
Private Equity/Venture Capital Funds	$ 9,404,628	$ 24,947,124	37.7 %	$ 8,228,001	$ 21,017,276	39.1 %
Schools/Non-profit Organizations	592,427	1,852,095	32.0 %	610,826	1,583,102	38.6 %
Investment Firms	314,914	1,275,495	24.7 %	182,450	842,003	21.7 %
Real Estate Related Entities	235,407	590,701	39.9 %	192,089	517,303	37.1 %
Professional Service Firms	193,647	513,834	37.7 %	65,731	382,661	17.2 %
Vineyards/Wine	47,330	136,599	34.6 %	51,095	152,568	33.5 %
Entertainment Industry	24,390	109,147	22.3 %	15,366	102,294	15.0 %
Clubs and Membership Organizations	10,517	73,500	14.3 %	17,773	100,275	17.7 %
Aviation/Marine	13,265	38,065	34.8 %	3,590	8,915	40.3 %
Other	279,000	626,029	44.6 %	319,324	638,760	50.0 %
Total	$11,115,525	$ 30,162,589	36.9 %	$ 9,686,245	$ 25,345,157	38.2 %

Included within business lines of credit are capital call lines of credit, which are credit facilities that enable private equity and venture capital funds to bridge the timing between funding investments and receiving funds from limited partner capital calls. As of September 30, 2021, the unpaid principal balance and total commitment for capital call lines of credit was approximately $9.1 billion and $24.3 billion, respectively, resulting in a utilization rate for these lines of credit of 37.3% at September 30, 2021.

The following table presents the unpaid principal balance of business term loans by type:

	Term Loans	
	Unpaid Principal Balance	
($ in thousands)	September 30, 2021	December 31, 2020
Schools/Non-profit Organizations	$ 3,396,588	$ 3,086,081
Real Estate Related Entities	438,650	372,987
Aviation/Marine	367,081	397,313
Private Equity/Venture Capital Funds	149,216	331,227
Investment Firms	145,060	208,470
Professional Service Firms	128,876	161,184
Vineyards/Wine	97,609	106,817
Clubs and Membership Organizations	76,330	138,313
Entertainment Industry	20,774	3,291
Other	298,820	379,844
Total excluding PPP	5,119,004	5,185,527
PPP	893,294	1,865,864
Total including PPP	$ 6,012,298	$ 7,051,391

PPP Loans

Beginning in April 2020, the Bank became a lender under the PPP, which was initially established in 2020 under the CARES Act and subsequently amended by the Flexibility Act, Economic Aid Act, American Rescue Plan Act and PPP Extension Act. The PPP loans were originated in 2020 ("First Round") and 2021 ("Second Round"). Under the PPP, loans are provided to small businesses impacted by COVID-19 for payroll costs and certain operating expenses. The loans are fully guaranteed by the SBA and additionally may be purchased and forgiven by the SBA if the borrower uses the proceeds for eligible expenses in accordance with program requirements for forgiveness. The following table presents information related to PPP loans:

	September 30, 2021		
($ in thousands)	First Round	Second Round	Total
Loans outstanding [1]	$ 203,224	$ 690,070	$ 893,294
Forgiveness amounts approved by the SBA [2]	$ 1,882,937	$ 133,707	$ 2,016,644
Loans outstanding submitted for forgiveness review to the SBA [3]	$ 84,678	$ 6,821	$ 91,499

[1] Represents unpaid principal balance.

[2] Since the inception of the PPP through September 30, 2021, 9,940 First Round and 2,387 Second Round PPP loans have received forgiveness.

[3] As of September 30, 2021, 71 First Round and 130 Second Round PPP loans were in the forgiveness review process.

For all borrowers, the loans have a 1% interest rate and include a deferral period of principal and interest payments. Loans originated during the First Round have a minimum maturity of 2 years and loans originated during the Second Round have a minimum maturity of 5 years. Interest accrues during the deferral period, and the loan may be repaid prior to maturity without prepayment penalty fees.

The Bank recorded deferred fees, net of origination costs, which are being amortized into interest income over their contractual life. The amortization of these net deferred fees is accelerated upon forgiveness and repayment of the loans. The following table presents information related to the net deferred fees:

	Net Deferred Fees Amortized			
	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2021	2020	2021	2020
First Round [1]	$ 3,365	$ 5,458	$ 23,639	$ 5,458
Second Round [1]	5,288	—	6,704	—
Total	$ 8,653	$ 5,458	$ 30,343	$ 5,458

[1] For the quarter and nine months ended September 30, 2021, includes the impact of net deferred fees accelerated upon forgiveness by the SBA.

The total unamortized balance of net deferred fees as of September 30, 2021 was $16.8 million, over 90% of which related to Second Round loans.

Other

Other loans include stock secured, other secured and unsecured loans. The following table presents the unpaid principal balance and total commitment for these loans:

	September 30, 2021		December 31, 2020	
($ in thousands)	Unpaid Principal Balance	Total Commitment	Unpaid Principal Balance	Total Commitment
Stock secured	$ 3,115,037	$ 8,649,763	$ 2,514,076	$ 6,893,234
Other secured	2,260,299	4,772,374	1,818,577	3,610,177
Unsecured	3,019,981	4,125,877	3,109,297	3,911,540
Total	$ 8,395,317	$ 17,548,014	$ 7,441,950	$ 14,414,951

Stock Secured

Stock secured loans consist of loans that allow clients to borrow money against eligible marketable securities for a wide range of purposes, including, but not limited to: home renovations, business opportunities and general liquidity.

Other Secured

Other secured loans primarily consist of professional loan program loans, including term loans and lines of credit, which offer individuals an ability to borrow for capital and partnership requirements. Such loans had an unpaid principal balance of $2.1 billion and $1.7 billion at September 30, 2021 and December 31, 2020, and total commitments of $4.5 billion and $3.4 billion, respectively.

Unsecured

Unsecured loans primarily consist of household debt refinance loans, including term loans and personal lines of credit, which are made to refinance existing household debt and access additional financing at fixed interest rates. Such loans had an unpaid principal balance of $2.2 billion and $2.5 billion at September 30, 2021 and December 31, 2020, respectively, and total commitments of $2.5 billion and $2.6 billion, respectively.

In addition, unsecured loans include other unsecured lines of credit, which are originated to meet the non-mortgage needs of our clients. Such loans generally have a shorter term to maturity, are adjustable with the prime rate and are subject to annual or more frequent review.

Lines of Credit

The following table presents the utilization percentages for lines of credit by type:

Utilization Percentage	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Home equity lines of credit	26.5 %	27.0 %	26.9 %	28.3 %	28.9 %
Single family construction	51.5 %	50.7 %	51.4 %	51.5 %	51.5 %
Multifamily	41.9 %	41.6 %	44.3 %	47.4 %	50.0 %
Commercial real estate	50.0 %	49.9 %	50.1 %	52.9 %	52.2 %
Multifamily/commercial construction	54.6 %	56.1 %	56.2 %	55.0 %	55.0 %
Capital call lines of credit	37.3 %	35.7 %	39.6 %	39.3 %	35.0 %
Tax-exempt	59.6 %	57.2 %	57.1 %	55.7 %	46.7 %
Other business	30.4 %	31.6 %	30.4 %	29.6 %	26.7 %
Stock secured	35.8 %	36.9 %	33.7 %	36.0 %	35.8 %
Other secured	43.4 %	42.5 %	43.0 %	45.1 %	46.6 %
Unsecured	47.2 %	45.2 %	43.1 %	43.3 %	37.2 %

Loan Originations

Our strategy is to originate relationship-based loans. While we emphasize loans secured by single family residences, we also selectively originate multifamily mortgages, commercial real estate mortgages and other loans, including business loans. We focus on originating specific loan types in our primary markets. The majority of our mortgage loans are secured by properties located in close proximity to one of our offices. Some single family loans are originated for sale in the secondary market. From the inception of our predecessor institution in mid-1985 through September 30, 2021, we have originated approximately $367.6 billion of loans, of which approximately $36.1 billion have been sold to investors.

Loan originations include newly originated loans, newly originated lines of credit (based on total commitment), refinanced loans and increases in loan commitment amounts resulting from loan modifications. The following table presents loan originations:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Residential real estate				
Single family	$ 6,998,315	$ 6,813,850	$ 22,562,187	$ 16,208,370
Home equity lines of credit	588,488	432,443	1,822,807	1,285,688
Single family construction	283,278	186,833	722,796	415,313
Total residential real estate	7,870,081	7,433,126	25,107,790	17,909,371
Income property				
Multifamily	1,199,660	955,951	3,092,180	2,684,074
Commercial real estate	724,777	193,228	1,496,964	975,769
Multifamily/commercial construction	355,981	245,220	938,950	997,555
Total income property	2,280,418	1,394,399	5,528,094	4,657,398
Business				
Capital call lines of credit	3,128,180	1,803,907	9,180,689	5,594,483
Tax-exempt	38,100	328,711	460,394	612,784
Other business	533,709	243,788	2,079,257	1,777,824
PPP	—	—	724,534	1,981,797
Total business	3,699,989	2,376,406	12,444,874	9,966,888
Other				
Stock secured	753,409	685,250	2,239,242	1,797,226
Other secured	546,286	189,386	1,583,905	961,940
Unsecured	303,916	159,379	1,021,956	685,537
Total other	1,603,611	1,034,015	4,845,103	3,444,703
Total loans originated	$ 15,454,099	$ 12,237,946	$ 47,925,861	$ 35,978,360

Total loan originations were $15.5 billion for the third quarter of 2021, compared to $12.2 billion for the third quarter of 2020, an increase of 26%, and were $47.9 billion for the nine months ended September 30, 2021, compared to $36.0 billion for the nine months ended September 30, 2020, an increase of 33%. Loan originations increased primarily due to increases in capital call lines of credit and commercial real estate lending for the quarter, and primarily due to increases in single family and capital call lines of credit, partially offset by decreases in loan originations under the PPP, for the nine months. The volume and type of loan originations depend on the level of interest rates, the demand for loans in our markets and other economic conditions.

The following table presents the weighted average LTVs for new loans secured by real estate originated during each of the periods indicated based on the appraised value at the time of origination. The single family loan category also includes loans originated and subsequently sold to investors.

	Quarter Ended				
LTVs for New Originations	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**
Single family	60 %	60 %	57 %	57 %	58 %
Home equity lines of credit [(1)]	50 %	50 %	50 %	50 %	49 %
Single family construction	55 %	56 %	53 %	58 %	58 %
Multifamily	51 %	51 %	50 %	52 %	52 %
Commercial real estate	41 %	45 %	47 %	47 %	43 %
Multifamily/commercial construction	55 %	55 %	50 %	54 %	52 %

[(1)] Presented on a CLTV basis, including the first residential mortgage and a second lien, where applicable.

The weighted average LTVs in all categories have remained consistent and conservative over the periods and are indicative of the high quality of the Bank's underwriting standards.

The following table presents the weighted average borrower's credit scores for home loans originated during each of the periods indicated. The single family loan category also includes loans originated and subsequently sold to investors.

	Quarter Ended				
Weighted Average Credit Scores	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**
Single family	769	769	768	771	774
Home equity lines of credit	772	772	772	769	773

The following table presents purchase loans and refinance loans as a percentage of total single family mortgage originations (excluding HELOCs) for each of the periods indicated:

	Quarter Ended				
Purchase and Refinance Composition	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**
Purchase loans	47 %	51 %	35 %	38 %	42 %
Refinance loans	53	49	65	62	58
Total	100 %	100 %	100 %	100 %	100 %

Portfolio LTVs

We have approved a limited group of third-party appraisers to appraise all of the properties on which we make loans. Certain larger single family loans require two appraisals (with the lower value used for underwriting purposes). Our practice is to seldom exceed an 80% LTV on single family loans and an 80% CLTV on HELOCs. LTV ratios generally decline as the size of the loan increases. At origination, we generally do not exceed a 75% LTV on multifamily loans and a 70% LTV on commercial real estate loans.

The following table presents the weighted average LTVs based on the appraised value at the time of origination for our entire portfolio of loans secured by real estate at the dates indicated:

Portfolio LTVs	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Single family [1]	58 %	57 %	57 %	57 %	57 %
Home equity lines of credit [2]	50 %	50 %	50 %	50 %	50 %
Single family construction	56 %	56 %	56 %	57 %	56 %
Multifamily	51 %	51 %	51 %	51 %	51 %
Commercial real estate	46 %	46 %	46 %	46 %	47 %
Multifamily/commercial construction	54 %	54 %	53 %	53 %	53 %

[1] Includes loans held for sale.

[2] Presented on a CLTV basis, including the first residential mortgage and a second lien, where applicable.

We either retain originated home loans in our loan portfolio or sell the loans in whole loan or loan participation arrangements, either in the secondary market or in loan securitizations. Loan sales are highly dependent upon market conditions. We have retained in our loan portfolio both ARMs and intermediate-fixed rate loans. As interest rates rise, payments on ARMs increase, which may be financially burdensome to some borrowers and could increase the risk of default. Subject to market conditions, our ARMs generally provide for a life cap that is 5% to 9% above the initial interest rate, thereby protecting borrowers from unlimited interest rate increases. As part of our standard underwriting guidelines, borrowers undergo a qualification process for an ARM loan assuming an interest rate that is higher than the initial rate.

Asset Quality

We place an asset on nonaccrual status when any installment of principal or interest is 90 days or more past due (except for single family loans that are well secured and in the process of collection) or when management determines the ultimate collection of all contractually due principal or interest to be unlikely. Restructured loans for which we grant payment or interest rate concessions because of a borrower's financial difficulties (TDRs) are placed on nonaccrual status until collectibility improves and a satisfactory payment history is established, generally by the receipt of at least six consecutive timely payments. Loan modifications made to borrowers impacted by COVID-19 are not considered TDRs. See additional discussion in "—COVID-19 Loan Modifications" below.

Our collection policies are highly focused with respect to both our portfolio loans and loans serviced for others. We have policies requiring prompt notification of delinquency and initiation of corrective measures. Our practice is to attempt to resolve problem assets quickly, including (as appropriate) collections, modifications, pursuit of foreclosure, or the sale of such problem assets as rapidly as possible at prices available in the prevailing market. For certain properties, we may make repairs and engage management companies in order to reach stabilized levels of occupancy prior to asset disposition. We believe our collection and foreclosure procedures comply with all applicable laws and regulations. We currently have a low level of loans in foreclosure. Recent legislation and regulations that provide relief for borrowers affected by COVID-19 contain limitations on foreclosure actions; we are complying with the limitations imposed under such legislation and regulations.

Nonaccrual and Other Information

The following table presents nonaccrual loans, other real estate owned, the ratio of nonperforming assets to total assets, accruing loans 90 days or more past due and restructured accruing loans:

($ in thousands)	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Residential real estate		
Single family	$ 78,229	$ 85,630
Home equity lines of credit	28,152	31,571
Total residential real estate	106,381	117,201
Income property		
Commercial real estate	7,631	2,320
Multifamily/commercial construction	8,861	57,843
Total income property	16,492	60,163
Business		
Other business	1,531	4,534
Other		
Other secured	797	23
Unsecured	2,229	2,211
Total other	3,026	2,234
Total nonaccrual loans	127,430	184,132
Other real estate owned	—	—
Total nonperforming assets	$ 127,430	$ 184,132
Nonperforming assets to total assets	0.07 %	0.13 %
Accruing loans 90 days or more past due	$ —	$ —
Restructured accruing loans	$ 10,197	$ 11,253

See Note 4 in "Item 1. Financial Statements" for information related to interest income on nonaccrual loans for the quarters ended September 30, 2021 and 2020.

Of the loans on nonaccrual status, $49.2 million were current at September 30, 2021, compared to $58.0 million at December 31, 2020.

The future level of nonperforming assets depends upon a number of factors, including the performance of borrowers under loan terms, the impact of COVID-19 on borrowers and on global and local economies, the timing of the sale of future other real estate owned properties and economic conditions nationally and in our primary markets.

COVID-19 Loan Modifications

Refer to Note 4 in "Item 1. Financial Statements," for a discussion of loan modifications to assist borrowers who are experiencing financial difficulties as a result of COVID-19. The unpaid principal balance of such loan modifications (which are not classified as TDRs) totaled $206 million, and was only 0.2% of total loans as of September 30, 2021. The following table presents a summary of these loan modifications as of September 30, 2021:

($ in millions)	COVID-19 Loan Modifications (1), (2), (3), (4)			
	Unpaid Principal Balance	LTV (5)	Average Loan Size	Number of Loans
Single family	$ 64	61 %	$ 1.2	54
Home equity lines of credit	—	60 %	$ 0.2	1
Single family construction	3	75 %	$ 2.6	1
Multifamily	30	63 %	$ 30.4	1
Commercial real estate	91	48 %	$ 4.6	20
Multifamily/commercial construction	—	n/a	$ —	—
Capital call lines of credit	—	n/a	$ —	—
Tax-exempt	7	n/a	$ 3.3	2
Other business	6	n/a	$ 1.6	4
Stock secured	—	n/a	$ —	—
Other secured	2	n/a	$ 0.3	6
Unsecured (6)	3	n/a	$ 0.1	26
Total	$ 206			115

(1) COVID-19 loan modifications are not classified as TDRs.

(2) Includes 23 loans totaling $23 million that have completed their deferral period, but for which a regular payment is not yet due.

(3) Includes 83 loans totaling $177 million that received additional relief beyond their initial modification period.

(4) Excludes loans that have completed their deferral period and returned to a regular payment schedule or are no longer outstanding. As of September 30, 2021, $3.6 billion of loans have completed their deferral period or are no longer outstanding, and 99% of the outstanding loans were current.

(5) Weighted average LTV ratios for real estate secured loans are based on appraised value at the time of origination.

(6) Consists of household debt refinance loans.

Industry Information

The Bank does not have automobile loans or credit card loans, and does not lend to oil and gas companies, casinos, airlines or most other travel-related businesses. The Bank has limited exposure to the areas most directly impacted by COVID-19, such as the retail, hotel and restaurant industries. The unpaid principal balance of these loans represented only 2.0% of total loans as of September 30, 2021. As of September 30, 2021, the Bank had modifications of these portfolios totaling $37.3 million, less than 0.1% of total loans. The following table presents the unpaid principal balance, weighted average LTVs based on the appraised value at the time of origination, average loan size, number of loans, and personal guarantee percentage for loans to borrowers in retail, hotel and restaurant industries:

($ in millions)	September 30, 2021				
	Unpaid Principal Balance	LTV	Average Loan Size	Number of Loans	Personal Guarantee %
Retail	$ 1,903	49 %	$ 2.6	744	80 %
Hotel	523	46 %	$ 7.9	68	78 %
Restaurant (1)	174	48 %	$ 0.9	205	94 %
Total (2)	$ 2,600			1,017	

(1) Approximately 78% of loans to restaurants are real estate secured.

(2) Amounts in the table above exclude $36 million of loans to hotels and $170 million of loans to restaurants under the PPP.

Allowance for Credit Losses on Loans

The Bank estimates its ACL on loans using quantitative models, expert judgment, qualitative factors and individual assessments. The Bank's estimate incorporates individual loan and/or property level characteristics, macroeconomic forecasts and historical loss rates to determine expected credit losses over the life of its loans. Loans with similar risk characteristics within each class are pooled when developing the allowance, and loans that do not share similar risk characteristics are individually assessed. The increase in the total ACL on loans as of September 30, 2021 compared to June 30, 2021 was primarily due to loan growth and qualitative considerations related to the nature and volume of loan portfolio changes and problem loan trends. The increase as of September 30, 2021 compared to December 31, 2020 was primarily due to loan growth, which was offset by a reduction in ACL due to an improved economic outlook being utilized in the quantitative models and individually assessed COVID-19 loan modifications that have resumed regular payments subsequent to their modification period. The following table presents an analysis of our ACL on loans, including provision for credit losses, charge-offs and recoveries, as well as net charge-offs and ACL ratios:

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	2021	2020	2021	2020 [1]
Allowance for credit losses on loans:				
Balance at beginning of period	$ 636,910	$ 583,997	$ 635,019	$ 494,429
Provision	31,568	22,437	35,165	113,305
Charge-offs:				
Single family	(409)	(1,639)	(936)	(1,728)
Home equity lines of credit	—	(97)	(211)	(381)
Single family construction	—	—	—	(679)
Multifamily	—	—	—	—
Commercial real estate	—	—	—	—
Multifamily/commercial construction	—	—	—	—
Capital call lines of credit	—	—	—	—
Tax-exempt	—	—	—	—
Other business	(47)	—	(359)	(7)
PPP	—	—	—	—
Stock secured	—	—	—	—
Other secured	—	—	(5)	—
Unsecured	(195)	(26)	(1,604)	(909)
Total charge-offs	(651)	(1,762)	(3,115)	(3,704)
Recoveries:				
Single family	9	6	37	44
Home equity lines of credit	83	12	375	444
Single family construction	—	—	—	—
Multifamily	—	—	—	—
Commercial real estate	—	—	—	—
Multifamily/commercial construction	—	—	—	—
Capital call lines of credit	—	—	—	—
Tax-exempt	—	—	—	—
Other business	109	31	346	85
PPP	—	—	—	—
Stock secured	—	—	—	—
Other secured	—	—	—	—
Unsecured	158	26	359	144
Total recoveries	359	75	1,117	717
Net loan charge-offs	(292)	(1,687)	(1,998)	(2,987)
Balance at end of period	$ 668,186	$ 604,747	$ 668,186	$ 604,747
Average total loans for the period	$ 125,882,069	$ 102,250,593	$ 120,451,128	$ 97,521,668
Total loans at period end	$ 128,375,094	$ 104,761,651	$ 128,375,094	$ 104,761,651
Total nonaccrual loans	$ 127,430	$ 164,247	$ 127,430	$ 164,247
Ratios:				
Net charge-offs to:				
Average total loans (annualized)	0.00 %	0.01 %	0.00 %	0.00 %
Allowance for credit losses on loans to:				
Total loans	0.52 %	0.58 %	0.52 %	0.58 %
Nonaccrual loans	524.4 %	368.2 %	524.4 %	368.2 %

[1] The beginning balance represents the ACL on loans after the transition adjustments from the adoption of the CECL ACL methodology.

Allowance for Credit Losses on Unfunded Loan Commitments

The Bank also records an ACL on unfunded loan commitments, which is based on the same assumptions as funded loans and also considers the probability of funding. The ACL on unfunded loan commitments increased during the quarter ended September 30, 2021 and decreased during the nine months ended September 30, 2021. The increase in ACL on unfunded commitments as of September 30, 2021 compared to June 30, 2021 was primarily due to an increase in unfunded commitments. The decrease as of September 30, 2021 compared to December 31, 2020 was primarily due to a generally lower probability of funding, and an improved economic outlook, partially offset by an increase in unfunded commitments. The following table presents the changes in the ACL on unfunded loan commitments:

	At or for the Quarter Ended September 30,		At or for the Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020 (1)**
Balance at beginning of period	$ 24,011	$ 17,602	$ 27,578	$ 15,697
Provision (reversal of provision)	2,161	5,768	(1,406)	7,673
Balance at end of period	$ 26,172	$ 23,370	$ 26,172	$ 23,370

(1) The beginning balance represents the ACL on unfunded loan commitments after the transition adjustments from the adoption of the CECL ACL methodology.

Mortgage Banking Activities

In addition to originating loans for our own portfolio, we conduct mortgage banking activities. We have sold whole loans and participations in loans in the secondary market and in loan securitizations. We originate, on a direct flow basis, single family mortgages that are priced and underwritten to conform to previously agreed-upon criteria prior to loan funding and are delivered to the investor shortly after funding. We have also identified secondary market sources that seek to acquire loans of the type we originate for our loan portfolio.

The following table presents information on single family loans originated, loans sold and gain on sale of loans:

	Quarter Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Single family loans originated	$ 6,998,315	$ 6,813,850	$ 22,562,187	$ 16,208,370
Loans sold:				
Flow sales:				
Agency	$ 17,544	$ 44,118	$ 64,261	$ 80,702
Non-agency	—	—	1,073	31,870
Total flow sales	17,544	44,118	65,334	112,572
Bulk sales:				
Non-agency	—	235,732	—	673,401
Securitizations	—	—	—	300,116
Total loans sold	$ 17,544	$ 279,850	$ 65,334	$ 1,086,089
Gain on sale of loans:				
Amount	$ 140	$ 13,797	$ 507	$ 14,575
Gain as a percentage of loans sold	0.80 %	4.93 %	0.78 %	1.34 %

The level of loan originations, loan sales and gain on loan sales depend upon market conditions and the interest rate environment, as well as our pricing and ALM strategies. The gain on sale of loans for the quarter and nine months ended September 30, 2020 included $10.3 million related to realized discounts on previously purchased loans when these loans were sold. In addition, the decreases in gain on sale of loans were the result of a lower volume of loans sold and lower margins. The gain on sale of loans for the nine months ended September 30, 2020 included costs associated with a securitization sponsored by the Bank. The level of future loan originations, loan sales and gain on loan sales will depend on overall credit availability, the interest rate environment, the strength of the general economy, local real estate markets and the housing industry, and conditions in the secondary loan sale market. These factors have been, and will likely continue to be, affected by COVID-19.

In connection with loan sales, we retain all the loan servicing in order to maintain the primary contact with our clients and to generate recurring fee income. We retain MSRs on loans that we sell to institutional investors and governmental agencies. We generally do not provide any financial or performance guarantees to the investors who purchase our loans and the purchasers do not have any recourse to the Bank on the loans that we have sold. In accordance with secondary market standards, we make customary representations and warranties related to the origination and documentation of sold loans. We have not been required to make any significant loan repurchases or incur any other significant costs subsequent to the sale of loans for any breach of these customary representations and warranties.

As of September 30, 2021, the Bank has an obligation to reimburse Freddie Mac for losses up to $30.2 million, or 12% of the multifamily loans securitized in 2018. As of September 30, 2021, the weighted average LTV of those loans was 56% based on the appraised value at the time of origination. There was no liability for estimated losses related to this reimbursement obligation at September 30, 2021, and the Bank has experienced no cumulative losses on the loans within this securitization through September 30, 2021. The remaining unpaid principal balance of multifamily loans securitized was $74.8 million at September 30, 2021, compared to $92.6 million at December 31, 2020 and $251.9 million at the time of securitization in 2018.

In connection with single family loans securitized in 2020, the Bank retained a 5% interest in the investment securities issued in the securitization, which consist of senior and subordinated tranches and an interest-only strip. The carrying value of the securities was $10.9 million as of September 30, 2021, compared to $13.5 million as of December 31, 2020. There have been no cumulative losses on the loans within the securitization through September 30, 2021. The remaining unpaid principal balance of single family loans securitized was $203.8 million at September 30, 2021, compared to $256.5 million at December 31, 2020.

Mortgage loans serviced for investors decreased to $5.1 billion at September 30, 2021, from $7.8 billion at September 30, 2020, due to repayments in the servicing portfolio exceeding loan sales over the past twelve months. MSRs are recognized as separate assets on our balance sheet and are reported at the lower of amortized cost or fair value. At September 30, 2021, MSRs were $18.0 million (35 bps of loans serviced), compared to $28.4 million (36 bps of loans serviced) at September 30, 2020.

Our loan origination policies and consistent underwriting standards have resulted in a low historical loan loss experience on single family loans sold in the secondary market. Since our inception in 1985, we have experienced cumulative net loan losses of only $9.6 million on single family loans sold. At September 30, 2021, single family loans serviced for investors that are 90 days or more past due were $6.8 million, or 14 bps of such loans serviced.

Deposit Gathering

We obtain funds from depositors by offering consumer and business checking, money market and passbook accounts, and term CDs. Our accounts are federally insured by the FDIC up to the maximum limit. At September 30, 2021, our total deposits were $145.3 billion, a 26% increase from $114.9 billion at December 31, 2020, as we continued to expand relationships with existing clients and acquire new deposit clients, both business and consumer.

Core deposits, which include checking accounts, money market accounts, savings accounts and CDs (excluding CDs greater than $250,000 and all brokered deposits), provide a stable source of low cost funding. Core deposits totaled $139.9 billion and $109.3 billion at September 30, 2021 and December 31, 2020, respectively, and represented 96% of total deposits at September 30, 2021, compared to 95% at December 31, 2020. Total deposits included $1.3 billion of brokered deposits at September 30, 2021, compared to $1.1 billion at December 31, 2020. The weighted average contractual rate paid on brokered deposits was 0.02% and 0.07% at September 30, 2021 and December 31, 2020, respectively.

Our deposit base consists of: (1) Preferred Banking deposits, which are placed by clients who enter into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional; (2) deposits from Preferred Banking Offices, which are retail locations that gather deposits and service all of our clients; (3) wealth management sweep deposits, which primarily consist of deposits swept from clients' brokerage or other investment accounts; and (4) other deposits, which primarily consist of brokered deposits, municipal deposits, and other deposits that are not attributable to any specific deposit location.

The following table presents deposits by channel, and by region in which the accounts are domiciled:

($ in thousands)	September 30, 2021	December 31, 2020
Preferred Banking:		
Northern California	$ 38,846,990	$ 28,326,441
Metropolitan New York	23,928,792	17,844,828
Southern California	13,762,515	10,539,845
Boston	12,166,069	10,524,105
Other [1]	1,464,063	1,071,808
Subtotal	90,168,429	68,307,027
Preferred Banking Offices:		
Northern California	23,440,440	19,448,089
Metropolitan New York	6,897,218	5,691,442
Southern California	6,108,644	5,115,241
Boston	2,834,032	2,209,417
Palm Beach, Florida	2,023,812	1,296,622
Other [2]	1,175,816	1,245,479
Subtotal	42,479,962	35,006,290
Wealth management sweep	9,961,799	9,574,527
Other	2,716,155	2,040,956
Total deposits	$ 145,326,345	$ 114,928,800

[1] Consists of deposits domiciled in Portland, Oregon and Palm Beach, Florida.

[2] Consists of deposits domiciled in Portland, Oregon and Jackson, Wyoming.

The following table presents business and consumer deposits:

($ in thousands)	September 30, 2021	December 31, 2020
Business deposits:		
Checking	$ 69,595,653	$ 50,389,145
Money market checking	13,271,385	8,743,423
Money market savings	5,976,526	4,501,395
CDs	1,589,331	1,671,973
Subtotal	90,432,895	65,305,936
Percent of total deposits	62 %	57 %
Consumer deposits:		
Checking	30,326,618	26,495,188
Money market checking	8,589,422	8,035,461
Money market savings and passbooks	9,970,376	8,083,127
CDs	6,007,034	7,009,088
Subtotal	54,893,450	49,622,864
Percent of total deposits	38 %	43 %
Total deposits	$145,326,345	$114,928,800

We fund a portion of our assets with CDs that have balances greater than $250,000. At September 30, 2021 and December 31, 2020, our CDs having balances greater than $250,000 totaled $4.1 billion and $4.5 billion, respectively. The following table presents the maturities of our CDs greater than $250,000:

($ in thousands)	September 30, 2021
Remaining maturity:	
Three months or less	$ 1,896,908
Over three through six months	1,259,604
Over six through twelve months	702,720
Over twelve months	258,931
Total	$ 4,118,163
Percent of total deposits	3 %

At September 30, 2021 and December 31, 2020, the weighted average contractual rate paid on CDs was 0.44% and 0.59%, respectively, and the weighted average remaining maturity of CDs was 5.9 months and 5.7 months at the same respective period ends. The contractual maturities and weighted average contractual rate of our CDs were as follows:

	September 30, 2021	
($ in thousands)	Amount	Rate
CDs maturing in:		
October 1 - December 31, 2021	$ 3,187,399	0.32 %
2022	3,873,857	0.40 %
2023	280,716	1.06 %
2024	150,438	2.35 %
2025	72,682	1.77 %
2026 and thereafter	31,274	0.65 %
Total	$ 7,596,366	0.44 %

Other Funding

Other sources of funding include federal funds purchased, short-term and long-term FHLB advances, and unsecured, term, senior notes and subordinated notes. Short-term borrowings, which include federal funds purchased and short-term FHLB advances, have an original maturity of one year or less. Long-term debt, which includes long-term FHLB advances, senior notes and subordinated notes, has an original maturity in excess of one year.

As of September 30, 2021, we had no short-term borrowings. The level of short-term borrowings varies based on funding needs.

FHLB Advances

FHLB advances may be either adjustable-rate in nature or fixed for a specific term. Our long-term, laddered maturity, fixed-rate FHLB advances as of September 30, 2021 were $7.7 billion. The weighted average remaining maturity of long-term FHLB advances was 1.6 years at September 30, 2021. The following table presents the contractual maturities and weighted average contractual rates of our long-term FHLB advances:

	September 30, 2021	
($ in thousands)	**Amount**	**Rate**
FHLB advances maturing in:		
October 1 - December 31, 2021	$ 1,100,000	1.55 %
2022	2,900,000	1.55 %
2023	1,225,000	0.77 %
2024	1,275,000	1.26 %
2025	800,000	0.88 %
2026 and thereafter	400,000	0.65 %
Total	$ 7,700,000	1.26 %

The Bank prepaid FHLB advances totaling $1.3 billion and $4.1 billion for the quarter and nine months ended September 30, 2021, respectively, and $1.9 billion and $3.4 billion for the quarter and nine months ended September 30, 2020, respectively. Prepayment penalties for FHLB advances, which are included in other noninterest expense, totaled $2.4 million and $12.5 million for the quarter and nine months ended September 30, 2021, respectively, and $10.3 million and $14.1 million for the quarter and nine months ended September 30, 2020, respectively.

In addition, in October 2021, as a result of the Bank's strong liquidity position, the Bank prepaid FHLB advances totaling $1.1 billion that were scheduled to mature by the end of 2021 and $2.9 billion that were scheduled to mature in 2022. Refer to Note 19 in "Item 1. Financial Statements," for additional information.

Senior Notes and Subordinated Notes

The following table presents the principal balances, carrying values, coupon rates, optional redemption dates and maturity dates of the Bank's unsecured, term, fixed-rate senior notes, fixed-to-floating rate senior notes, and fixed-rate subordinated notes as of September 30, 2021:

	September 30, 2021				
($ in thousands)	**Principal Balance**	**Carrying Value (1)**	**Rate**	**Optional Redemption Date (2)**	**Maturity Date (3)**
Senior notes:					
Fixed-rate, issued June 2017	$ 500,000	$ 499,345	2.500 %	May 6, 2022	June 6, 2022
Fixed-to-floating rate, issued February 2020	$ 500,000	$ 498,377	1.912% (4)	February 12, 2023	February 12, 2024
Subordinated notes:					
Fixed-rate, issued August 2016	$ 400,000	$ 388,466	4.375 %	February 1, 2046	August 1, 2046
Fixed-rate, issued February 2017	$ 400,000	$ 390,182	4.625 %	August 13, 2046	February 13, 2047

(1) Principal balance, net of unamortized issuance discounts and deferred issuance costs.

(2) The Bank has the option to redeem these notes prior to their maturity at the dates specified.

(3) Unless previously redeemed, the notes will mature at the dates specified.

(4) Interest is paid at a fixed rate of 1.912% per annum from February 12, 2020 through February 12, 2023, and is paid based on a floating rate of compounded SOFR plus 0.620% beginning February 12, 2023.

Available Borrowing Capacity

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at September 30, 2021 was $47.1 billion and $4.2 billion, respectively. This available borrowing capacity is supported by pledged loans at the FHLB and investment securities at the Federal Reserve Bank. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" for additional information regarding our funding practices.

Liquidity

Liquidity refers to our capacity to meet our cash and collateral obligations and to manage both expected and unexpected cash flows without adversely impacting the operations or financial health of the Bank. Sources of liquidity include both unencumbered assets, such as marketable loans and securities, and traditional forms of funding, such as deposits, borrowings and equity.

Liquidity Risk Management

We engage in various activities to manage our liquidity risk, including maintaining a diversified set of funding sources and holding sufficient liquid assets to meet our cash flow and funding needs. Liquidity and funding-related risk policies and limits are established within our Liquidity Risk Management Policy, which is approved by the Board at least annually. Liquidity risk is actively monitored and managed by the Treasury department, Chief Financial Officer and senior management through the Bank Enterprise Risk Management Committee, with independent oversight provided by the Board through the Directors' Enterprise Risk Management Committee. In addition, we maintain a contingency funding plan and perform scenario-based stress-testing to ensure resilience in case of expected and unexpected future events.

Sources of Liquidity

At September 30, 2021, our investment securities portfolio of $24.2 billion and cash and cash equivalents of $12.3 billion collectively comprised 21% of total assets. At September 30, 2021, assets that are considered HQLA, including eligible cash, were $28.6 billion. HQLA include $10.0 billion of municipal securities.

At September 30, 2021, we had $47.1 billion of unused, available borrowing capacity at the FHLB supported by pledged loans. In addition, we had $4.2 billion of unused, available borrowing capacity at the Federal Reserve Bank discount window collateralized by pledged investment securities. This unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window equaled 30% of total assets.

We may from time to time use short-term borrowings, such as federal funds purchased and short-term FHLB advances, to fund short-term assets, such as loans that have been committed for sale and floating rate investments, or to bridge temporary funding needs, such as those resulting from client investment activity or seasonal deposit fluctuations.

We primarily sell single family mortgage loans in the secondary market directly to a variety of investors. All loans sold are performing loans and meet all underwriting standards required by us and the secondary market. We sold $65.3 million of loans during the nine months ended September 30, 2021.

We may also, from time to time, issue additional common stock, preferred stock, senior or subordinated notes or other forms of capital or debt instruments, depending on market conditions and subject to any required regulatory approvals. Management believes that the sources of available liquidity are well-diversified and adequate to meet all reasonably foreseeable short-term and intermediate-term demands.

During the nine months ended September 30, 2021, the primary sources and uses of funds were as follows:

- Loan originations and purchases, net of sales and repayments, were $16.7 billion;
- Investment purchases, net of calls and paydowns, were $4.8 billion;
- Deposits increased by $30.4 billion;
- FHLB advances decreased by $4.1 billion;
- 4,312,500 shares of common stock were issued in underwritten public offerings, with aggregate net proceeds of approximately $775.3 million;
- 4.250% Series L Preferred Stock and 4.000% Series M Preferred Stock were issued, with aggregate net proceeds of $1.5 billion; and
- All of the outstanding shares of 5.50% Series G Preferred Stock were redeemed, which totaled $150.0 million.

Capital Resources

Regulatory Capital Components and Ratios

The following table presents the Bank's components of regulatory capital, average assets, and RWAs, as defined by regulatory capital rules:

($ in thousands)	September 30, 2021	December 31, 2020
Regulatory Capital Components		
Shareholders' equity	$ 14,801,794	$ 11,750,646
CECL Capital Rule retained earnings adjustments [(1)]	51,743	43,353
CET1 capital adjustments and deductions:		
Preferred stock	(2,892,500)	(1,545,000)
Goodwill and other intangible assets, net of deferred taxes	(195,837)	(203,997)
DTAs that arise from tax credit carryforwards, net of DTLs	(111,157)	(126,754)
Accumulated other comprehensive loss (income)	19,846	(23,378)
CET1 capital	11,673,889	9,894,870
Preferred stock	2,892,500	1,545,000
Additional Tier 1 capital	2,892,500	1,545,000
Tier 1 capital	14,566,389	11,439,870
Tier 2 capital instruments—subordinated notes [(2)]	778,648	778,313
Qualifying ACL [(3)]	703,062	669,499
CECL Capital Rule ACL adjustments [(1)]	(53,729)	(45,338)
Tier 2 capital	1,427,981	1,402,474
Total risk-based capital	$ 15,994,370	$ 12,842,344
Assets		
Average assets	$ 170,321,428	$ 140,449,930
CECL Capital Rule average assets adjustments [(1)]	51,743	43,353
Average assets after adjustments	$ 170,373,171	$ 140,493,283
RWAs	$ 118,946,253	$ 102,326,452
CECL Capital Rule DTAs adjustments [(1)]	(4,963)	(4,963)
RWAs after adjustments	$ 118,941,290	$ 102,321,489

(1) Beginning in 2020, amounts reflect the Bank's election to delay the estimated impact of the CECL ACL methodology on its regulatory capital, average assets and RWAs over a five-year transition period ending December 31, 2024.

(2) Subordinated notes mature in 2046 and 2047.

(3) Includes the ACL on loans, held-to-maturity debt securities and unfunded loan commitments.

At September 30, 2021 and December 31, 2020, the Bank's noncumulative perpetual preferred stock was 20% and 14% of Tier 1 capital, respectively.

During the nine months ended September 30, 2021, 4.250% Series L Preferred Stock and 4.000% Series M Preferred Stock were issued, with aggregate net proceeds of $1.5 billion, which qualify as Tier 1 capital. All of the outstanding shares of 5.50% Series G Preferred Stock were redeemed, which totaled $150.0 million. In addition, 4,312,500 shares of common stock were issued in underwritten public offerings, with aggregate net proceeds of approximately $775.3 million added to common equity.

A "capital conservation buffer" of 2.5% of RWAs is also required under the Basel III Capital Rules. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a CET1 capital ratio above the minimum requirement but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall and "eligible retained income" (that is, the greater of net income for the four calendar quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income, and the average of net income for the four calendar quarters preceding the current calendar quarter).

Our capital ratios exceeded all applicable regulatory requirements at September 30, 2021 for well-capitalized institutions, and our capital conservation buffer exceeded the minimum requirement of 2.5%. The following table presents our capital ratios and regulatory requirements:

			Regulatory Requirements		
Capital Ratios [1]	**September 30, 2021**	**December 31, 2020**	**Well-Capitalized Ratio**	**Minimum Capital Ratio**	**Minimum Capital Conservation Buffer** [2]
Tier 1 leverage ratio (Tier 1 capital to average assets)	8.55 %	8.14 %	5.00 %	4.00 %	— %
CET1 capital to RWAs	9.81 %	9.67 %	6.50 %	4.50 %	2.50 %
Tier 1 capital to RWAs	12.25 %	11.18 %	8.00 %	6.00 %	2.50 %
Total capital to RWAs	13.45 %	12.55 %	10.00 %	8.00 %	2.50 %

(1) Beginning in 2020, ratios reflect the Bank's election to delay the estimated impact of the CECL ACL methodology over a five-year transition period ending December 31, 2024.

(2) As of September 30, 2021, our capital conservation buffer was 5.31%, which exceeded the minimum requirement of 2.5% required to be held by banking institutions.

Return on Average Common Shareholders' Equity and Return on Average Tangible Common Shareholders' Equity

The following table presents the components of return on average common shareholders' equity and return on average tangible common shareholders' equity:

Return on Average Common Shareholders' Equity and Return on Average Tangible Common Shareholders' Equity [(1), (2)]	Quarter Ended September 30, 2021	Quarter Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
($ in thousands)				
Average common shareholders' equity (a)	$ 11,543,395	$ 9,578,173	$ 10,988,556	$ 9,323,381
Less: Average goodwill and other intangible assets	223,816	230,051	225,217	232,014
Average tangible common shareholders' equity (b)	$ 11,319,579	$ 9,348,122	$ 10,763,339	$ 9,091,367
Net income available to common shareholders (c)	$ 345,260	$ 278,321	$ 1,011,019	$ 725,938
Return on average common shareholders' equity (c) / (a)	11.87 %	11.56 %	12.30 %	10.40 %
Return on average tangible common shareholders' equity (c) / (b)	12.10 %	11.84 %	12.56 %	10.67 %

(1) Return on average tangible common shareholders' equity is considered a non-GAAP financial measure, and is reconciled to GAAP return on average common shareholders' equity in this table.

(2) Ratios are annualized.

Book Value per Common Share and Tangible Book Value per Common Share

The following table presents the components of book value per common share and tangible book value per common share:

Book Value per Common Share and Tangible Book Value per Common Share [(1)]	September 30, 2021	December 31, 2020	September 30, 2020
(in thousands, except per share amounts)			
Total shareholders' equity	$ 14,801,794	$ 11,750,646	$ 11,344,609
Less: Preferred stock	2,892,500	1,545,000	1,645,000
Total common shareholders' equity (a)	11,909,294	10,205,646	9,699,609
Less: Goodwill and other intangible assets	223,183	227,512	229,185
Total tangible common shareholders' equity (b)	$ 11,686,111	$ 9,978,134	$ 9,470,424
Number of shares of common stock outstanding (c)	179,261	174,124	172,188
Book value per common share (a) / (c)	$ 66.44	$ 58.61	$ 56.33
Tangible book value per common share (b) / (c)	$ 65.19	$ 57.30	$ 55.00

(1) Tangible book value per common share is considered a non-GAAP financial measure, and is reconciled to GAAP book value per common share in this table.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk Management

We seek to measure and manage the potential impact of changes in interest rates on our net interest income and net interest margin, known as interest rate risk. Interest rate risk is primarily driven by assets and liabilities that mature or reset at different times, on a different basis, in unequal amounts, or which may have different embedded optionality. The Bank's Board approves policies and limits governing the management of interest rate risk at least annually. Our ALM and Investment Committees further establish risk management guidelines and procedures within the broader policies and limits established by the Bank's Board. Compliance with these policies and limits is reported to the Bank's Board on an ongoing basis and decisions on the management of interest rate risk are made as needed. We utilize a variety of interest rate risk management tools to evaluate our interest rate risk.

We may manage interest rate risk by altering the mix of loans, such as adjustable-rate loans, hybrid ARMs, or fixed-rate loans, which we originate or elect to retain. We may also change the composition and characteristics of our investment portfolio. We may also vary the degree to which we utilize different funding sources, such as checking and savings accounts, CDs with various maturity terms, laddered maturity fixed-rate FHLB advances and unsecured, term, fixed-rate senior notes, fixed-to-floating rate senior notes and fixed-rate subordinated notes. We may also utilize overnight and short-term borrowings to fund certain short-term assets, such as loans that have been committed for sale and floating rate investments, or to bridge temporary funding needs, such as those resulting from client investment activity or seasonal deposit fluctuations. As part of our ALM strategy, we may sell long-term fixed-rate single family mortgage loans into the secondary market through ongoing, or "flow," transactions. We may also sell portions of our single family hybrid ARM and fixed-rate loans in bulk loan transactions or securitizations. We sold $65.3 million of loans during the nine months ended September 30, 2021.

In addition to the mix and pricing of interest-earning assets and interest-bearing liabilities, our net interest income and net interest margin may also be affected by factors such as changes in federal, state or local regulations, competition, market conditions, levels of loan sales and repayment rates, levels of cash held on the balance sheet, overall growth of assets and liabilities, general interest rate trends, including movements in interest rates and the shape of the yield curve, basis risk, level and cost of FHLB advances, market rates of new capital or debt offerings and any nonaccrual loans. Our net interest margin may also be affected by our overall business model or strategy. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Business and Financial Statements—Interest Rates" for discussion of the FOMC's actions.

There is also interest rate risk inherent in the estimated fair value of our MSRs. Movements in interest rates affect the servicing fees from MSRs, which are recorded in noninterest income as opposed to net interest income. In a decreasing interest rate environment, loans in the servicing portfolio may repay more rapidly, which reduces current and future servicing income. Inversely, in an increasing interest rate environment, repayments may decrease, which increases expected future servicing income.

Balance Sheet Overview

Our net interest income and net interest margin may be affected by the mix of interest-earning assets and interest-bearing liabilities. The Bank has earning assets with reset periods or maturity of less than one year totaling $45.8 billion, or 28% of total earning assets at September 30, 2021. Of these earning assets, the Bank has loans, including loans held for sale, which are currently adjustable and reprice with indices or mature within one year totaling $32.4 billion, or 25% of the total loan portfolio at September 30, 2021. The loan portfolio that reprices at least quarterly to market rate indices, such as Prime or LIBOR, totaled $22.9 billion, or 18% of the total loan portfolio at September 30, 2021. The loan portfolio with lagging indices, such as COFI and the CMT, totaled $5.7 billion, or 4% of the total loan portfolio at September 30, 2021. Additionally, the loan portfolio that either (1) matures within one year; (2) is within one year of adjusting from the initial fixed-rate period; or (3) is committed for sale totaled $3.8 billion, or 3% of the total loan portfolio at September 30, 2021. In addition, at September 30, 2021, the Bank held $11.9 billion in cash and $1.6 billion in investment securities (collectively, 37% of total cash and investment securities), that reprice to market rates at least quarterly or are currently projected to be called or mature in less than one year.

Total checking deposits were $99.9 billion, or 69% of total deposits at September 30, 2021. Total checking deposits include both noninterest-bearing checking accounts and interest-bearing checking accounts, which currently pay a nominal rate of interest, but exclude money market checking accounts. We do not expect the rate paid on interest-bearing checking deposits to fluctuate much with changes in overall interest rates, consistent with our history. The rates paid on money market savings, money market checking and passbook deposit accounts generally move directionally with changes in short-term prevailing interest rates and may be subject to competitive pricing pressure. Money market savings, money market checking and passbook deposit accounts together totaled $37.8 billion, or 26% of total deposits at September 30, 2021. CDs were $7.6 billion, or 5% of total deposits and had a weighted average remaining maturity of 5.9 months at September 30, 2021.

We utilize long-term FHLB advances as a source of fixed-rate, term funding to help manage our overall interest rate risk. Such advances totaled $7.7 billion at September 30, 2021 and had a weighted average remaining maturity of 1.6 years. In addition, the Bank has also issued unsecured, term, fixed-rate senior notes, fixed-to-floating rate senior notes and fixed-rate subordinated notes. At September 30, 2021, the senior notes had a carrying value of $997.7 million and mature in June 2022 and February 2024. Also, at September 30, 2021, the subordinated notes had a carrying value of $778.6 million and mature in August 2046 and February 2047.

Net Interest Income Simulation

In addition to evaluating our current balance sheet, we also perform simulations to measure and evaluate our potential net interest income exposure to changes in interest rates. Based on the results of such analyses, we may make changes to our asset/liability mix, to draw down short or long-term advances with the FHLB, to issue long-term senior notes or long-term subordinated notes, to sell or securitize loans, to enter into interest rate exchange agreements or to otherwise seek to better protect ourselves against potential adverse effects from changes in interest rates.

We use a simulation model to measure and evaluate our net interest income risk exposure. We run various hypothetical interest rate scenarios at least quarterly and compare these results against a scenario with no changes in interest rates. Our net interest income simulation model incorporates various assumptions, which management believes to be reasonable but which may have a significant impact on results, such as: (1) the timing and magnitude of changes in interest rates, (2) the yield curve evolution and shape, (3) repricing and maturing characteristics, other than contractual, for market rate sensitive instruments, (4) non-interest bearing checking deposit balance behavior and the possibility of shifts in preference between interest-bearing and non-interest bearing products, (5) varying sensitivities of financial instruments due to differing underlying rate indices, (6) loan prepayment speeds for different interest rate scenarios, (7) the effect of interest rate floors, periodic loan caps and lifetime loan caps, (8) the levels of cash held on our balance sheet and (9) overall growth, product mix and repayment rates of assets and liabilities. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a precise forecast of the actual effect of a change in market interest rates on our results, but rather as a means to better understand the direction, timing and magnitude of interest rate risk exposure and plan and execute the appropriate ALM strategies.

Potential changes to our net interest income in hypothetical rising and declining rate scenarios, measured over a two-year period beginning September 30, 2021, are presented in the following table. The projections assume both (a) instantaneous parallel shifts upward of 100 and 200 bps and instantaneous parallel shifts downward of the yield curve of 100 bps occurring immediately ("Shock") and (b) gradual parallel shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates being held constant thereafter ("Ramp"). In downward shifts of the yield curve, interest rates are not modeled to decline lower than 0%.

	Estimated Increase (Decrease) in Net Interest Income	
Change in Market Interest Rates	**Twelve Months Ending September 30, 2022**	**Twelve Months Ending September 30, 2023**
Shock:		
+200 bps immediately	6.8 %	17.5 %
+100 bps immediately	3.6 %	10.0 %
-100 bps immediately	(4.1)%	(10.2)%
Ramp:		
+200 bps over next 12 months	2.7 %	11.9 %
+100 bps over next 12 months	1.4 %	6.9 %
-100 bps over next 12 months	(1.7)%	(7.8)%

The Bank's net interest income sensitivity position is a combined result of the existing balance sheet and future growth projections as of September 30, 2021 indicating that assets are expected to overall reprice or roll off at a marginally faster pace than liabilities. This would generally be beneficial to net interest income in hypothetical parallel rising rate environments. Inversely, a parallel decline in rates would negatively impact net interest income.

Given current spot and implied forward rate levels, some scenarios reflecting lower rates could result in interest rates that are negative. The Federal Reserve has never utilized negative interest rate policies in the past, thus necessitating some assumptions to be used for such hypothetical scenarios. Actual market response to negative interest rates may differ from such assumptions.

With respect to deposit balances, we expect non-interest bearing and interest-bearing checking balances, which exclude money market checking, to remain at or below the current level of 69% of total deposits over the two-year horizon.

Excluding CDs, the remaining deposits include money market checking, money market savings and passbook accounts and are assumed to reprice with a modest lag by approximately 71% of short-term interest rate increases or 66% of short-term rate decreases over the two-year period, which is also consistent with our historical experience.

The results of this earnings simulation analysis are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from our projections or theoretical scenarios, our net interest income might vary significantly. Non-parallel yield curve shifts, such as a steepening, flattening, or inversion of the yield curve or changes in interest rate spreads, would also cause our net interest income to be different from that depicted. Actual results could also differ from those projected if we grow assets and liabilities faster or slower than estimated, if we experience a net outflow of deposit liabilities, if the size, frequency, or timing of actual cash flows differ from contractual cash flows, or if our mix of assets and liabilities otherwise changes materially. Actual results could also differ from those projected if we experience repayment speeds in our loan portfolio substantially different from those assumed in the simulation model.

Finally, these simulation results do not contemplate all the actions that we may undertake in response to potential or actual changes in interest rates, such as changes to our loan, investment, deposit, funding, or hedging strategies.

We may decide to take further action depending on subsequent interest rate and economic developments, the growth rates and mix of loans and deposits, the future level of loan repayments, purchases of investment securities, and changes in other assets.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Securities and Exchange Commission rules, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this report. Our management, including our co-chief executive officers and chief financial officer, supervised and participated in the evaluation. Based on that evaluation, our co-chief executive officers and chief financial officer concluded that our disclosure controls and procedures, as of September 30, 2021, were effective.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There are no material pending legal proceedings to which we or any of our subsidiaries is a party or to which any of our property is subject. We are subject to ordinary routine litigation incidental to our business but we believe the results of such matters will not have a material effect on our business or financial condition.

Item 1A. Risk Factors.

There are risks, many beyond our control, which could cause our results to differ significantly from management's expectations. For a description of these risks, please see the risk factors previously described in Part I, "Item 1A. Risk Factors" in our 2020 Form 10-K. Any of the risks described in our 2020 Form 10-K or in this Quarterly Report on Form 10-Q could, by itself or together with one or more other factors, materially and adversely affect our business, results of operations or financial condition. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, results of operations or financial condition.

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

Recent Sales of Unregistered Securities

During the third quarter of 2021, we sold 35,048 shares of common stock to eligible employees under our ESPP for aggregate cash consideration of $5.9 million. These sales were exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section (3)(a)(2) thereof because the sales involved securities issued by a bank.

During the third quarter of 2021, we granted 25,725 RSUs, net of forfeitures, that have time-based vesting requirements. In addition, we granted 15,011 RSUs, net of forfeitures, that vest over time, provided certain performance criteria are achieved. These awards were granted to certain employees and had an aggregate grant date fair value of $8.0 million. We did not receive any cash consideration in connection with these grants. These grants were exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the grants involved securities issued by a bank.

In July 2021, we sold 30,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 4.000% Noncumulative Perpetual Series M Preferred Stock for aggregate cash consideration of $750.0 million. The aggregate underwriting discount was $12.7 million. Net proceeds, after underwriting discounts, were $737.3 million, which we used for general corporate purposes. This transaction was exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the transaction involved securities issued by a bank.

In August 2021, we sold 2,300,000 shares of common stock as part of an underwritten public offering. The aggregate public offering price was $448.8 million, and the aggregate underwriting discount was $4.7 million. Net proceeds, after underwriting discounts, were $444.1 million ($193.10 per share), which we used for general corporate purposes. This transaction was also exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the transaction involved securities issued by a bank.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers

We did not repurchase any of our common stock during the third quarter of 2021.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

An Index to Exhibits listing the exhibits filed or furnished with this report is presented prior to the signature page to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Certificate of Determination for the Bank's 4.000% Noncumulative Perpetual Series M Preferred Stock, par value $0.01 per share, incorporated by reference to Exhibit 3.1 of Form 8-K filed on July 21, 2021.
4.1	Deposit Agreement, dated July 21, 2021, by and among the Bank, Computershare Inc., Computershare Trust Company, N.A. and the holders from time to time of the Depositary Receipts described therein, incorporated by reference to Exhibit 4.1 of Form 8-K filed on July 21, 2021.
4.2	Form of Depositary Receipt (included in Exhibit 4.1).
10.1	Employment Agreement Amendment No. 7, effective July 12, 2021, to the Employment Agreement dated June 15, 2010, as amended effective February 27, 2012, February 25, 2014, December 1, 2015, May 10, 2017, February 13, 2019 and February 24, 2021 between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.1 of Form 8-K filed on July 12, 2021. (1)
10.2	Employment Agreement, effective July 12, 2021, between Hafize Gaye Erkan and the Bank, incorporated by reference to Exhibit 10.2 of Form 8-K filed on July 12, 2021. (1)
31.1	Certification of Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (2)
31.2	Certification of Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (2)
31.3	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (2)
32.1	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)
32.2	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)
32.3	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)

(1) This exhibit is a management contract or a compensatory plan or arrangement.

(2) Filed herewith.

SIGNATURES

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

FIRST REPUBLIC BANK

November 8, 2021	/s/ Michael J. Roffler
	Michael J. Roffler
	Executive Vice President and Chief Financial Officer
	(Principal Financial Officer)

EXHIBIT 31.1

Certification of Co-Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James H. Herbert, II, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Republic Bank;

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

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

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2021

/s/ James H. Herbert, II
Name: James H. Herbert, II
Title: Chairman and Co-Chief Executive Officer

EXHIBIT 31.2

Certification of Co-Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Hafize Gaye Erkan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Republic Bank;

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

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

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2021

/s/ Hafize Gaye Erkan
Name: Hafize Gaye Erkan
Title: Co-Chief Executive Officer and President

EXHIBIT 31.3

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael J. Roffler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Republic Bank;

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

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

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2021

/s/ Michael J. Roffler

Name: Michael J. Roffler
Title: Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

**Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002**

The undersigned, the Chairman and Co-Chief Executive Officer of First Republic Bank (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the “Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2021

/s/ James H. Herbert, II

Name: James H. Herbert, II
Title: Chairman and Co-Chief Executive Officer

EXHIBIT 32.2

Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Co-Chief Executive Officer and President of First Republic Bank (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2021

/s/ Hafize Gaye Erkan

Name: Hafize Gaye Erkan

Title: Co-Chief Executive Officer and President

EXHIBIT 32.3

Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Executive Vice President and Chief Financial Officer of First Republic Bank (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the “Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2021

/s/ Michael J. Roffler

Name: Michael J. Roffler
Title: Executive Vice President and Chief Financial Officer