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 June 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 July 30, 2021 was 176,759,527.

TABLE OF CONTENTS

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 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
VIE	Variable Interest Entity

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

FIRST REPUBLIC BANK

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share amounts)	June 30, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	$ 7,876,952	$ 5,094,754
Debt securities available-for-sale (amortized cost of $2,650,467 and no allowance for credit losses at June 30, 2021, and amortized cost of $1,874,064 and no allowance for credit losses at December 31, 2020)	2,634,983	1,906,315
Debt securities held-to-maturity (fair value of $21,525,330 and $17,964,019 at June 30, 2021 and December 31, 2020, respectively)	20,244,705	16,610,212
Less: Allowance for credit losses	(8,407)	(6,902)
Debt securities held-to-maturity, net	20,236,298	16,603,310
Equity securities (fair value)	29,550	20,566
Loans	123,117,178	112,566,265
Less: Allowance for credit losses	(636,910)	(635,019)
Loans, net	122,480,268	111,931,246
Loans held for sale	3,169	20,679
Investments in life insurance	2,597,637	2,061,362
Tax credit investments	1,224,114	1,131,905
Premises, equipment and leasehold improvements, net	418,725	403,482
Goodwill and other intangible assets	224,497	227,512
Other assets	3,920,541	3,101,003
Total Assets	$ 161,646,734	$ 142,502,134
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking	$ 59,449,158	$ 46,281,112
Interest-bearing checking	32,165,327	30,603,221
Money market checking	20,373,535	16,778,884
Money market savings and passbooks	14,747,597	12,584,522
Certificates of deposit	7,921,218	8,681,061
Total Deposits	134,656,835	114,928,800
Long-term FHLB advances	9,000,000	11,755,000
Senior notes	997,193	996,145
Subordinated notes	778,535	778,313
Other liabilities	2,939,444	2,293,230
Total Liabilities	148,372,007	130,751,488
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 2,142,500 and 1,545,000 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	2,142,500	1,545,000
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 176,741,517 and 174,123,862 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	1,767	1,741
Additional paid-in capital	5,204,166	4,834,172
Retained earnings	5,936,669	5,346,355
Accumulated other comprehensive income (loss)	(10,375)	23,378
Total Shareholders' Equity	13,274,727	11,750,646
Total Liabilities and Shareholders' Equity	$ 161,646,734	$ 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 June 30, 2021	Quarter Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Interest income:				
Loans	$ 912,885	$ 791,286	$ 1,786,055	$ 1,587,938
Investments	156,947	146,515	297,658	295,084
Other	5,103	5,059	10,292	12,019
Cash and cash equivalents	3,070	564	5,964	4,504
Total interest income	1,078,005	943,424	2,099,969	1,899,545
Interest expense:				
Deposits	24,096	72,480	51,667	191,325
Borrowings	50,044	83,532	105,655	168,676
Total interest expense	74,140	156,012	157,322	360,001
Net interest income	1,003,865	787,412	1,942,647	1,539,544
Provision for credit losses	16,143	31,117	1,535	93,487
Net interest income after provision for credit losses	987,722	756,295	1,941,112	1,446,057
Noninterest income:				
Investment management fees	136,516	85,083	255,558	184,379
Brokerage and investment fees	17,574	12,406	32,138	28,232
Insurance fees	2,668	1,713	5,742	3,870
Trust fees	6,245	4,599	11,976	9,575
Foreign exchange fee income	20,612	10,105	37,779	22,289
Deposit fees	6,618	5,248	12,787	11,845
Loan and related fees	8,877	7,456	16,362	13,570
Loan servicing fees, net	1,057	(4,445)	2,545	(2,793)
Gain (loss) on sale of loans	58	(1,147)	367	778
Gain on investment securities	1,329	1,529	1,984	4,157
Income from investments in life insurance	21,457	7,800	38,006	15,960
Other income	3,597	1,222	7,215	3,751
Total noninterest income	226,608	131,569	422,459	295,613
Noninterest expense:				
Salaries and employee benefits	481,503	344,204	944,907	705,408
Information systems	88,980	74,037	172,496	144,752
Occupancy	63,526	54,941	121,075	108,582
Professional fees	25,475	15,517	46,729	28,634
Advertising and marketing	16,560	8,621	29,193	20,464
FDIC assessments	13,254	11,275	25,154	21,460
Other expenses	73,467	60,863	143,607	122,175
Total noninterest expense	762,765	569,458	1,483,161	1,151,475
Income before provision for income taxes	451,565	318,406	880,410	590,195
Provision for income taxes	78,459	61,638	172,471	114,741
Net income	373,106	256,768	707,939	475,454
Dividends on preferred stock	23,655	14,817	42,180	27,837
Net income available to common shareholders	$ 349,451	$ 241,951	$ 665,759	$ 447,617
Net income	$ 373,106	$ 256,768	$ 707,939	$ 475,454
Other comprehensive income (loss), net of tax:				
Net unrealized gain (loss) on debt securities available-for-sale	11,143	10,049	(33,510)	22,322
Reclassification of loss on debt securities available-for-sale to net income	—	—	—	81
Amortization of unrealized gain on debt securities transferred from available-for-sale to held-to-maturity	(95)	(170)	(243)	(343)
Other comprehensive income (loss)	11,048	9,879	(33,753)	22,060
Comprehensive income	$ 384,154	$ 266,647	$ 674,186	$ 497,514
Basic earnings per common share	$ 1.98	$ 1.41	$ 3.79	$ 2.61
Diluted earnings per common share	$ 1.95	$ 1.40	$ 3.74	$ 2.60

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 June 30, 2021 and 2020							
Balance at March 31, 2021	**176,286,878**	**$2,142,500**	**$ 1,763**	**$5,191,932**	**$5,626,958**	**$ (21,423)**	**$ 12,941,730**
Net income	—	—	—	—	373,106	—	373,106
Other comprehensive income	—	—	—	—	—	11,048	11,048
Stock compensation expense	—	—	—	56,511	—	—	56,511
Net issuance of common stock under stock plans	454,639	—	4	(44,277)	—	—	(44,273)
Dividends on preferred stock (see Note 12)	—	—	—	—	(23,655)	—	(23,655)
Dividends on common stock ($0.22/share)	—	—	—	—	(39,740)	—	(39,740)
Balance at June 30, 2021	**176,741,517**	**$2,142,500**	**$ 1,767**	**$5,204,166**	**$5,936,669**	**$ (10,375)**	**$ 13,274,727**
Balance at March 31, 2020	**171,394,527**	**$1,145,000**	**$ 1,714**	**$4,543,650**	**$4,652,089**	**$ 17,312**	**$ 10,359,765**
Net income	—	—	—	—	256,768	—	256,768
Other comprehensive income	—	—	—	—	—	9,879	9,879
Stock compensation expense	—	—	—	34,675	—	—	34,675
Net issuance of common stock under stock plans	699,045	—	7	(35,274)	—	—	(35,267)
Dividends on preferred stock (see Note 12)	—	—	—	—	(14,817)	—	(14,817)
Dividends on common stock ($0.20/share)	—	—	—	—	(35,075)	—	(35,075)
Balance at June 30, 2020	**172,093,572**	**$1,145,000**	**$ 1,721**	**$4,543,051**	**$4,858,965**	**$ 27,191**	**$ 10,575,928**
At or for the Six Months Ended June 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	—	—	—	—	707,939	—	707,939
Other comprehensive loss	—	—	—	—	—	(33,753)	(33,753)
Issuance of preferred stock, net	—	747,500	—	(14,672)	—	—	732,828
Redemption of preferred stock	—	(150,000)	—	—	—	—	(150,000)
Issuance of common stock, net	2,012,500	—	20	331,329	—	—	331,349
Stock compensation expense	—	—	—	100,470	—	—	100,470
Net issuance of common stock under stock plans	605,155	—	6	(47,133)	—	—	(47,127)
Dividends on preferred stock (see Note 12)	—	—	—	—	(42,180)	—	(42,180)
Dividends on common stock ($0.42/share)	—	—	—	—	(75,445)	—	(75,445)
Balance at June 30, 2021	**176,741,517**	**$2,142,500**	**$ 1,767**	**$5,204,166**	**$5,936,669**	**$ (10,375)**	**$ 13,274,727**
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	—	—	—	—	475,454	—	475,454
Other comprehensive income	—	—	—	—	—	22,060	22,060
Issuance of common stock, net	2,500,000	—	25	290,575	—	—	290,600
Stock compensation expense	—	—	—	71,085	—	—	71,085
Net issuance of common stock under stock plans	972,864	—	10	(33,524)	—	—	(33,514)
Dividends on preferred stock (see Note 12)	—	—	—	—	(27,837)	—	(27,837)
Dividends on common stock ($0.39/share)	—	—	—	—	(68,350)	—	(68,350)
Balance at June 30, 2020	**172,093,572**	**$1,145,000**	**$ 1,721**	**$4,543,051**	**$4,858,965**	**$ 27,191**	**$ 10,575,928**

See accompanying notes to consolidated financial statements.

FIRST REPUBLIC BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating Activities:		
Net income	$ 707,939	$ 475,454
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,535	93,487
Depreciation, amortization and accretion, net	86,975	76,476
Amortization of mortgage servicing rights	4,737	7,156
Provision for mortgage servicing rights in excess of fair value	783	6,636
Deferred income taxes	(2,749)	(10,489)
Gain on sale of loans	(367)	(778)
Gain on investment securities	(1,984)	(4,157)
Noncash cost of stock plans	100,470	71,085
Other net losses	3,047	1,131
Loans originated or purchased for sale	(960,406)	(439,047)
Proceeds from sales and principal repayments of loans held for sale	48,625	440,328
Net change in other assets	(353,453)	(199,497)
Net change in other liabilities	48,764	(173,642)
Net Cash Provided by (Used for) Operating Activities	(316,084)	344,143
Investing Activities:		
Loan originations, net of principal collections	(10,463,881)	(9,505,867)
Loans purchased	(96,396)	(754,449)
Loans sold	—	384,410
Purchases of debt securities available-for-sale	(182,797)	(288,989)
Proceeds from sales and paydowns of debt securities available-for-sale	329,970	335,626
Purchases of debt securities held-to-maturity	(4,813,160)	(1,499,971)
Proceeds from sales, calls and paydowns of debt securities held-to-maturity	1,173,625	1,194,872
Purchases of FHLB stock and other investments	(12,000)	(126,158)
Proceeds from FHLB stock redemptions and other investments	74,675	15,620
Purchases of investments in life insurance	(502,764)	(18,147)
Net change in tax credit and other investments	(49,073)	(79,404)
Additions to premises, equipment and leasehold improvements, net	(90,265)	(68,299)
Other investing activities	3,559	—
Net Cash Used for Investing Activities	(14,628,507)	(10,410,756)
Financing Activities:		
Net change in deposits	19,731,448	8,399,132
Net change in short-term borrowings	—	(795,000)
Proceeds from long-term debt	—	6,155,000
Repayment of long-term debt	(2,755,000)	(2,450,000)
Payment of long-term debt issuance costs	—	(3,503)
Net proceeds from issuance of preferred stock	732,828	—
Redemption of preferred stock	(150,000)	—
Net proceeds from issuance of common stock	331,349	290,600
Proceeds from ESPP and stock options exercised	14,199	13,030
Payments of employee taxes withheld from share-based awards	(60,207)	(46,846)
Dividends on preferred stock	(42,180)	(27,837)
Dividends on common stock	(75,648)	(68,350)
Net Cash Provided by Financing Activities	17,726,789	11,466,226
Increase in Cash and Cash Equivalents	2,782,198	1,399,613
Cash and Cash Equivalents at the Beginning of Period	5,094,754	1,699,557
Cash and Cash Equivalents at the End of Period	$ 7,876,952	$ 3,099,170
Supplemental Disclosure of Cash Flow Items:		
Cash paid:		
Interest	$ 157,733	$ 368,776
Income taxes	$ 149,007	$ 85,078
Non-cash activities:		
Transfer of loans to (from) held for sale	$ (898)	$ 1,036,417
Transfer of loans held for sale to debt securities	$ 903,752	$ 340,938

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.

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)	June 30, 2021	December 31, 2020
Cash and due from banks	$ 389,455	$ 471,541
Interest-bearing deposits with banks	7,487,497	4,623,213
Total cash and cash equivalents	$ 7,876,952	$ 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 June 30, 2021					
Agency residential MBS	$ 1,878,561	$ 2,763	$ (32,611)	$ —	$ 1,848,713
Other residential MBS	17,727	337	—	—	18,064
Agency commercial MBS	706,884	13,851	—	—	720,735
Securities of U.S. states and political subdivisions—taxable	47,295	176	—	—	47,471
Total	$ 2,650,467	$ 17,127	$ (32,611)	$ —	$ 2,634,983
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:

($ in thousands)	Held-to-maturity Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses	Amortized Cost, Net of Allowance
At June 30, 2021						
U.S. Government-sponsored agency securities	$ 100,000	$ —	$ (1,938)	$ 98,062	$ —	$ 100,000
Agency residential MBS	1,322,689	19,929	(3,840)	1,338,778	—	1,322,689
Other residential MBS	11,139	69	—	11,208	—	11,139
Agency commercial MBS	1,997,817	82,156	—	2,079,973	—	1,997,817
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	13,792,117	1,065,411	(5,495)	14,852,033	(6,896)	13,785,221
Tax-exempt nonprofit debentures	73,718	436	—	74,154	(37)	73,681
Taxable municipal securities	1,569,905	70,525	(948)	1,639,482	(785)	1,569,120
Corporate debt securities	1,377,320	56,523	(2,203)	1,431,640	(689)	1,376,631
Total	$ 20,244,705	$ 1,295,049	$ (14,424)	$ 21,525,330	$ (8,407)	$ 20,236,298
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)	June 30, 2021	December 31, 2020
Equity securities (fair value):		
Mutual funds and marketable equity securities	$ 29,550	$ 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)	June 30, 2021	December 31, 2020
Interest receivable on debt securities available-for-sale	$ 3,891	$ 3,053
Interest receivable on debt securities held-to-maturity	$ 163,457	$ 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 June 30, 2021					
U.S. Government-sponsored agency securities	$ —	$ 100,000	$ —	$ —	$ 100,000
Agency residential MBS	—	1,322,689	—	—	1,322,689
Other residential MBS	10,789	350	—	—	11,139
Agency commercial MBS	—	1,997,817	—	—	1,997,817
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	3,908,430	9,603,654	280,033	—	13,792,117
Tax-exempt nonprofit debentures	—	—	19,252	54,466	73,718
Taxable municipal securities	497,551	1,072,354	—	—	1,569,905
Corporate debt securities	525,156	852,164	—	—	1,377,320
Total	$ 4,941,926	$ 14,949,028	$ 299,285	$ 54,466	$ 20,244,705

($ in thousands)	Held-to-maturity 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 $73.7 million and $74.9 million at June 30, 2021 and December 31, 2020, respectively.

Aging and Nonaccrual

As of both June 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 June 30, 2021							
Agency residential MBS	$ (31,537)	$ 1,568,465	$ (1,074)	$ 56,390	$ (32,611)	$ 1,624,855	448
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 through its impairment assessment, described below.

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 June 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 loss given default 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 increases in the ACL on held-to-maturity debt securities during the quarter and six months ended June 30, 2021 were 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 June 30, 2021			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$ 6,554	$ 342	$ 6,896
Tax-exempt nonprofit debentures	129	(92)	37
Taxable municipal securities	654	131	785
Corporate debt securities	687	2	689
Total	$ 8,024	$ 383	$ 8,407
At or for the Six Months Ended June 30, 2021			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$ 6,499	$ 397	$ 6,896
Tax-exempt nonprofit debentures	143	(106)	37
Taxable municipal securities	220	565	785
Corporate debt securities	40	649	689
Total	$ 6,902	$ 1,505	$ 8,407
At or for the Quarter Ended June 30, 2020			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$ 4,704	$ 267	$ 4,971
Tax-exempt nonprofit debentures	232	(5)	227
Taxable municipal securities	141	33	174
Corporate debt securities	10	1	11
Total	$ 5,087	$ 296	$ 5,383
At or for the Six Months Ended June 30, 2020 [(1)]			
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	$ 4,432	$ 539	$ 4,971
Tax-exempt nonprofit debentures	100	127	227
Taxable municipal securities	127	47	174
Corporate debt securities	10	1	11
Total	$ 4,669	$ 714	$ 5,383

(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 June 30, 2021, the carrying value of investment securities pledged was $4.054 billion, of which $4.050 billion was unencumbered and available to support additional borrowings.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Debt securities available-for-sale:				
Sales proceeds	$ —	$ —	$ —	$ 70,868
Debt securities held-to-maturity:				
Sales proceeds	$ —	$ —	$ —	$ 34,822

The following table presents gains and losses on investment securities:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Debt securities available-for-sale:				
Gross realized gains on sales	$ —	$ —	$ —	$ 37
Gross realized losses on sales	—	—	—	(151)
Debt securities held-to-maturity:				
Gross realized gains on sales	—	—	—	2,753
Equity securities (fair value):				
Net change in fair value	1,329	1,529	1,984	1,518
Total gain on investment securities	$ 1,329	$ 1,529	$ 1,984	$ 4,157

The following table presents interest income on investment securities:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Interest income on tax-exempt securities	$ 105,526	$ 96,218	$ 204,675	$ 189,264
Interest income on taxable securities	51,421	50,297	92,983	105,820
Total	$ 156,947	$ 146,515	$ 297,658	$ 295,084

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 June 30, 2021					
Amortized cost:					
Agency residential MBS	$ 1,878,561	$ —	$ 1,087	$ —	$ 1,877,474
Other residential MBS	17,727	—	—	—	17,727
Agency commercial MBS	706,884	—	109,302	261,032	336,550
Securities of U.S. states and political subdivisions—taxable	47,295	—	—	—	47,295
Total	$ 2,650,467	$ —	$ 110,389	$ 261,032	$ 2,279,046
Fair value:					
Agency residential MBS	$ 1,848,713	$ —	$ 1,083	$ —	$ 1,847,630
Other residential MBS	18,064	—	—	—	18,064
Agency commercial MBS	720,735	—	109,527	262,485	348,723
Securities of U.S. states and political subdivisions—taxable	47,471	—	—	—	47,471
Total	$ 2,634,983	$ —	$ 110,610	$ 262,485	$ 2,261,888
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

($ in thousands)	Held-to-maturity Amount	Within 1 Year	After 1 Through 5 Years	After 5 Through 10 Years	After 10 Years
At June 30, 2021					
Amortized cost, net of allowance:					
U.S. Government-sponsored agency securities	$ 100,000	$ —	$ —	$ —	$ 100,000
Agency residential MBS	1,322,689	—	3,616	—	1,319,073
Other residential MBS	11,139	—	—	—	11,139
Agency commercial MBS	1,997,817	—	—	—	1,997,817
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	13,785,221	300,109	663,459	110,846	12,710,807
Tax-exempt nonprofit debentures	73,681	—	—	—	73,681
Taxable municipal securities	1,569,120	—	—	—	1,569,120
Corporate debt securities	1,376,631	—	—	—	1,376,631
Total	$ 20,236,298	$ 300,109	$ 667,075	$ 110,846	$ 19,158,268
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)	June 30, 2021	December 31, 2020
Residential real estate		
Single family	$ 69,908,787	$ 61,370,246
Home equity lines of credit	2,441,034	2,449,533
Single family construction	877,548	787,854
Total residential real estate	73,227,369	64,607,633
Income property		
Multifamily	14,803,219	13,768,957
Commercial real estate	8,234,934	8,018,158
Multifamily/commercial construction	2,060,980	2,024,420
Total income property	25,099,133	23,811,535
Business		
Capital call lines of credit	8,127,473	8,149,946
Tax-exempt	3,566,385	3,365,572
Other business	3,656,598	3,340,048
PPP	1,374,765	1,841,376
Total business	16,725,221	16,696,942
Other		
Stock secured	2,965,857	2,518,338
Other secured	2,051,617	1,818,550
Unsecured	3,047,981	3,113,267
Total other	8,065,455	7,450,155
Total loans held for investment	123,117,178	112,566,265
Less: Allowance for credit losses	(636,910)	(635,019)
Loans, net	$ 122,480,268	$ 111,931,246

The following table presents loans held for sale:

($ in thousands)	June 30, 2021	December 31, 2020
Loans held for sale	$ 3,169	$ 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 both June 30, 2021 and December 31, 2020, approximately 51% of the total loan portfolio was secured by California real estate. At June 30, 2021 and December 31, 2020, approximately 63% 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 June 30, 2021, the Bank had pledged $67.4 billion of loans to secure borrowings of $9.0 billion from the FHLB, although only approximately $11.4 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)	June 30, 2021	December 31, 2020
Interest receivable [(1)]	$ 300,066	$ 288,094

[(1)] Includes $3.2 million and $7.2 million of deferred interest from loan modifications to assist borrowers experiencing financial difficulties as a result of COVID-19 at June 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 June 30, 2021						
Residential real estate						
Single family	$ 16,878	$ 13,499	$ 30,840	$ 61,217	$ 69,847,570	$ 69,908,787
Home equity lines of credit	3,849	—	17,594	21,443	2,419,591	2,441,034
Single family construction	—	—	—	—	877,548	877,548
Total residential real estate	20,727	13,499	48,434	82,660	73,144,709	73,227,369
Income property						
Multifamily	3,494	—	—	3,494	14,799,725	14,803,219
Commercial real estate	2,237	—	2,504	4,741	8,230,193	8,234,934
Multifamily/commercial construction	—	—	9,858	9,858	2,051,122	2,060,980
Total income property	5,731	—	12,362	18,093	25,081,040	25,099,133
Business						
Capital call lines of credit	—	—	—	—	8,127,473	8,127,473
Tax-exempt	—	—	—	—	3,566,385	3,566,385
Other business	—	47	510	557	3,656,041	3,656,598
PPP	—	—	—	—	1,374,765	1,374,765
Total business	—	47	510	557	16,724,664	16,725,221
Other						
Stock secured	—	—	—	—	2,965,857	2,965,857
Other secured	150	27	645	822	2,050,795	2,051,617
Unsecured	524	31	—	555	3,047,426	3,047,981
Total other	674	58	645	1,377	8,064,078	8,065,455
Total	$ 27,132	$ 13,604	$ 61,951	$ 102,687	$ 123,014,491	$ 123,117,178

($ 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:

	June 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	$ —	$ 75,195	$ 63,886	$ —	$ 85,630	$ 73,394
Home equity lines of credit	—	27,901	26,752	—	31,571	26,711
Total residential real estate	—	103,096	90,638	—	117,201	100,105
Income property						
Commercial real estate	—	4,044	2,981	—	2,320	1,200
Multifamily/commercial construction	—	18,713	18,713	—	57,843	57,843
Total income property	—	22,757	21,694	—	60,163	59,043
Business						
Other business	—	4,330	3,549	—	4,534	2,822
Other						
Other secured	—	645	—	—	23	—
Unsecured	—	2,052	190	—	2,211	192
Total other	—	2,697	190	—	2,234	192
Total	$ —	$132,880	$ 116,071	$ —	$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 June 30,		Six Months Ended June 30,	
($ in thousands)	2021	2020	2021	2020
Actual interest income recognized	$ —	$ —	$ —	$ —
Interest income under original terms	$ 1,239	$ 1,382	$ 2,272	$ 2,633

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 June 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 $6.2 million and $8.0 million at June 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 June 30, 2021									
Residential real estate									
Single family:									
Pass	$15,452,772	$21,799,352	$11,447,447	$5,545,356	$ 6,071,510	$ 9,329,648	$ —	$ —	$69,646,085
Special mention	—	5,181	22,616	23,619	29,451	80,030	—	—	160,897
Substandard	—	3,567	4,107	10,939	20,652	62,540	—	—	101,805
	15,452,772	21,808,100	11,474,170	5,579,914	6,121,613	9,472,218	—	—	69,908,787
Home equity lines of credit:									
Pass	—	—	—	—	—	—	2,349,453	47,909	2,397,362
Special mention	—	—	—	—	—	—	12,888	1,074	13,962
Substandard	—	—	—	—	—	—	26,697	3,013	29,710
	—	—	—	—	—	—	2,389,038	51,996	2,441,034
Single family construction:									
Pass	154,426	255,026	260,398	151,297	42,464	11,524	—	—	875,135
Special mention	—	—	2,413	—	—	—	—	—	2,413
	154,426	255,026	262,811	151,297	42,464	11,524	—	—	877,548
Total residential real estate	15,607,198	22,063,126	11,736,981	5,731,211	6,164,077	9,483,742	2,389,038	51,996	73,227,369
Income property									
Multifamily:									
Pass	2,033,450	3,724,717	2,764,537	2,272,956	1,452,126	2,235,601	206,350	—	14,689,737
Special mention	—	—	30,310	—	871	4,897	—	—	36,078
Substandard	34,751	—	6,019	14,109	—	22,525	—	—	77,404
	2,068,201	3,724,717	2,800,866	2,287,065	1,452,997	2,263,023	206,350	—	14,803,219
Commercial real estate:									
Pass	947,266	1,597,558	1,273,219	1,050,788	812,547	2,132,544	187,331	—	8,001,253
Special mention	2,102	5,258	14,343	25,630	16,198	65,763	250	—	129,544
Substandard	19,407	1,540	38,714	4,873	17,668	20,221	1,714	—	104,137
	968,775	1,604,356	1,326,276	1,081,291	846,413	2,218,528	189,295	—	8,234,934
Multifamily/commercial construction									
Pass	216,921	715,566	659,231	325,179	73,960	7,627	8,641	—	2,007,125
Special mention	—	20,600	—	—	14,542	—	—	—	35,142
Substandard	—	—	9,858	8,855	—	—	—	—	18,713
	216,921	736,166	669,089	334,034	88,502	7,627	8,641	—	2,060,980
Total income property	3,253,897	6,065,239	4,796,231	3,702,390	2,387,912	4,489,178	404,286	—	25,099,133

(continued on following page)

(continued from previous page)

($ in thousands)	2021	2020	2019	2018	2017	Prior	Revolving lines of credit	Revolving lines of credit converted to term	Total
At June 30, 2021									
Business									
Capital call lines of credit:									
Pass	—	—	18,641	—	—	—	8,108,832	—	8,127,473
Tax-exempt:									
Pass	421,355	981,323	169,732	224,117	377,946	1,389,017	—	—	3,563,490
Special mention	—	—	—	—	—	2,895	—	—	2,895
	421,355	981,323	169,732	224,117	377,946	1,391,912	—	—	3,566,385
Other business:									
Pass	411,851	783,942	491,056	341,279	173,827	330,005	1,073,254	—	3,605,214
Special mention	2,055	6,318	2,855	2,226	13,098	2,243	6,363	—	35,158
Substandard	219	—	3,788	2,242	2,166	5,921	1,619	—	15,955
Doubtful	99	—	125	—	—	—	47	—	271
	414,224	790,260	497,824	345,747	189,091	338,169	1,081,283	—	3,656,598
PPP:									
Pass	795,144	566,912	—	—	—	—	—	—	1,362,056
Special mention	—	12,709	—	—	—	—	—	—	12,709
	795,144	579,621	—	—	—	—	—	—	1,374,765
Total business	1,630,723	2,351,204	686,197	569,864	567,037	1,730,081	9,190,115	—	16,725,221
Other									
Stock secured:									
Pass	—	19,802	878	3,233	—	—	2,941,944	—	2,965,857
Other secured:									
Pass	119,848	186,024	179,507	128,331	43,601	71,568	1,290,691	21,451	2,041,021
Special mention	—	6,336	—	—	—	—	2,863	—	9,199
Substandard	—	—	540	—	645	212	—	—	1,397
	119,848	192,360	180,047	128,331	44,246	71,780	1,293,554	21,451	2,051,617
Unsecured:									
Pass	106,503	421,295	581,439	537,786	328,713	302,858	756,947	—	3,035,541
Substandard	1,213	644	1,713	2,072	1,975	2,520	441	—	10,578
Doubtful	—	174	—	403	158	397	730	—	1,862
	107,716	422,113	583,152	540,261	330,846	305,775	758,118	—	3,047,981
Total other	227,564	634,275	764,077	671,825	375,092	377,555	4,993,616	21,451	8,065,455
Total	$20,719,382	$31,113,844	$17,983,486	$10,675,290	$ 9,494,118	$16,080,556	$16,977,055	$ 73,447	$123,117,178

($ 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

(continued on following page)

(continued from previous page)

($ 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 June 30,		Six Months Ended June 30,	
($ in thousands)	2021	2020	2021	2020
Residential real estate				
Home equity lines of credit	$ 4,782	$ 959	$ 7,180	$ 2,440
Other				
Other secured	8,042	7,150	10,616	7,991
Total	$ 12,824	$ 8,109	$ 17,796	$ 10,431

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 June 30, 2021, the total ACL on loans was $636.9 million, and $593.1 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 June 30, 2021 compared to December 31, 2020. The scenario forecasts an overall appreciation in residential real estate prices during the reasonable and supportable period, with continued improvement in the unemployment rate over the same period. The scenario also forecasts that commercial real estate and apartment prices begin to recover towards the end of the reasonable and supportable period. The current scenario projects interest rates at slightly higher level 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 ten year historical period for all loans except tax-exempt business loans, for which a 15-year historical period is used.

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 June 30, 2021, the Bank's collateral dependent loans were fully collateralized and primarily secured by residential real estate and single family homes in construction.

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 June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Provision (reversal of provision) for credit losses:				
Debt securities held-to-maturity [1]	$ 383	$ 296	$ 1,505	$ 714
Loans	17,304	43,189	3,597	90,868
Unfunded loan commitments	(1,544)	(12,368)	(3,567)	1,905
Total provision (reversal of provision)	$ 16,143	$ 31,117	$ 1,535	$ 93,487

[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 June 30, 2021, the total ACL on loans was $636.9 million, compared to $620.8 million as of March 31, 2021 and $635.0 million as of December 31, 2020. The increase in the total ACL on loans as of June 30, 2021 compared to March 31, 2021 was primarily due to loan growth. The increase as of June 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:

($ in thousands)	Allowance for Credit Losses on Loans: Balance at Beginning of Period	Provision (Reversal of provision)	Charge-offs	Recoveries	Balance at End of Period
At or for the Quarter Ended June 30, 2021					
Residential real estate					
Single family	$ 131,462	$ 10,482	$ (196)	$ 11	$ 141,759
Home equity lines of credit	6,206	(820)	—	106	5,492
Single family construction	3,090	170	—	—	3,260
Total residential real estate	140,758	9,832	(196)	117	150,511
Income property					
Multifamily	111,566	3,445	—	—	115,011
Commercial real estate	67,282	9,956	—	—	77,238
Multifamily/commercial construction	35,849	(3,536)	—	—	32,313
Total income property	214,697	9,865	—	—	224,562
Business					
Capital call lines of credit	103,846	(6,316)	—	—	97,530
Tax-exempt	37,269	(173)	—	—	37,096
Other business	71,486	2,314	(302)	124	73,622
PPP	—	—	—	—	—
Total business	212,601	(4,175)	(302)	124	208,248
Other					
Stock secured	—	—	—	—	—
Other secured	6,496	634	(5)	—	7,125
Unsecured	46,273	1,148	(1,135)	178	46,464
Total other	52,769	1,782	(1,140)	178	53,589
Total	$ 620,825	$ 17,304	$ (1,638)	$ 419	$ 636,910
At or for the Six Months Ended June 30, 2021					
Residential real estate					
Single family	$ 137,117	$ 5,141	$ (527)	$ 28	$ 141,759
Home equity lines of credit	8,039	(2,628)	(211)	292	5,492
Single family construction	3,681	(421)	—	—	3,260
Total residential real estate	148,837	2,092	(738)	320	150,511
Income property					
Multifamily	120,994	(5,983)	—	—	115,011
Commercial real estate	71,430	5,808	—	—	77,238
Multifamily/commercial construction	36,059	(3,746)	—	—	32,313
Total income property	228,483	(3,921)	—	—	224,562
Business					
Capital call lines of credit	89,983	7,547	—	—	97,530
Tax-exempt	39,752	(2,656)	—	—	37,096
Other business	68,071	5,626	(312)	237	73,622
PPP	—	—	—	—	—
Total business	197,806	10,517	(312)	237	208,248
Other					
Stock secured	—	—	—	—	—
Other secured	8,240	(1,110)	(5)	—	7,125
Unsecured	51,653	(3,981)	(1,409)	201	46,464
Total other	59,893	(5,091)	(1,414)	201	53,589
Total	$ 635,019	$ 3,597	$ (2,464)	$ 758	$ 636,910

($ in thousands)	Allowance for Credit Losses on Loans: Balance at Beginning of Period	Provision (Reversal of provision)	Charge-offs	Recoveries	Balance at End of Period
At or for the Quarter Ended June 30, 2020					
Residential real estate					
Single family	$ 108,456	$ 17,165	$ —	$ 21	$ 125,642
Home equity lines of credit	12,117	(1,867)	(278)	414	10,386
Single family construction	5,920	(2,014)	(679)	—	3,227
Total residential real estate	126,493	13,284	(957)	435	139,255
Income property					
Multifamily	111,351	8,942	—	—	120,293
Commercial real estate	59,047	11,343	—	—	70,390
Multifamily/commercial construction	30,018	3,036	—	—	33,054
Total income property	200,416	23,321	—	—	223,737
Business					
Capital call lines of credit	76,113	(9,778)	—	—	66,335
Tax-exempt	29,466	6,312	—	—	35,778
Other business	66,165	(2,621)	(7)	36	63,573
PPP	—	—	—	—	—
Total business	171,744	(6,087)	(7)	36	165,686
Other					
Stock secured	—	—	—	—	—
Other secured	4,286	449	—	—	4,735
Unsecured	38,967	12,222	(634)	29	50,584
Total other	43,253	12,671	(634)	29	55,319
Total	$ 541,906	$ 43,189	$ (1,598)	$ 500	$ 583,997
At or for the Six Months Ended June 30, 2020 [1]					
Residential real estate					
Single family	$ 101,532	$ 24,161	$ (89)	$ 38	$ 125,642
Home equity lines of credit	9,070	1,168	(284)	432	10,386
Single family construction	4,801	(895)	(679)	—	3,227
Total residential real estate	115,403	24,434	(1,052)	470	139,255
Income property					
Multifamily	111,384	8,909	—	—	120,293
Commercial real estate	55,413	14,977	—	—	70,390
Multifamily/commercial construction	23,884	9,170	—	—	33,054
Total income property	190,681	33,056	—	—	223,737
Business					
Capital call lines of credit	66,844	(509)	—	—	66,335
Tax-exempt	29,678	6,100	—	—	35,778
Other business	56,471	7,055	(7)	54	63,573
PPP	—	—	—	—	—
Total business	152,993	12,646	(7)	54	165,686
Other					
Stock secured	—	—	—	—	—
Other secured	3,399	1,336	—	—	4,735
Unsecured	31,953	19,396	(883)	118	50,584
Total other	35,352	20,732	(883)	118	55,319
Total	$ 494,429	$ 90,868	$ (1,942)	$ 642	$ 583,997

[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 decreased during the quarter and six months ended June 30, 2021. The decrease in ACL on unfunded commitments as of June 30, 2021 compared to March 31, 2021 was primarily due to a generally lower probability of funding. The decrease as of June 30, 2021 compared to December 31, 2020 was primarily due to a generally lower probability of funding, and an improved economic outlook. The following table presents the changes in the ACL on unfunded loan commitments:

	At or for the Quarter Ended June 30,		At or for the Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020** [1]
Balance at beginning of period	$ 25,555	$ 29,970	$ 27,578	$ 15,697
Provision (reversal of provision)	(1,544)	(12,368)	(3,567)	1,905
Balance at end of period	$ 24,011	$ 17,602	$ 24,011	$ 17,602

(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

The Bank restructures loans generally because of the borrower's financial difficulties by granting concessions to reduce the interest rate or to defer payments. 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 June 30, 2021			At December 31, 2020		
($ in thousands)	**Restructured - Nonaccrual**	**Restructured - Accruing**	**Total**	**Restructured - Nonaccrual**	**Restructured - Accruing**	**Total**
Residential real estate						
Single family	$ 41,403	$ 6,050	$ 47,453	$ 45,603	$ 5,737	$ 51,340
Home equity lines of credit	10,450	—	10,450	12,990	10	13,000
Total residential real estate	51,853	6,050	57,903	58,593	5,747	64,340
Income property						
Commercial real estate	1,176	4,706	5,882	1,200	4,709	5,909
Multifamily/commercial construction	9,858	—	9,858	57,843	—	57,843
Total income property	11,034	4,706	15,740	59,043	4,709	63,752
Business						
Other business	3,549	651	4,200	3,670	797	4,467
Total	$ 66,436	$ 11,407	$ 77,843	$ 121,306	$ 11,253	$ 132,559

During the quarters and six months ended June 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 June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Residential real estate				
Single family	$ 1,326	$ 4,437	$ 1,326	$ 14,352
Home equity lines of credit	562	3,173	562	3,919
Total residential real estate	1,888	7,610	1,888	18,271
Income property				
Multifamily/commercial construction	—	—	—	58,135
Business				
Other business	—	1,818	—	1,818
Total	$ 1,888	$ 9,428	$ 1,888	$ 78,224

TDRs that were modified in the previous twelve months and for which there was a payment default totaled $2.6 million for the quarter and six months ended June 30, 2021, and $63.4 million for the quarter and six months ended June 30, 2020. 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 $634 million, and was only 0.5% of total loans as of June 30, 2021, compared to $1.3 billion, or 1.1% of total loans as of December 31, 2020. In addition, as of June 30, 2021, deferred interest related to these modifications was $3.2 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 (loss) on sale of loans:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Total loans originated	$ 16,751,259	$ 13,428,027	$ 32,471,762	$ 23,740,414
Single family loans originated	$ 8,661,680	$ 5,875,184	$ 15,563,872	$ 9,394,520
Loans sold:				
Flow sales:				
Agency	$ 4,315	$ 10,810	$ 46,717	$ 36,584
Non-agency	—	—	1,073	31,870
Total flow sales	4,315	10,810	47,790	68,454
Bulk sales:				
Non-agency	—	—	—	437,669
Securitizations	—	300,116	—	300,116
Total loans sold	$ 4,315	$ 310,926	$ 47,790	$ 806,239
Gain (loss) on sale of loans:				
Amount	$ 58	$ (1,147)	$ 367	$ 778
Gain (loss) as a percentage of loans sold	1.34 %	(0.37)%	0.77 %	0.10 %

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:

($ in thousands)	At or for the Quarter Ended June 30, 2021	At or for the Quarter Ended June 30, 2020	At or for the Six Months Ended June 30, 2021	At or for the Six Months Ended June 30, 2020
Loans serviced for others:				
Beginning balance	$ 6,313,737	$ 9,203,192	$ 7,094,221	$ 9,297,972
Loans sold	4,315	310,926	47,790	806,239
Repayments	(677,582)	(801,977)	(1,501,541)	(1,392,070)
Loans purchased	—	(396,509)	—	(396,509)
Ending balance	$ 5,640,470	$ 8,315,632	$ 5,640,470	$ 8,315,632
MSRs:				
Beginning balance	$ 23,482	$ 41,740	$ 25,998	$ 41,720
Additions due to new loans sold	26	2,051	323	6,068
Amortization expense	(2,276)	(3,809)	(4,737)	(7,156)
Provision for valuation allowance	(460)	(5,986)	(813)	(6,636)
Reversal of valuation allowance	29	—	30	—
Reductions due to purchases	—	(2,275)	—	(2,275)
Ending balance	$ 20,801	$ 31,721	$ 20,801	$ 31,721
Estimated fair value of MSRs	$ 26,359	$ 34,821	$ 26,359	$ 34,821
MSRs as a percent of loans serviced	0.37 %	0.38 %	0.37 %	0.38 %
Weighted average servicing fee collected for the period (annualized)	0.25 %	0.24 %	0.25 %	0.25 %
MSRs as a multiple of weighted average servicing fee	1.49 x	1.57 x	1.48 x	1.55 x

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

($ in thousands)	At or for the Quarter Ended June 30, 2021	At or for the Quarter Ended June 30, 2020	At or for the Six Months Ended June 30, 2021	At or for the Six Months Ended June 30, 2020
Valuation allowance:				
Beginning balance	$ 681	$ 750	$ 329	$ 1,862
Provision	460	5,986	813	6,636
Reversal to income due to increase in fair value	(29)	—	(30)	—
Write-down due to permanent impairment	(1,110)	—	(1,110)	(1,762)
Ending balance	$ 2	$ 6,736	$ 2	$ 6,736

The following table presents loan servicing fees:

($ in thousands)	Quarter Ended June 30, 2021	Quarter Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Contractually specified servicing fees	$ 3,764	$ 5,350	$ 8,065	$ 10,999
Late charges and ancillary fees, net of costs	$ (283)	$ (590)	$ (649)	$ (968)

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)	June 30, 2021	December 31, 2020
Fair value of MSRs	$ 26,359	$ 31,368
Weighted average prepayment speed (CPR)	22.4 %	24.5 %
Impact on fair value of 10% adverse change	$ (1,994)	$ (2,513)
Impact on fair value of 20% adverse change	$ (3,784)	$ (4,750)
Weighted average discount rate	11.9 %	12.1 %
Impact on fair value of 10% adverse change	$ (670)	$ (765)
Impact on fair value of 20% adverse change	$ (1,307)	$ (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 had a variable interest related to its reimbursement obligation to Freddie Mac for certain losses from the securitization of multifamily loans as of December 31, 2020. Since the Bank was not the primary beneficiary of the VIE, it did 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)	**June 30, 2021**	**December 31, 2020**
Assets:		
Debt securities	$ 11,700	$ 13,502
Tax credit investments	1,224,114	1,131,905
Other investments	65,246	60,034
Total Assets	1,301,060	1,205,441
Liabilities:		
Reimbursement obligation	—	20
Unfunded commitments—tax credit investments	533,776	399,665
Unfunded commitments—other investments	17,072	16,858
Total Liabilities	550,848	416,543
Net Assets	$ 750,212	$ 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 June 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 June 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)	June 30, 2021	December 31, 2020
Supplemental balance sheet information:		
Lease assets [(1)]	$ 1,357,486	$ 951,971
Lease liabilities [(1)]	$ 1,415,599	$ 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 June 30,		Six Months Ended June 30,	
($ in thousands)	2021	2020	2021	2020
Components of lease cost:				
Operating lease cost [(1)]	$ 40,621	$ 32,923	$ 75,954	$ 64,620
Variable lease cost [(1)]	95	120	195	240
Total lease cost	$ 40,716	$ 33,043	$ 76,149	$ 64,860

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

	Six Months Ended June 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	$ 62,898	$ 60,917
Non-cash activity related to lease assets:		
Lease assets obtained from new operating lease liabilities [(1)]	$ 468,283	$ 173,710

[(1)] For the six months ended June 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:

	June 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	$ (210,669)	$ 9,981	$ 220,650	$ (207,654)	$ 12,996
Trade name	42,900	—	42,900	42,900	—	42,900
Intangible assets	$ 263,550	$ (210,669)	52,881	$ 263,550	$ (207,654)	55,896
Goodwill			171,616			171,616
Total			$ 224,497			$ 227,512

Amortization of intangible assets (excluding MSRs) was $1.4 million and $3.0 million for the quarter and six months ended June 30, 2021, respectively, and $2.0 million and $4.3 million for the quarter and six months ended June 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:

	June 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]	$ 135,193	$ (114,390)	$ (2)	$ 20,801	$ 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 June 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 June 30, 2021. The projections of amortization expense are based on existing asset balances as of June 30, 2021. Future amortization expense may vary from these projections.

($ in thousands)	Customer relationship intangibles	MSRs
July 1 - December 31, 2021	$ 2,516	$ 4,031
2022	$ 3,666	$ 5,367
2023	$ 2,235	$ 3,193
2024	$ 1,259	$ 2,053
2025	$ 305	$ 1,540
2026	$ —	$ 1,155

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 June 30,		Six Months Ended June 30,	
($ in thousands)	June 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	9,000,000	11,755,000	34,892	68,391	75,355	134,957
Senior notes [(1)]	997,193	996,145	6,040	6,034	12,078	10,807
Subordinated notes [(1)]	778,535	778,313	9,112	9,107	18,222	18,212
Total	10,775,728	13,529,458	50,044	83,532	105,655	163,976
Total borrowings	$ 10,775,728	$ 13,529,458	$ 50,044	$ 83,532	$ 105,655	$ 168,676

[(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 June 30, 2021, the Bank had no short-term FHLB advances. At June 30, 2021, all of the long-term FHLB advances were fixed-rate for a specific term. At June 30, 2021, the contractual maturities and weighted average contractual rates of long-term FHLB advances were as follows:

	June 30, 2021	
($ in thousands)	Amount	Rate
FHLB advances maturing in:		
July 1 - December 31, 2021	$ 2,400,000	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	$ 9,000,000	1.30 %

The Bank prepaid FHLB advances totaling $1.5 billion and $2.8 billion for the quarter and six months ended June 30, 2021, respectively, and $850.0 million and $1.5 billion for the quarter and six months ended June 30, 2020, respectively. Prepayment penalties for FHLB advances, which are included in other noninterest expense, totaled $5.4 million and $10.1 million for the quarter and six months ended June 30, 2021, respectively, and $2.6 million and $3.8 million for the quarter and six months ended June 30, 2020, respectively.

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $279.7 million and $354.3 million at June 30, 2021 and December 31, 2020, respectively. At June 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 June 30, 2021:

	June 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	$ 499,108	2.500 %	May 6, 2022	June 6, 2022
Fixed-to-floating rate, issued February 2020	$ 500,000	$ 498,085	1.912% (4)	February 12, 2023	February 12, 2024
Subordinated notes:					
Fixed-rate, issued August 2016	$ 400,000	$ 388,403	4.375 %	February 1, 2046	August 1, 2046
Fixed-rate, issued February 2017	$ 400,000	$ 390,132	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 June 30, 2021 was $43.9 billion and $4.3 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:

	June 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	$ 5,076,739	$ 40,754	$ 41,886	$ 4,211,234	$ 81,088	$ 73,073
Interest rate contracts with borrowers	$ 16,132	15	—	$ 35,045	224	—
Forward loan sale commitments	$ 19,288	—	15	$ 55,635	—	224
Total		$ 40,769	$ 41,901		$ 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
June 30, 2021								
Derivative assets:								
Foreign exchange contracts	$ 40,754	$ 30,894	$ 9,860	$ —	$ 9,860	$ 9,860	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 41,886	$ 8,567	$ 33,319	$ —	$ 33,319	$ 9,860	$ 23,459	$ —
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**
June 30, 2021				
Assets:				
Debt securities available-for-sale:				
Agency residential MBS	$ —	$ 1,848,713	$ —	$ 1,848,713
Other residential MBS	—	18,064	—	18,064
Agency commercial MBS	—	720,735	—	720,735
Securities of U.S. states and political subdivisions—taxable	—	—	47,471	47,471
Equity securities (fair value):				
Mutual funds and marketable equity securities	29,550	—	—	29,550
Derivative assets	—	40,769	—	40,769
Total	$ 29,550	$ 2,628,281	$ 47,471	$ 2,705,302
Liabilities:				
Derivative liabilities	$ —	$ 41,901	$ —	$ 41,901
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 six months ended June 30, 2021 and 2020.

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

($ in thousands)	At or for the Quarter Ended June 30, 2021	At or for the Quarter Ended June 30, 2020	At or for the Six Months Ended June 30, 2021	At or for the Six Months Ended June 30, 2020
Available-for-sale debt securities of U.S. states and political subdivisions—taxable:				
Balance at beginning of period	$ 47,473	$ 47,446	$ 47,473	$ 47,450
Unrealized gains (losses) included in other comprehensive income (loss)	(3)	8	(5)	(2)
Accretion included in interest income	1	1	3	7
Balance at end of period	$ 47,471	$ 47,455	$ 47,471	$ 47,455

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

($ in thousands)	Fair Value June 30, 2021	Fair Value December 31, 2020	June 30, 2021 and December 31, 2020 Valuation Technique	June 30, 2021 and December 31, 2020 Unobservable Input
Available-for-sale debt securities of U.S. states and political subdivisions—taxable	$ 47,471	$ 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 June 30, 2021 and December 31, 2020:

($ in thousands)	Level 1	Level 2	Level 3	Total
June 30, 2021				
Loans	$ —	$ —	$ 8,130	$ 8,130
MSRs	—	—	9,954	9,954
Total	$ —	$ —	$ 18,084	$ 18,084
December 31, 2020				
Loans	$ —	$ —	$ 6,305	$ 6,305
MSRs	—	—	18,205	18,205
Total	$ —	$ —	$ 24,510	$ 24,510

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

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2021	2020	2021	2020
Loans	$ 23	$ (999)	$ (322)	$ (376)
MSRs	(431)	(5,986)	(783)	(6,636)
Total	$ (408)	$ (6,985)	$ (1,105)	$ (7,012)

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:

	June 30, 2021				
	Carrying	Fair Value			
($ in thousands)	**Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	$ 7,876,952	$ 7,876,952	$ 7,876,952	$ —	$ —
Debt securities held-to-maturity, net: [1]					
U.S. Government-sponsored agency securities	100,000	98,062	—	98,062	—
Agency residential MBS	1,322,689	1,338,778	—	1,338,778	—
Other residential MBS	11,139	11,208	—	11,208	—
Agency commercial MBS	1,997,817	2,079,973	—	2,079,973	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	13,785,221	14,852,033	—	14,820,914	31,119
Tax-exempt nonprofit debentures	73,681	74,154	—	—	74,154
Taxable municipal securities	1,569,120	1,639,482	—	1,639,482	—
Corporate debt securities	1,376,631	1,431,640	—	1,431,640	—
Loans, net: [1]					
Real estate secured mortgages	97,951,429	96,088,165	—	68,886,844	27,201,321
Other loans	24,528,839	23,028,946	—	—	23,028,946
Loans held for sale	3,169	3,221	—	3,221	—
Other assets:					
MSRs	20,801	26,359	—	—	26,359
FHLB stock	279,664	279,664	—	—	279,664
Liabilities:					
Deposits:					
CDs	$ 7,921,218	$ 7,948,105	$ —	$ —	$ 7,948,105
Borrowings:					
Long-term FHLB advances	9,000,000	9,071,894	—	9,071,894	—
Senior notes	997,193	1,019,435	—	1,019,435	—
Subordinated notes	778,535	993,388	—	993,388	—

[1] Carrying amount is presented net of ACL.

	December 31, 2020				
	Carrying	Fair Value			
($ in thousands)	**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 June 30, 2021, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 2,142,500 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:

(in thousands, except share amounts)	Dividend Rate	June 30, 2021 Shares Authorized	June 30, 2021 Shares Issued and Outstanding	June 30, 2021 Carrying Amount	December 31, 2020 Shares Authorized	December 31, 2020 Shares Issued and Outstanding	December 31, 2020 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	—	—	—
Total			2,142,500	$ 2,142,500		1,545,000	$ 1,545,000

On February 9, 2021, the 4.250% 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 5.50% 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.

Refer to Note 19, "Subsequent Events," for information regarding the Bank's issuance of 4.000% Series M Preferred Stock on July 21, 2021.

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 5.125% Series H Preferred Stock and 5.50% Series I Preferred Stock are paid each March 30, June 30, September 30 and December 30. Additionally, dividends on the 4.70% Series J Preferred Stock, 4.125% Series K Preferred Stock and 4.250% Series L 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)	Dividend Rate	Quarter Ended June 30, 2021 Total	Quarter Ended June 30, 2021 Per Share	Quarter Ended June 30, 2020 Total	Quarter Ended June 30, 2020 Per Share	Six Months Ended June 30, 2021 Total	Six Months Ended June 30, 2021 Per Share	Six Months Ended June 30, 2020 Total	Six Months Ended June 30, 2020 Per Share
Series F Preferred Stock	5.70 %	$ —	$ —	$ 1,425	$ 14.25	$ —	$ —	$ 2,850	$ 28.50
Series G Preferred Stock	5.50 %	22	$ 0.15	2,062	$ 13.75	2,063	$ 13.75	4,125	$ 27.50
Series H Preferred Stock	5.125 %	2,563	$ 12.82	2,563	$ 12.82	5,125	$ 25.63	5,125	$ 25.63
Series I Preferred Stock	5.50 %	4,125	$ 13.75	4,125	$ 13.75	8,250	$ 27.50	8,250	$ 27.50
Series J Preferred Stock	4.70 %	4,642	$ 11.75	4,642	$ 11.75	9,283	$ 23.50	7,487	$ 18.95
Series K Preferred Stock	4.125 %	5,156	$ 10.31	—	$ —	10,312	$ 20.62	—	$ —
Series L Preferred Stock	4.250 %	7,147	$ 9.56	—	$ —	7,147	$ 9.56	—	$ —
Total		$ 23,655		$ 14,817		$ 42,180		$ 27,837	

Note 13. Common Stock and Stock Plans

Common Stock

At June 30, 2021, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At June 30, 2021, the Bank had 176,741,517 shares issued and outstanding. During the six months ended June 30, 2021, the Bank sold 2,012,500 shares of common stock in an underwritten offering, which added $331.3 million to common equity.

First Republic Bank 2017 Omnibus Award Plan

At June 30, 2021, the Bank had 1,748,698 shares reserved for future stock award grants.

Stock Options

During the six months ended June 30, 2021, 9,100 options were exercised with a total intrinsic value of $1.2 million. As of June 30, 2021, 8,750 options with an aggregate intrinsic value of $1.4 million were outstanding and exercisable.

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	1,068,607	$188.43		170,526	$164.97	
Vested	(443,542)	$96.44		(146,206)	$104.29	
Canceled or forfeited	(26,851)	$119.96		(2,994)	$105.20	
Nonvested awards as of June 30, 2021	3,530,478	$132.71	3.6 years	484,381	$128.04	1.8 years

The total fair value of Performance RSUs that vested in the six months ended June 30, 2021 was $82.7 million. The total fair value of Time RSUs that vested in the six months ended June 30, 2021 was $24.8 million.

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 June 30, 2021	1,024,100	$129.10	2.1 years

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

Compensation Expense

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

	Quarter Ended June 30,				Six Months Ended June 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	$ 42,843	$ 12,182	$ 24,937	$ 7,073	$ 75,051	$ 21,300	$ 51,199	$ 14,638
PSUs	12,372	2,019	8,729	1,640	22,947	3,833	17,663	3,341
Total	$ 55,215	$ 14,201	$ 33,666	$ 8,713	$ 97,998	$ 25,133	$ 68,862	$ 17,979

	June 30, 2021	
($ in thousands)	Unrecognized Expense	Weighted Average Expected Recognition Period
RSUs	$ 453,414	2.9 years
PSUs	96,184	2.2 years
Total	$ 549,598	

Excess Tax Benefits

Excess tax benefits from exercise or vesting of share-based awards totaled $19.5 million and $22.4 million for the quarter and six months ended June 30, 2021, respectively, and $9.9 million and $14.5 million for the quarter and six months ended June 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):

	Debt securities available-for-sale	
($ in thousands)	**Quarter Ended June 30, 2021**	**Six Months Ended June 30, 2021**
Beginning balance	**$ (21,423)**	**$ 23,378**
Net unrealized gain (loss) on debt securities available-for-sale	15,873	(47,735)
Related tax effect	(4,730)	14,225
Amortization of unrealized gain on debt securities transferred from available for-sale to held-to-maturity [(1)]	(134)	(345)
Related tax effect [(2)]	39	102
Other comprehensive income (loss)	11,048	(33,753)
Ending balance	**$ (10,375)**	**$ (10,375)**

	Quarter Ended June 30, 2020	**Six Months Ended June 30, 2020**
Beginning balance	**$ 17,312**	**$ 5,131**
Net unrealized gain on debt securities available-for-sale	14,315	31,798
Related tax effect	(4,266)	(9,476)
Reclassification of loss on debt securities available-for-sale to net income [(3)]	—	115
Related tax effect [(2)]	—	(34)
Amortization of unrealized gain on debt securities transferred from available for-sale to held-to-maturity [(1)]	(242)	(488)
Related tax effect [(2)]	72	145
Other comprehensive income (loss)	9,879	22,060
Ending balance	**$ 27,191**	**$ 27,191**

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

Note 15. Income Taxes

The Bank's effective tax rate was 17.4% and 19.6% for the quarter and six months ended June 30, 2021, respectively. The Bank's effective tax rate for both the quarter and six months ended June 30, 2020 was 19.4%. The following table presents the reconciliation between the effective tax rate and the federal statutory rate:

Effective Tax Rate	Quarter Ended June 30, 2021	Quarter Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefits	8.1	8.4	8.1	8.4
Tax-exempt income	(5.7)	(7.0)	(5.7)	(7.3)
Investments in life insurance	(1.0)	(0.4)	(0.9)	(0.6)
Tax credits	(10.6)	(13.9)	(10.9)	(15.1)
Tax credit investment amortization	9.5	12.5	9.8	13.5
Excess tax benefits—stock options	0.0	(1.0)	0.0	(1.3)
Excess tax benefits—other stock awards	(4.3)	(2.1)	(2.5)	(1.2)
FDIC assessments	0.6	0.7	0.6	0.8
Tax refund from an amended tax return	(0.9)	—	(0.5)	—
Other, net	0.7	1.2	0.6	1.2
Effective tax rate	17.4 %	19.4 %	19.6 %	19.4 %

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 June 30, 2021	Quarter Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Basic EPS:				
Net income	$ 373,106	$ 256,768	$ 707,939	$ 475,454
Less: Dividends on preferred stock	23,655	14,817	42,180	27,837
Net income available to common shareholders	$ 349,451	$ 241,951	$ 665,759	$ 447,617
Weighted average common shares outstanding	176,419	171,627	175,624	171,231
Basic EPS	$ 1.98	$ 1.41	$ 3.79	$ 2.61
Diluted EPS:				
Net income available to common shareholders	$ 349,451	$ 241,951	$ 665,759	$ 447,617
Weighted average shares:				
Common shares outstanding	176,419	171,627	175,624	171,231
Dilutive effect of stock options, RSUs and PSUs	2,445	1,032	2,289	1,112
Weighted average diluted common shares outstanding	178,864	172,659	177,913	172,343
Diluted EPS	$ 1.95	$ 1.40	$ 3.74	$ 2.60

Stock options, RSUs and PSUs 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 June 30, 2021	Quarter Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
RSUs and PSUs	562	1,070	286	1,053

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 June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Noninterest income:				
Revenue from contracts with customers:				
Investment management fees	$ 136,516	$ 85,083	$ 255,558	$ 184,379
Brokerage and investment fees	15,051	11,820	28,022	27,003
Insurance fees	2,668	1,713	5,742	3,870
Trust fees	6,245	4,599	11,976	9,575
Deposit fees	6,618	5,248	12,787	11,845
Other income	1,523	1,377	3,952	2,811
Total revenue from contracts with customers	168,621	109,840	318,037	239,483
Other sources of noninterest income	57,987	21,729	104,422	56,130
Total noninterest income	$ 226,608	$ 131,569	$ 422,459	$ 295,613

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 $18.8 million and $29.2 million at June 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 following tables present the operating results, 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 or for the Quarter Ended June 30, 2021				
Net interest income	$ 957,740	$ 46,125	$ —	$ 1,003,865
Provision for credit losses	16,143	—	—	16,143
Noninterest income from contracts with customers [1]	6,517	173,639	(11,535)	168,621
Other noninterest income	35,140	22,847	—	57,987
Noninterest income	41,657	196,486	(11,535)	226,608
Amortization of intangibles	—	1,428	—	1,428
Other noninterest expense	604,226	168,646	(11,535)	761,337
Noninterest expense	604,226	170,074	(11,535)	762,765
Income before provision for income taxes	379,028	72,537	—	451,565
Provision for income taxes	58,872	19,587	—	78,459
Net income	$ 320,156	$ 52,950	$ —	$ 373,106
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 160,888,876	$ 1,300,685	$ (542,827)	$ 161,646,734
At or for the Quarter Ended June 30, 2020				
Net interest income	$ 760,324	$ 27,088	$ —	$ 787,412
Provision for credit losses	31,117	—	—	31,117
Noninterest income from contracts with customers [1]	5,915	113,914	(9,989)	109,840
Other noninterest income	11,188	10,541	—	21,729
Noninterest income	17,103	124,455	(9,989)	131,569
Amortization of intangibles	72	1,938	—	2,010
Other noninterest expense	456,628	120,809	(9,989)	567,448
Noninterest expense	456,700	122,747	(9,989)	569,458
Income before provision for income taxes	289,610	28,796	—	318,406
Provision for income taxes	54,425	7,213	—	61,638
Net income	$ 235,185	$ 21,583	$ —	$ 256,768
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 127,606,575	$ 1,095,869	$ (398,557)	$ 128,303,887

[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.

($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Consolidated Total
At or for the Six Months Ended June 30, 2021				
Net interest income	$ 1,855,201	$ 87,446	$ —	$ 1,942,647
Provision for credit losses	1,535	—	—	1,535
Noninterest income from contracts with customers [(1)]	12,630	327,112	(21,705)	318,037
Other noninterest income	62,901	41,521	—	104,422
Noninterest income	75,531	368,633	(21,705)	422,459
Amortization of intangibles	—	3,015	—	3,015
Other noninterest expense	1,166,418	335,433	(21,705)	1,480,146
Noninterest expense	1,166,418	338,448	(21,705)	1,483,161
Income before provision for income taxes	762,779	117,631	—	880,410
Provision for income taxes	139,733	32,738	—	172,471
Net income	$ 623,046	$ 84,893	$ —	$ 707,939
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 160,888,876	$ 1,300,685	$ (542,827)	$ 161,646,734
At or for the Six Months Ended June 30, 2020				
Net interest income	$ 1,488,340	$ 51,204	$ —	$ 1,539,544
Provision for loan losses	93,487	—	—	93,487
Noninterest income from contracts with customers [(1)]	12,759	246,417	(19,693)	239,483
Other noninterest income	32,935	23,195	—	56,130
Noninterest income	45,694	269,612	(19,693)	295,613
Amortization of intangibles	253	4,041	—	4,294
Other noninterest expense	908,434	258,440	(19,693)	1,147,181
Noninterest expense	908,687	262,481	(19,693)	1,151,475
Income before provision for income taxes	531,860	58,335	—	590,195
Provision for income taxes	100,439	14,302	—	114,741
Net income	$ 431,421	$ 44,033	$ —	$ 475,454
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 127,606,575	$ 1,095,869	$ (398,557)	$ 128,303,887

(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 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.

Note 19. Subsequent Events

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

In July 2021, the Bank completed a public offering of 30,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 4.000% Series M Preferred Stock, at a public offering price of $25.00 per depositary share. The Bank issued 750,000 shares of the Series M Preferred Stock in connection with the offering. Total net proceeds, after underwriting discounts and estimated expenses, were approximately $736.1 million. The Series M Preferred Stock qualifies as Tier 1 capital under regulatory guidelines.

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 Six Months Ended June 30, 2021, Compared to Quarter and Six Months Ended June 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:

($ in thousands, except per share amounts)	At or for the Quarter Ended June 30, 2021	At or for the Quarter Ended June 30, 2020	At or for the Six Months Ended June 30, 2021	At or for the Six Months Ended June 30, 2020
Selected Financial Data:				
Interest income	$ 1,078,005	$ 943,424	$ 2,099,969	$ 1,899,545
Interest expense	74,140	156,012	157,322	360,001
Net interest income	1,003,865	787,412	1,942,647	1,539,544
Provision for credit losses	16,143	31,117	1,535	93,487
Net interest income after provision for credit losses	987,722	756,295	1,941,112	1,446,057
Noninterest income	226,608	131,569	422,459	295,613
Noninterest expense	762,765	569,458	1,483,161	1,151,475
Net income	373,106	256,768	707,939	475,454
Dividends on preferred stock	23,655	14,817	42,180	27,837
Net income available to common shareholders	$ 349,451	$ 241,951	$ 665,759	$ 447,617
Selected Ratios:				
Basic EPS	$ 1.98	$ 1.41	$ 3.79	$ 2.61
Diluted EPS	$ 1.95	$ 1.40	$ 3.74	$ 2.60
Return on average assets [(1), (2)]	0.92 %	0.82 %	0.91 %	0.78 %
Return on average common shareholders' equity [(1)]	12.77 %	10.43 %	12.54 %	9.79 %
Return on average tangible common shareholders' equity [(1), (3)]	13.04 %	10.70 %	12.81 %	10.04 %
Average total equity to average total assets	8.10 %	8.31 %	8.11 %	8.44 %
Dividends per common share	$ 0.22	$ 0.20	$ 0.42	$ 0.39
Dividend payout ratio	11.3 %	14.3 %	11.2 %	15.0 %
Book value per common share	$ 62.99	$ 54.80	$ 62.99	$ 54.80
Tangible book value per common share [(4)]	$ 61.72	$ 53.46	$ 61.72	$ 53.46
Net interest margin [(1)]	2.68 %	2.70 %	2.67 %	2.72 %
Efficiency ratio [(5)]	62.0 %	62.0 %	62.7 %	62.7 %
Selected Asset Quality Ratios:				
Nonperforming assets to total assets	0.08 %	0.13 %	0.08 %	0.13 %
Allowance for loan credit losses to total loans	0.52 %	0.58 %	0.52 %	0.58 %
Allowance for loan credit losses to nonaccrual loans	479.3 %	354.1 %	479.3 %	354.1 %
Net loan charge-offs to average total loans [(1)]	0.00 %	0.00 %	0.00 %	0.00 %
Capital Ratios:				
Tier 1 leverage ratio	8.05 %	8.15 %	8.05 %	8.15 %
CET1 ratio	9.51 %	9.80 %	9.51 %	9.80 %
Tier 1 risk-based capital ratio	11.38 %	11.04 %	11.38 %	11.04 %
Total risk-based capital ratio	12.60 %	12.49 %	12.60 %	12.49 %

(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) 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.

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

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 June 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 also allow the entity to make a one-time election to sell, transfer or both sell and transfer debt securities classified as held-to-maturity that reference a rate affected by reference rate reform that were classified as held-to-maturity as of December 31, 2019. 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 and debt securities that are indexed to reference rates such as LIBOR and COFI that are expected to be discontinued by June 2023 and January 2022, respectively. The Bank has ceased originating new loans indexed to these rates, and has established a working group to transition existing loans indexed to LIBOR and COFI. New loan originations are currently indexed to Prime or a 12-month average of 1-year CMT. The Bank is continuing to assess the final impact of this guidance on its loan and investment portfolios.

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.

Our response to the pandemic included: company-wide remote working arrangements, modified openings and hours in our preferred banking offices, 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" 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.

Financial Highlights

Assets

- At June 30, 2021, total assets were $161.6 billion, a 13% increase compared to $142.5 billion at December 31, 2020 and a 26% increase compared to $128.3 billion at June 30, 2020. Asset growth was driven primarily by very strong deposit growth, which was deployed into loans, investments and higher cash balances.

Investments

- At June 30, 2021, total investment securities were $22.9 billion, a 24% increase compared to $18.5 billion at December 31, 2020 and a 20% increase compared to $19.1 billion at June 30, 2020. Total investment securities represented 14% of total assets at June 30, 2021, compared to 13% at December 31, 2020 and 15% at June 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 $23.2 billion at June 30, 2021, compared to $18.1 billion at December 31, 2020 and $16.9 billion at June 30, 2020. At June 30, 2021, HQLA represented 14.3% of average total assets for the second quarter of 2021.

Loans

- At June 30, 2021, loans, excluding loans held for sale, were $123.1 billion, a 9% increase compared to $112.6 billion at December 31, 2020 and a 23% increase compared to $100.0 billion at June 30, 2020. Loans increased primarily as a result of growth in single family, business, multifamily and stock secured loans, 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 $120.7 billion for the second quarter of 2021, an increase of 23% compared to $98.3 billion for the second quarter of 2020, and were $117.7 billion for the six months ended June 30, 2021, compared to $95.6 billion for the six months ended June 30, 2020, an increase of 23%.

- Our single family mortgage loans, including single family mortgage loans held for sale and HELOCs, were $72.4 billion and represented 59% of total loans at June 30, 2021, compared to $63.8 billion, or 57% of total loans at December 31, 2020 and $55.2 billion, or 55% of total loans at June 30, 2020.

- Loan origination volume was $16.8 billion for the second quarter of 2021, compared to $13.4 billion for the second quarter of 2020, an increase of 25%, and was $32.5 billion for the six months ended June 30, 2021, compared to $23.7 billion for the six months ended June 30, 2020, an increase of 37%. Loan originations increased primarily due to increases in single family and business lending, and were partially offset by decreases in loan originations under the PPP.

Deposits

- Total deposits were $134.7 billion at June 30, 2021, an increase of 17% compared to $114.9 billion at December 31, 2020, and an increase of 37% compared to $98.5 billion at June 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 deposit balances were $134.1 billion for the second quarter of 2021, an increase of 40% from $95.8 billion for the second quarter of 2020, and were $129.4 billion for the six months ended June 30, 2021, an increase of 39% from $93.2 billion for the six months ended June 30, 2020.

- At June 30, 2021, checking deposit balances were $91.6 billion, or 68% of total deposits, compared to $76.9 billion, or 67% of total deposits at December 31, 2020 and $61.4 billion, or 62% of total deposits at June 30, 2020.

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

Business and Consumer Deposits as a % of Total Deposits	**June 30, 2021**	**December 31, 2020**	**June 30, 2020**
Business deposits	61 %	57 %	55 %
Consumer deposits	39	43	45
Total	100 %	100 %	100 %

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

- Our Tier 1 leverage ratio at June 30, 2021 was 8.05%. 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 $62.99 at June 30, 2021, a 7% increase from December 31, 2020 and a 15% increase during the last twelve months.

- Tangible book value per common share was $61.72 at June 30, 2021, an 8% increase from December 31, 2020 and a 15% increase during the last twelve months.

Capital Markets Activity

- Our capital markets activity for the first six 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 estimated 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 addition, our recent capital markets activity included the following:
    - 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 approximately $736.1 million.

Dividends

- Cash dividends paid in the second quarter of 2021 were $0.22 per share of common stock to shareholders of record as of April 29, 2021, compared to $0.20 in the second quarter of 2020. Cash dividends paid in the six months ended June 30, 2021 were $0.42 per share of common stock, compared to $0.39 in the six months ended June 30, 2020.
- On July 13, 2021, we declared a cash dividend for the second quarter of $0.22 per share, which is payable on August 12, 2021 to shareholders of record as of July 29, 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 $240.9 billion at June 30, 2021, compared to $194.5 billion at December 31, 2020, an increase of 24%, and $155.8 billion at June 30, 2020, an increase of 55%. The increases in AUM and AUA were due to both net client inflow and market appreciation. See "—Business Segments" for additional information.

Effective Tax Rate

- The Bank's effective tax rate was 17.4% and 19.6% for the quarter and six months ended June 30, 2021, respectively, compared to 19.4% for both the quarter and six months ended June 30, 2020. See "—Results of Operations—Quarter and Six Months Ended June 30, 2021, Compared to Quarter and Six Months Ended June 30, 2020—Provision for Income Taxes" for additional information.

Results of Operations—Quarter and Six Months Ended June 30, 2021, Compared to Quarter and Six Months Ended June 30, 2020

Overview

Net income for the quarter and six months ended June 30, 2021 was $373.1 million and $707.9 million, compared to $256.8 million and $475.5 million for the quarter and six months ended June 30, 2020, respectively, an increase of 45% for the quarter and an increase of 49% for the six months. The increases were primarily due to higher net interest income, higher noninterest income and lower provision for credit losses, partially offset by higher noninterest expense. Diluted EPS for the quarter and six months ended June 30, 2021 were $1.95 and $3.74, compared to $1.40 and $2.60 for the quarter and six months ended June 30, 2020, respectively, an increase of 39% for the quarter and an increase of 44% for the six months.

Net income for the Commercial Banking segment was $320.2 million and $623.0 million for the quarter and six months ended June 30, 2021, compared to $235.2 million and $431.4 million for the quarter and six months ended June 30, 2020, respectively, an increase of 36% for the quarter and an increase of 44% for the six months. The Wealth Management segment's net income for the quarter and six months ended June 30, 2021 was $53.0 million and $84.9 million, compared to $21.6 million and $44.0 million for the quarter and six months ended June 30, 2020, respectively, an increase of 145% for the quarter and an increase of 93% for the six months. For a discussion of segment results, see "—Business Segments."

Net Interest Income and Net Interest Margin

Net interest income for the quarter and six months ended June 30, 2021 was $1.0 billion and $1.9 billion, compared to $787.4 million and $1.5 billion for the quarter and six months ended June 30, 2020, respectively, an increase of 27% for the quarter and an increase of 26% for the six 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 six months ended June 30, 2021 was 2.68% and 2.67%, compared to 2.70% and 2.72% for the quarter and six months ended June 30, 2020, respectively.

Fully taxable-equivalent net interest income for the quarter and six months ended June 30, 2021 was $1.0 billion and $2.0 billion, compared to $818.9 million and $1.6 billion for the quarter and six months ended June 30, 2020, respectively, an increase of 27% for the quarter and an increase of 26% for the six months.

On an average basis, interest-earning assets and interest-bearing liabilities for the second quarter of 2021 increased 28% and 29% from the second quarter a year ago, respectively. For the six months ended June 30, 2021, average interest-earning assets and interest-bearing liabilities increased 28% and 29% from the six months ended June 30, 2020, respectively.

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.

	Quarter Ended June 30,					
	2021			2020		
($ in thousands)	Average Balance	Interest Income/ Expense [1]	Yields/ Rates [2]	Average Balance	Interest Income/ Expense [1]	Yields/ Rates [2]
Assets:						
Cash and cash equivalents	$ 11,280,780	$ 3,070	0.11 %	$ 2,789,666	$ 564	0.08 %
Investment securities:						
U.S. Government-sponsored agency securities	100,000	398	1.59 %	214,835	1,367	2.55 %
Agency residential and commercial MBS	5,646,537	29,000	2.05 %	6,615,707	42,661	2.58 %
Other residential and commercial MBS	30,297	154	2.04 %	27,499	182	2.65 %
Municipal securities	15,082,004	147,297	3.91 %	11,949,615	126,906	4.25 %
Other investment securities [3]	1,375,557	9,800	2.85 %	43,800	309	2.83 %
Total investment securities	22,234,395	186,649	3.36 %	18,851,456	171,425	3.64 %
Loans:						
Residential real estate [4]	69,853,517	491,229	2.81 %	53,737,207	404,691	3.01 %
Multifamily	14,392,073	126,888	3.49 %	12,887,676	120,657	3.70 %
Commercial real estate	8,117,288	78,427	3.82 %	7,718,257	77,635	3.98 %
Multifamily/commercial construction	2,969,059	37,522	5.00 %	2,632,682	29,468	4.43 %
Business [5]	15,894,165	128,914	3.21 %	13,069,640	115,666	3.50 %
PPP	1,842,716	15,476	3.32 %	1,620,772	7,659	1.87 %
Other [6]	7,652,991	41,518	2.15 %	6,658,487	42,116	2.50 %
Total loans	120,721,809	919,974	3.03 %	98,324,721	797,892	3.23 %
FHLB stock	312,647	5,103	6.55 %	491,938	5,059	4.14 %
Total interest-earning assets	154,549,631	1,114,796	2.87 %	120,457,781	974,940	3.22 %
Noninterest-earning assets:						
Noninterest-earning cash	385,537			425,440		
Goodwill and other intangibles	225,183			231,934		
Other assets	6,724,321			4,905,493		
Total noninterest-earning assets	7,335,041			5,562,867		
Total Assets	$ 161,884,672			$ 126,020,648		
Liabilities and Shareholders' Equity:						
Deposits:						
Checking	$ 91,379,594	1,740	0.01 %	$ 58,978,081	3,127	0.02 %
Money market checking	19,927,834	6,100	0.12 %	14,315,050	9,860	0.28 %
Money market savings and passbooks	14,783,456	6,117	0.17 %	9,818,650	5,364	0.22 %
CDs	8,039,804	10,139	0.51 %	12,721,452	54,129	1.71 %
Total deposits	134,130,688	24,096	0.07 %	95,833,233	72,480	0.30 %
Borrowings:						
Short-term borrowings	—	—	— %	2,747	—	0.04 %
Long-term FHLB advances	10,062,253	34,892	1.39 %	15,868,682	68,391	1.73 %
Senior notes [7]	996,937	6,040	2.42 %	994,905	6,034	2.43 %
Subordinated notes [7]	778,480	9,112	4.68 %	778,044	9,107	4.68 %
Total borrowings	11,837,670	50,044	1.69 %	17,644,378	83,532	1.90 %
Total interest-bearing liabilities	145,968,358	74,140	0.20 %	113,477,611	156,012	0.55 %
Noninterest-bearing liabilities	2,796,202			2,067,585		
Preferred shareholders' equity	2,142,500			1,145,000		
Common shareholders' equity	10,977,612			9,330,452		
Total Liabilities and Shareholders' Equity	$ 161,884,672			$ 126,020,648		
Net interest spread [8]			2.67 %			2.67 %
Net interest income (fully taxable-equivalent basis) and net interest margin [9]		$ 1,040,656	2.68 %		$ 818,928	2.70 %
Reconciliation of tax-equivalent net interest income to reported net interest income: [10]						
Municipal securities tax-equivalent adjustment		(29,702)			(24,909)	
Business loans tax-equivalent adjustment		(7,089)			(6,607)	
Net interest income		$ 1,003,865			$ 787,412	

(1) Interest income is presented on a fully taxable-equivalent basis.
(2) Yields/rates are annualized.
(3) Includes corporate debt securities, mutual funds and marketable equity securities.
(4) Includes single family, HELOC, and single family construction loans. Also includes single family loans held for sale.
(5) Includes capital call lines of credit, tax-exempt and other business loans.
(6) Includes stock secured, other secured and unsecured loans.
(7) Average balances include unamortized issuance discounts and costs. Interest expense includes amortization of issuance discounts and costs.
(8) Net interest spread represents the average yield on interest-earning assets less the average rate on interest-bearing liabilities.
(9) Net interest margin represents net interest income on a fully taxable-equivalent basis divided by total average interest-earning assets.
(10) Fully taxable-equivalent net interest income is considered a non-GAAP financial measure, and is reconciled to GAAP net interest income in this table.

	Six Months Ended June 30,					
	2021			2020		
($ in thousands)	Average Balance	Interest Income/ Expense (1)	Yields/ Rates (2)	Average Balance	Interest Income/ Expense (1)	Yields/ Rates (2)
Assets:						
Cash and cash equivalents	$ 11,364,252	$ 5,964	0.11 %	$ 2,321,623	$ 4,504	0.39 %
Investment securities:						
U.S. Government-sponsored agency securities	96,961	737	1.52 %	261,142	3,574	2.74 %
Agency residential and commercial MBS	5,636,200	59,537	2.11 %	6,681,185	89,846	2.69 %
Other residential and commercial MBS	31,637	309	1.95 %	15,667	214	2.73 %
Municipal securities	14,220,340	282,375	3.97 %	11,654,183	249,935	4.29 %
Other investment securities (3)	905,037	12,367	2.73 %	43,791	629	2.87 %
Total investment securities	20,890,175	355,325	3.40 %	18,655,968	344,198	3.69 %
Loans:						
Residential real estate (4)	67,668,387	960,239	2.84 %	52,518,610	809,674	3.08 %
Multifamily (5)	14,158,453	249,718	3.51 %	12,726,699	239,601	3.72 %
Commercial real estate	8,075,290	156,306	3.85 %	7,646,415	156,244	4.04 %
Multifamily/commercial construction	2,918,453	68,622	4.68 %	2,591,664	59,753	4.56 %
Business (6)	15,487,623	252,666	3.24 %	12,730,013	238,698	3.71 %
PPP	1,915,944	31,242	3.24 %	810,386	7,659	1.87 %
Other (7)	7,501,151	81,201	2.15 %	6,555,772	89,687	2.71 %
Total loans	117,725,301	1,799,994	3.05 %	95,579,559	1,601,316	3.33 %
FHLB stock	328,729	10,292	6.31 %	449,455	12,019	5.38 %
Total interest-earning assets	150,308,457	2,171,575	2.88 %	117,006,605	1,962,037	3.34 %
Noninterest-earning assets:						
Noninterest-earning cash	399,504			434,348		
Goodwill and other intangibles	225,929			233,006		
Other assets	6,409,654			4,813,403		
Total noninterest-earning assets	7,035,087			5,480,757		
Total Assets	$ 157,343,544			$ 122,487,362		
Liabilities and Shareholders' Equity:						
Deposits:						
Checking	$ 87,550,852	3,813	0.01 %	$ 56,420,801	11,559	0.04 %
Money market checking	19,411,261	13,744	0.14 %	13,519,835	39,163	0.58 %
Money market savings and passbooks	14,215,079	12,427	0.18 %	9,784,569	20,931	0.43 %
CDs	8,225,414	21,683	0.53 %	13,453,699	119,672	1.79 %
Total deposits	129,402,606	51,667	0.08 %	93,178,904	191,325	0.41 %
Borrowings:						
Short-term borrowings	3	—	0.18 %	617,287	4,700	1.53 %
Long-term FHLB advances	10,688,481	75,355	1.42 %	14,644,643	134,957	1.85 %
Senior notes (8)	996,676	12,078	2.42 %	880,106	10,807	2.46 %
Subordinated notes (8)	778,424	18,222	4.68 %	777,991	18,212	4.68 %
Total borrowings	12,463,584	105,655	1.71 %	16,920,027	168,676	2.00 %
Total interest-bearing liabilities	141,866,190	157,322	0.22 %	110,098,931	360,001	0.66 %
Noninterest-bearing liabilities	2,717,280			2,048,845		
Preferred shareholders' equity	2,053,536			1,145,000		
Common shareholders' equity	10,706,538			9,194,586		
Total Liabilities and Shareholders' Equity	$ 157,343,544			$ 122,487,362		
Net interest spread (9)			2.66 %			2.68 %
Net interest income (fully taxable-equivalent basis) and net interest margin (10)		$ 2,014,253	2.67 %		$ 1,602,036	2.72 %
Reconciliation of tax-equivalent net interest income to reported net interest income: (11)						
Municipal securities tax-equivalent adjustment		(57,667)			(49,113)	
Business loans tax-equivalent adjustment		(13,939)			(13,379)	
Net interest income		$ 1,942,647			$ 1,539,544	

(1) Interest income is presented on a fully taxable-equivalent basis.
(2) Yields/rates are annualized.
(3) Includes corporate debt securities, mutual funds and marketable equity securities.
(4) Includes single family, HELOC, and single family construction loans. Also includes single family loans held for sale.
(5) Includes multifamily loans held for sale.
(6) Includes capital call lines of credit, tax-exempt and other business loans.
(7) Includes stock secured, other secured and unsecured loans.
(8) Average balances include unamortized issuance discounts and costs. Interest expense includes amortization of issuance discounts and costs.
(9) Net interest spread represents the average yield on interest-earning assets less the average rate on interest-bearing liabilities.
(10) Net interest margin represents net interest income on a fully taxable-equivalent basis divided by total average interest-earning assets.
(11) 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:

($ in thousands)	Quarter Ended June 30, 2021	Quarter Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	% Change Quarter Ended June 30, 2021 vs. 2020	% Change Six Months Ended June 30, 2021 vs. 2020
Interest income:						
Loans	$ 912,885	$ 791,286	$ 1,786,055	$ 1,587,938	15 %	12 %
Investments	156,947	146,515	297,658	295,084	7 %	1 %
Other [(1)]	5,103	5,059	10,292	12,019	1 %	(14)%
Cash and cash equivalents	3,070	564	5,964	4,504	444 %	32 %
Total interest income	$ 1,078,005	$ 943,424	$ 2,099,969	$ 1,899,545	14 %	11 %
Fully taxable-equivalent interest income: [(2)]						
Loans	$ 919,974	$ 797,892	$ 1,799,994	$ 1,601,316	15 %	12 %
Investments	$ 186,649	$ 171,425	$ 355,325	$ 344,198	9 %	3 %

(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. Total interest income was $1.1 billion and $2.1 billion for the quarter and six months ended June 30, 2021, compared to $943.4 million and $1.9 billion for the quarter and six months ended June 30, 2020, respectively. The increase for the second quarter of 2021 was the result of an increase of 28% in average interest-earning assets, which were $154.5 billion, compared to $120.5 billion for the second quarter of 2020, partially offset by a decrease in the average yield on interest-earning assets to 2.87% from 3.22% for the second quarter of 2020. The increase for the six months ended June 30, 2021 was the result of an increase of 28% in average interest-earning assets, which were $150.3 billion, compared to $117.0 billion for the six months ended June 30, 2020, partially offset by a decrease in the average yield on interest-earning assets to 2.88% from 3.34% for the six months ended June 30, 2020.

Loans

Interest income on loans for the quarter and six months ended June 30, 2021 was $912.9 million and $1.8 billion, compared to $791.3 million and $1.6 billion for the quarter and six months ended June 30, 2020, respectively. The increases were due to continued loan growth, partially offset by decreases in the average yield. Fully taxable-equivalent interest income on loans was $920.0 million for the second quarter of 2021, compared to $797.9 million for the second quarter of 2020, and was $1.8 billion for the six months ended June 30, 2021, compared to $1.6 billion for the six months ended June 30, 2020.

Average loan balances were $120.7 billion for the second quarter of 2021, compared to $98.3 billion for the second quarter of 2020, an increase of 23%, and were $117.7 billion for the six months ended June 30, 2021, compared to $95.6 billion for the six months ended June 30, 2020, an increase of 23%. The average yield on loans was 3.03% for the second quarter of 2021, compared to 3.23% for the second quarter of 2020, and was 3.05% for the six months ended June 30, 2021, compared to 3.33% for the six months ended June 30, 2020. The decreases in the average yield on loans were driven by lower term rates on new loans, and also by the level of the federal funds rate, which averaged 0.25% for both the quarter and six months ended June 30, 2021, compared to 0.25% and 0.83% for the quarter and six months ended June 30, 2020.

Interest income on loans included prepayment penalty fees of $4.2 million and $8.9 million for the quarter and six months ended June 30, 2021, compared to $4.6 million and $7.3 million for the quarter and six months ended June 30, 2020, respectively. The increase in these fees for the six months was primarily due to higher prepayments on single family loans.

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 3.02% at June 30, 2021, compared to 3.09% at December 31, 2020 and 3.18% at June 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 June 30, 2021, approximately 26% of our total loans were adjustable-rate or mature within one year, compared to 27% at both December 31, 2020 and June 30, 2020.

Investments

Interest income on investments for the quarter and six months ended June 30, 2021 was $156.9 million and $297.7 million, compared to $146.5 million and $295.1 million for the quarter and six months ended June 30, 2020, respectively. The increases were primarily due to higher average investment balances, partially offset by lower average yield. Fully taxable-equivalent interest income on investments was $186.6 million and $355.3 million for the quarter and six months ended June 30, 2021, compared to $171.4 million and $344.2 million for the quarter and six months ended June 30, 2020, respectively.

Average investment balances were $22.2 billion for the second quarter of 2021, compared to $18.9 billion for the second quarter of 2020, an 18% increase, and were $20.9 billion for the six months ended June 30, 2021, compared to $18.7 billion for the six months ended June 30, 2020, a 12% increase. The increases for the quarter and six months were primarily due to investment purchases, partially offset by calls and paydowns. The average yield on investment securities for the second quarter of 2021 was 3.36%, compared to 3.64% for the second quarter of 2020, a decline of 28 bps, and was 3.40% for the six months ended June 30, 2021, compared to 3.69% for the six months ended June 30, 2020, a decline of 29 bps. The yield declines for the quarter and six months were primarily the result of lower yields on new purchases of municipal securities and agency residential and commercial MBS.

FHLB Stock

Dividends on FHLB stock for the quarter and six months ended June 30, 2021 were $5.1 million and $10.3 million, compared to $5.1 million and $12.0 million for the quarter and six months ended June 30, 2020, respectively. The decrease in dividend income for the six months was primarily driven by a decrease in average FHLB stock balances, partially offset by higher average yield. Average FHLB stock balances were $312.6 million for the second quarter of 2021, compared to $491.9 million for the second quarter of 2020, a decrease of 36%, and were $328.7 million for the six months ended June 30, 2021, compared to $449.5 million for the six months ended June 30, 2020, a decrease of 27%. The average yield on FHLB stock was 6.55% for the second quarter of 2021, compared to 4.14% for the second quarter of 2020, and was 6.31% for the six months ended June 30, 2021, compared to 5.38% for the six months ended June 30, 2020.

Interest Expense

The following table presents interest expense:

($ in thousands)	Quarter Ended June 30, 2021	Quarter Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	% Change Quarter Ended June 30, 2021 vs. 2020	% Change Six Months Ended June 30, 2021 vs. 2020
Interest expense:						
Deposits:						
Checking	$ 1,740	$ 3,127	$ 3,813	$ 11,559	(44)%	(67)%
Money market checking	6,100	9,860	13,744	39,163	(38)%	(65)%
Money market savings and passbooks	6,117	5,364	12,427	20,931	14 %	(41)%
CDs	10,139	54,129	21,683	119,672	(81)%	(82)%
Total interest expense on deposits	24,096	72,480	51,667	191,325	(67)%	(73)%
Borrowings:						
Short-term borrowings	—	—	—	4,700	NM	NM
Long-term FHLB advances	34,892	68,391	75,355	134,957	(49)%	(44)%
Senior notes	6,040	6,034	12,078	10,807	0 %	12 %
Subordinated notes	9,112	9,107	18,222	18,212	0 %	0 %
Total interest expense on borrowings	50,044	83,532	105,655	168,676	(40)%	(37)%
Total interest expense	$ 74,140	$ 156,012	$ 157,322	$ 360,001	(52)%	(56)%

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. Total interest expense was $74.1 million and $157.3 million for the quarter and six months ended June 30, 2021, compared to $156.0 million and $360.0 million for the quarter and six months ended June 30, 2020, respectively. The decrease for the second quarter of 2021 was the result of a decline in the average cost of interest-bearing liabilities to 0.20% from 0.55% for the second quarter of 2020, partially offset by an increase of 29% in average interest-bearing liabilities, which were $146.0 billion, compared to $113.5 billion for the second quarter of 2020. The decrease for the six months ended June 30, 2021 was the result of a decline in the average cost of interest-bearing liabilities to 0.22% from 0.66% for the six months ended June 30, 2020, partially offset by an increase of 29% in average interest-bearing liabilities, which were $141.9 billion, compared to $110.1 billion for the six months ended June 30, 2020.

Deposits

Interest expense on deposits was $24.1 million and $51.7 million for the quarter and six months ended June 30, 2021, compared to $72.5 million and $191.3 million for the quarter and six months ended June 30, 2020, respectively. The decreases in interest expense were driven by 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 deposits was 0.07% and 0.30% for the second quarter of 2021 and 2020, and was 0.08% and 0.41% for the six months ended June 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 six months ended June 30, 2021, compared to 0.25% and 0.83% for the quarter and six months ended June 30, 2020, respectively, and lower rates on new and renewed CDs.

Interest expense on checking deposits was $1.7 million and $3.8 million for the quarter and six months ended June 30, 2021, compared to $3.1 million and $11.6 million for the quarter and six months ended June 30, 2020, respectively. The decreases were due to decreases in rates paid, partially offset by increases in average balances. The average interest rate paid on checking deposits was 0.01% for both the quarter and six months ended June 30, 2021, compared to 0.02% and 0.04% for the quarter and six months ended June 30, 2020, respectively. Average checking deposit balances were $91.4 billion and $87.6 billion for the quarter and six months ended June 30, 2021, compared to $59.0 billion and $56.4 billion for the quarter and six months ended June 30, 2020, an increase of 55% for both the quarter and six months.

Interest expense on money market checking deposits was $6.1 million and $13.7 million for quarter and six months ended June 30, 2021, compared to $9.9 million and $39.2 million for the quarter and six months ended June 30, 2020, respectively. The decreases were due to decreases in rates paid, partially offset by increases in average balances. The average interest rate paid on money market checking deposits was 0.12% and 0.14% for the quarter and six months ended June 30, 2021, compared to 0.28% and 0.58% for the quarter and six months ended June 30, 2020, respectively. Average money market checking deposit balances were $19.9 billion and $19.4 billion for the quarter and six months ended June 30, 2021, compared to $14.3 billion and $13.5 billion for the quarter and six months ended June 30, 2020, an increase of 39% for the quarter and an increase of 44% for the six months, respectively.

Interest expense on money market savings and passbooks deposits was $6.1 million and $12.4 million for the quarter and six months ended June 30, 2021, compared to $5.4 million and $20.9 million for the quarter and six months ended June 30, 2020, respectively. The increase for the quarter was due to an increase in average balances, partially offset by a decrease in rates paid. The decrease for the six months was 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 0.17% and 0.18% for the quarter and six months ended June 30, 2021, compared to 0.22% and 0.43% for the quarter and six months ended June 30, 2020, respectively. Average money market savings and passbooks deposit balances were $14.8 billion and $14.2 billion for the quarter and six months ended June 30, 2021, compared to $9.8 billion for both the quarter and six months ended June 30, 2020, an increase of 51% for the quarter and an increase of 45% for the six months, respectively.

Interest expense on CDs was $10.1 million and $21.7 million for the quarter and six months ended June 30, 2021, compared to $54.1 million and $119.7 million for the quarter and six months ended June 30, 2020, respectively. The decreases were due to decreases in rates paid and decreases in average balances. The average interest rate paid on CDs was 0.51% and 0.53% for the quarter and six months ended June 30, 2021, compared to 1.71% and 1.79% for the quarter and six months ended June 30, 2020, respectively. Average CD balances were $8.0 billion and $8.2 billion for the quarter and six months ended June 30, 2021, compared to $12.7 billion and $13.5 billion for the quarter and six months ended June 30, 2020, a decrease of 37% for the quarter and a decrease of 39% for the six months, respectively.

Average deposit balances were $134.1 billion for the second quarter of 2021, an increase of 40% from $95.8 billion for the second quarter of 2020, and were $129.4 billion for the six months ended June 30, 2021, an increase of 39% from $93.2 billion for the six months ended June 30, 2020. The following table presents average deposit balances by deposit type as a percentage of average total deposits:

	Quarter Ended June 30,		Six Months Ended June 30,	
Average Deposits by Type as a % of Average Total Deposits	**2021**	**2020**	**2021**	**2020**
Checking	68 %	62 %	68 %	61 %
Money market checking	15 %	15 %	15 %	15 %
Money market savings and passbooks	11 %	10 %	11 %	10 %
CDs	6 %	13 %	6 %	14 %

At June 30, 2021, our total deposits were $134.7 billion, compared to $98.5 billion at June 30, 2020, an increase of 37%, and the weighted average contractual rate paid on total deposits was 0.07% and 0.26%, 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 was $50.0 million and $105.7 million for the quarter and six months ended June 30, 2021, compared to $83.5 million and $168.7 million for the quarter and six months ended June 30, 2020, respectively. The decreases were primarily due to decreases in average long-term FHLB advances and the average cost of the long-term FHLB advances.

At June 30, 2021, long-term FHLB advances outstanding were $9.0 billion, compared to $15.4 billion at June 30, 2020. Interest expense on long-term FHLB advances was $34.9 million and $75.4 million for the quarter and six months ended June 30, 2021, compared to $68.4 million and $135.0 million for the quarter and six months ended June 30, 2020, respectively. The decreases were primarily due to decreases in average balances and decreases in the average cost of long-term FHLB advances. Average long-term FHLB advances for the second quarter of 2021 were $10.1 billion, compared to $15.9 billion for the second quarter of 2020, a decrease of 37%, and were $10.7 billion for the six months ended June 30, 2021, compared to $14.6 billion for the six months ended June 30, 2020, a decrease of 27%. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 7% and 8% for the quarter and six months ended June 30, 2021, compared to 14% and 13% for the quarter and six months ended June 30, 2020, respectively. The average cost of long-term FHLB advances was 1.39% and 1.73% for the second quarter of 2021 and 2020, respectively, and was 1.42% and 1.85% for the six months ended June 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.

At June 30, 2021, the carrying value of unsecured senior notes was $997.2 million, compared to $995.1 million at June 30, 2020. Interest expense on our fixed-rate senior notes was $6.0 million and $12.1 million for the quarter and six months ended June 30, 2021, compared to $6.0 million and $10.8 million for the quarter and six months ended June 30, 2020, respectively, and includes contractual interest, increased by amortization of issuance discounts and offering costs. During the first quarter of 2020, the Bank completed an underwritten public offering of $500.0 million of 1.912% unsecured senior fixed-to-floating rate notes due 2024.

At June 30, 2021, the carrying value of unsecured subordinated notes totaled $778.5 million, compared to $778.1 million at June 30, 2020. Interest expense on our fixed-rate subordinated notes was $9.1 million for both the quarters ended June 30, 2021 and 2020, and $18.2 million for both the six months ended June 30, 2021 and 2020, respectively, and includes contractual interest, increased by amortization of issuance discounts and offering costs.

Provision (Reversal of Provision) for Credit Losses

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

	Quarter Ended June 30,		Six Months Ended June 30,		% Change Quarter Ended June 30,	% Change Six Months Ended June 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	$ 383	$ 296	$ 1,505	$ 714	29 %	111 %
Loans	17,304	43,189	3,597	90,868	(60)%	(96)%
Unfunded loan commitments	(1,544)	(12,368)	(3,567)	1,905	(88)%	NM
Total	$ 16,143	$ 31,117	$ 1,535	$ 93,487	(48)%	(98)%

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

The provision for credit losses was $16.1 million and $1.5 million for the quarter and six months ended June 30, 2021, compared to $31.1 million and $93.5 million for the quarter and six months ended June 30, 2020. The decreases were 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. In addition, the provision on unfunded loan commitments for the second quarter of 2020 and six months ended June 30, 2020 reflected decreases due to an enhancement of the Bank's assumptions of the timing of funding of construction loan commitments in the second quarter of 2020. The macroeconomic forecasts 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:

	Quarter Ended June 30,		Six Months Ended June 30,		% Change Quarter Ended June 30,	% Change Six Months Ended June 30,
($ in thousands)	2021	2020	2021	2020	2021 vs. 2020	2021 vs. 2020
Noninterest income:						
Investment management fees	$ 136,516	$ 85,083	$ 255,558	$ 184,379	60 %	39 %
Brokerage and investment fees	17,574	12,406	32,138	28,232	42 %	14 %
Insurance fees	2,668	1,713	5,742	3,870	56 %	48 %
Trust fees	6,245	4,599	11,976	9,575	36 %	25 %
Foreign exchange fee income	20,612	10,105	37,779	22,289	104 %	69 %
Deposit fees	6,618	5,248	12,787	11,845	26 %	8 %
Loan and related fees	8,877	7,456	16,362	13,570	19 %	21 %
Loan servicing fees, net	1,057	(4,445)	2,545	(2,793)	NM	NM
Gain (loss) on sale of loans	58	(1,147)	367	778	NM	(53)%
Gain on investment securities	1,329	1,529	1,984	4,157	(13)%	(52)%
Income from investments in life insurance	21,457	7,800	38,006	15,960	175 %	138 %
Other income	3,597	1,222	7,215	3,751	194 %	92 %
Total noninterest income	$ 226,608	$ 131,569	$ 422,459	$ 295,613	72 %	43 %

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

Noninterest income for the quarter and six months ended June 30, 2021 was $226.6 million and $422.5 million, compared to $131.6 million and $295.6 million for the quarter and six months ended June 30, 2020. The increases were primarily driven by higher wealth management fees, income from investments in life insurance and loan servicing fees.

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. Investment management fees for the quarter and six months ended June 30, 2021 were $136.5 million and $255.6 million, compared to $85.1 million and $184.4 million for the quarter and six months ended June 30, 2020, respectively. The increases in investment management fees for the quarter and six 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 $99.5 billion at June 30, 2021, compared to $68.1 billion at June 30, 2020, an increase of 46% 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. Brokerage and investment fees for the quarter and six months ended June 30, 2021 were $17.6 million and $32.1 million, compared to $12.4 million and $28.2 million for the quarter and six months ended June 30, 2020, respectively. The increases 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 June 30, 2021, we held $125.5 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $76.1 billion at June 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 for the quarter and six months ended June 30, 2021 were $2.7 million and $5.7 million, compared to $1.7 million and $3.9 million for the quarter and six months ended June 30, 2020, respectively. 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. Trust fees were $6.2 million and $12.0 million for the quarter and six months ended June 30, 2021, compared to $4.6 million and $9.6 million for the quarter and six months ended June 30, 2020, respectively. At June 30, 2021, AUA were $15.9 billion, compared to $11.6 billion at June 30, 2020, an increase of 38%, 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. We earned foreign exchange fee income of $20.6 million and $37.8 million for the quarter and six months ended June 30, 2021, compared to $10.1 million and $22.3 million for the quarter and six months ended June 30, 2020, respectively. The increases in foreign exchange fees for the quarter and six months were primarily driven by higher transaction volume from both existing and new clients, as well as favorable exchange rate fluctuations.

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

Deposit fees. We earn fees from our clients for deposit services. Deposit fees were $6.6 million and $12.8 million for the quarter and six months ended June 30, 2021, compared to $5.2 million and $11.8 million for the quarter and six months ended June 30, 2020, respectively.

Loan and related fees. Loan and related fee income was $8.9 million and $16.4 million for the quarter and six months ended June 30, 2021, compared to $7.5 million and $13.6 million for the quarter and six months ended June 30, 2020, respectively. 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:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Contractually specified servicing fees	$ 3,764	$ 5,350	$ 8,065	$ 10,999
MSR amortization expense	(2,276)	(3,809)	(4,737)	(7,156)
MSR net provision for valuation allowance	(431)	(5,986)	(783)	(6,636)
Loan servicing fees, net	$ 1,057	$ (4,445)	$ 2,545	$ (2,793)

Net loan servicing fees were $1.1 million and $2.5 million for the quarter and six months ended June 30, 2021, compared to $(4.4) million and $(2.8) million for the quarter and six months ended June 30, 2020, respectively. The increases were primarily due to the lower provision for valuation allowance established on MSRs. The average servicing portfolio was $6.1 billion and $6.5 billion for the quarter and six months ended June 30, 2021, compared to $8.8 billion and $9.0 billion for the quarter and six months ended June 30, 2020, respectively, a decrease of 31% for the quarter and a decrease of 28% for the six months.

Contractual servicing fees were $3.8 million and $8.1 million for the quarter and six months ended June 30, 2021, compared to $5.4 million and $11.0 million for the quarter and six months ended June 30, 2020, respectively, a decrease of 30% for the quarter and a decrease of 27% for the six months. 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. Annualized weighted average servicing fees collected as a percentage of loans serviced were 0.25% and 0.24% for the second quarter of 2021 and 2020, respectively, and 0.25% for both the six months ended June 30, 2021 and 2020.

The amount of net loan servicing fees that we record is affected by the rate of repayment of loans in the servicing portfolio. The overall annualized repayment speed experienced on loans serviced was 37% and 38% for the quarter and six months ended June 30, 2021, compared to 31% and 27% for the quarter and six months ended June 30, 2020, respectively. 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 (loss) on sale of loans. The net gain (loss) on sales 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 (loss) 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 (loss) on sale of loans:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Gain (loss) on sale of loans	$ 58	$ (1,147)	$ 367	$ 778
Loans sold	$ 4,315	$ 310,926	$ 47,790	$ 806,239
Gain (loss) as a percentage of loans sold	1.34 %	(0.37)%	0.77 %	0.10 %

The net gain (loss) on sale of loans for the second quarter of 2020 and six months ended June 30, 2020 included costs associated with a securitization sponsored by the Bank.

Gain on investment securities. The gain 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 varies based on the amount and type of investments sold and market conditions. The following table presents net gain on investment securities:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Net gain on sales of investment securities	$ —	$ —	$ —	$ 2,639
Net change in fair value of equity securities	1,329	1,529	1,984	1,518
Gain on investment securities	$ 1,329	$ 1,529	$ 1,984	$ 4,157

Income from investments in life insurance. Income from investments in life insurance was $21.5 million and $38.0 million for the quarter and six months ended June 30, 2021, compared to $7.8 million and $16.0 million for the quarter and six months ended June 30, 2020, respectively. The increases were 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 $1.5 billion at June 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:

	Quarter Ended June 30,		Six Months Ended June 30,		% Change Quarter Ended June 30,	% Change Six Months Ended June 30,
($ in thousands)	**2021**	**2020**	**2021**	**2020**	**2021 vs. 2020**	**2021 vs. 2020**
Noninterest expense:						
Salaries and employee benefits	$ 481,503	$ 344,204	$ 944,907	$ 705,408	40 %	34 %
Information systems	88,980	74,037	172,496	144,752	20 %	19 %
Occupancy	63,526	54,941	121,075	108,582	16 %	12 %
Professional fees	25,475	15,517	46,729	28,634	64 %	63 %
Advertising and marketing	16,560	8,621	29,193	20,464	92 %	43 %
FDIC assessments	13,254	11,275	25,154	21,460	18 %	17 %
Other expenses	73,467	60,863	143,607	122,175	21 %	18 %
Total noninterest expense	$ 762,765	$ 569,458	$ 1,483,161	$ 1,151,475	34 %	29 %

Noninterest expense for the quarter and six months ended June 30, 2021 was $762.8 million and $1.5 billion, compared to $569.5 million and $1.2 billion for the quarter and six months ended June 30, 2020, respectively. The increases in noninterest expense were primarily due to higher salaries and employee benefits, information systems and occupancy costs from the continued investments in the expansion of the franchise, and higher professional fees and advertising and marketing costs.

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 $79.1 million and $145.4 million for the quarter and six months ended June 30, 2021, compared to $60.0 million and $100.9 million for the quarter and six months ended June 30, 2020, respectively, an increase of 32% for the quarter and an increase of 44% for the six 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 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 62.0% for both the second quarter of 2021 and 2020, and was 62.7% for both the six months ended June 30, 2021 and 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. Salaries and employee benefit expenses were $481.5 million and $944.9 million for the quarter and six months ended June 30, 2021, compared to $344.2 million and $705.4 million for the quarter and six months ended June 30, 2020, respectively. The increases were 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 and higher share-based compensation related to the continued expansion of the franchise. At June 30, 2021, we had 6,065 full-time equivalent employees, including temporary employees and independent contractors, a 17% increase from 5,197 at June 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. Expenses for information systems were $89.0 million and $172.5 million for the quarter and six months ended June 30, 2021, compared to $74.0 million and $144.8 million for the quarter and six months ended June 30, 2020, respectively. The increases were primarily due to continued technology initiatives to upgrade our systems, enhance the client experience and support our growth.

Occupancy. Occupancy costs were $63.5 million and $121.1 million for the quarter and six months ended June 30, 2021, compared to $54.9 million and $108.6 million for the quarter and six months ended June 30, 2020, respectively. The increases were 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. Such expenses were $25.5 million and $46.7 million for the quarter and six months ended June 30, 2021, compared to $15.5 million and $28.6 million for the quarter and six months ended June 30, 2020, respectively. The increases for the quarter and six months were primarily due to an increase in consulting services supporting various technology initiatives, along with 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 were $16.6 million and $29.2 million for the quarter and six months ended June 30, 2021, compared to $8.6 million and $20.5 million for the quarter and six months ended June 30, 2020, respectively. These 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 were primarily due to increased deposit-related promotions and increases in advertising as a result of increased activity compared to a year ago.

FDIC assessments. FDIC assessments were $13.3 million and $25.2 million for the quarter and six months ended June 30, 2021, compared to $11.3 million and $21.5 million for the quarter and six months ended June 30, 2020, respectively. The increases were 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 were $73.5 million and $143.6 million for the quarter and six months ended June 30, 2021, compared to $60.9 million and $122.2 million for the quarter and six months ended June 30, 2020, respectively. These 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, 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, custody and clearing, and other miscellaneous expenses, as well as amortization of intangibles. The following table presents the main components of other expenses:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Deposit client related costs	$ 10,286	$ 7,662	$ 20,925	$ 20,369
Charitable contributions	1,700	7,636	9,904	8,823
Loan related costs	7,598	5,652	12,745	9,152
Subscriptions	4,813	4,659	9,738	9,128
Prepayment penalties on FHLB advances	5,369	2,584	10,094	3,815
Insurance	3,733	3,009	7,396	6,017
Recruiting	4,254	2,653	7,774	4,234
Training	3,779	170	6,947	2,056
Travel and entertainment	4,331	1,335	6,825	6,696
Other operating expenses	27,604	25,503	51,259	51,885
Total other expenses	$ 73,467	$ 60,863	$ 143,607	$ 122,175

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 for the second quarter of 2021 was 17.4%, compared to 19.4% for the second quarter of 2020. The Bank's effective tax rate for the six months ended June 30, 2021 was 19.6%, compared to 19.4% for the six months ended June 30, 2020. The 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 decrease for the quarter was primarily the result of higher excess tax benefits upon vesting of stock awards due to higher market valuation levels.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
Effective Tax Rate	**2021**	**2020**	**2021**	**2020**
Effective tax rate, prior to excess tax benefits—stock awards	21.7 %	22.5 %	22.1 %	21.9 %
Excess tax benefits—stock awards	(4.3)	(3.1)	(2.5)	(2.5)
Effective tax rate	17.4 %	19.4 %	19.6 %	19.4 %

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 June 30,				Six Months Ended June 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	2,000	$ 172	130,581	$ 3,424	9,100	$ 404	283,173	$ 7,479
RSUs	472,444	13,186	667,213	4,887	589,748	15,138	731,508	5,213
PSUs	206,800	6,129	228,800	1,556	248,707	6,852	270,710	1,828
Total	681,244	$ 19,487	1,026,594	$ 9,867	847,555	$ 22,394	1,285,391	$ 14,520

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 June 30,		Six Months Ended June 30,		% Change Quarter Ended June 30,	% Change Six Months Ended June 30,
($ in thousands)	2021	2020	2021	2020	2021 vs. 2020	2021 vs. 2020
Net interest income	$ 957,740	$ 760,324	$ 1,855,201	$ 1,488,340	26 %	25 %
Provision for credit losses	16,143	31,117	1,535	93,487	(48)%	(98)%
Noninterest income	41,657	17,103	75,531	45,694	144 %	65 %
Noninterest expense	604,226	456,700	1,166,418	908,687	32 %	28 %
Income before provision for income taxes	379,028	289,610	762,779	531,860	31 %	43 %
Provision for income taxes	58,872	54,425	139,733	100,439	8 %	39 %
Net income	$ 320,156	$ 235,185	$ 623,046	$ 431,421	36 %	44 %

Net interest income for Commercial Banking for the quarter and six months ended June 30, 2021 was $957.7 million and $1.9 billion, compared to $760.3 million and $1.5 billion for the quarter and six months ended June 30, 2020, respectively. The increases were primarily due to increases in average interest-earning assets.

The provision for credit losses for Commercial Banking for the quarter and six months ended June 30, 2021 was $16.1 million and $1.5 million, compared to $31.1 million and $93.5 million for the quarter and six months ended June 30, 2020, respectively. The decreases were 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. In addition, the provision on unfunded loan commitments for the second quarter of 2020 and six months ended June 30, 2020 reflected decreases due to an enhancement of the Bank's assumptions of the timing of funding of construction loan commitments in the second quarter of 2020. The macroeconomic forecasts 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 was $41.7 million and $75.5 million for the quarter and six months ended June 30, 2021, compared to $17.1 million and $45.7 million for the quarter and six months ended June 30, 2020, respectively. The increases were primarily driven by higher income from investments in life insurance and loan servicing fees.

Noninterest expense for Commercial Banking was $604.2 million and $1.2 billion for the quarter and six months ended June 30, 2021, compared to $456.7 million and $908.7 million for the quarter and six months ended June 30, 2020, respectively. The increases were primarily due to higher salaries and employee benefits, information systems and occupancy costs from the continued investments in the expansion of the franchise, and higher professional fees and advertising and marketing costs.

Provision for income taxes for Commercial Banking for the quarter and six months ended June 30, 2021 was $58.9 million and $139.7 million, compared to $54.4 million and $100.4 million for the quarter and six months ended June 30, 2020, respectively. The increases were primarily the result of significant increases in pre-tax income. The increase for the quarter was partially offset by higher excess tax benefits upon vesting of stock awards due to higher market valuation levels.

Wealth Management

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

	Quarter Ended June 30,		Six Months Ended June 30,		% Change Quarter Ended June 30,	% Change Six Months Ended June 30,
($ in thousands)	**2021**	**2020**	**2021**	**2020**	**2021 vs. 2020**	**2021 vs. 2020**
Net interest income	$ 46,125	$ 27,088	$ 87,446	$ 51,204	70 %	71 %
Noninterest income	196,486	124,455	368,633	269,612	58 %	37 %
Noninterest expense	170,074	122,747	338,448	262,481	39 %	29 %
Income before provision for income taxes	72,537	28,796	117,631	58,335	152 %	102 %
Provision for income taxes	19,587	7,213	32,738	14,302	172 %	129 %
Net income	$ 52,950	$ 21,583	$ 84,893	$ 44,033	145 %	93 %

Net interest income for Wealth Management was $46.1 million and $87.4 million for the quarter and six months ended June 30, 2021, compared to $27.1 million and $51.2 million for the quarter and six months ended June 30, 2020, respectively. Net interest income 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 $17.6 billion and $13.4 billion at June 30, 2021 and 2020, respectively, including sweep deposits. Wealth Management client deposits, including sweep accounts, averaged $17.9 billion and $10.8 billion for the second quarter of 2021 and 2020, respectively, and averaged $17.7 billion and $10.1 billion for the six months ended June 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 1.03% for the second quarter of 2021, compared to 1.01% for the second quarter of 2020, and 1.00% for the six months ended June 30, 2021, compared to 1.02% for the six months ended June 30, 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 2.68% and 2.70% for the second quarter of 2021 and 2020, respectively, and was 2.67% and 2.72% for the six months ended June 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 $119.8 million and $72.3 million for the second quarter of 2021 and 2020, respectively, and $233.7 million and $136.6 million for the six months ended June 30, 2021 and 2020, respectively.

Noninterest income for Wealth Management was $196.5 million and $368.6 million for the quarter and six months ended June 30, 2021, compared to $124.5 million and $269.6 million for the quarter and six months ended June 30, 2020, respectively. The increases were 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 investments 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 was $170.1 million and $338.4 million for the quarter and six months ended June 30, 2021, compared to $122.7 million and $262.5 million for the quarter and six months ended June 30, 2020, respectively. The increases were primarily due to higher salaries and 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 for the quarter and six months ended June 30, 2021 was $19.6 million and $32.7 million, compared to $7.2 million and $14.3 million for the quarter and six months ended June 30, 2020, respectively. The increases were primarily the result of higher pre-tax income.

AUM and AUA, in aggregate, were $240.9 billion at June 30, 2021, compared to $155.8 billion a year ago, an increase of 55% driven by both 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)	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
First Republic Investment Management	$ 99,459	$ 90,819	$ 83,596	$ 74,661	$ 68,124
Brokerage and investment:					
Brokerage	112,359	101,478	88,059	76,769	70,178
Money market mutual funds	13,109	11,435	9,003	4,416	5,933
Total brokerage and investment	125,468	112,913	97,062	81,185	76,111
Trust Company:					
Trust	11,496	10,986	9,910	8,687	7,905
Custody	4,439	4,216	3,889	3,651	3,646
Total Trust Company	15,935	15,202	13,799	12,338	11,551
Total AUM and AUA	$ 240,862	$ 218,934	$ 194,457	$ 168,184	$ 155,786

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 (depreciation).

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in millions)	**2021**	**2020**	**2021**	**2020**
Beginning balance	$ 218,934	$ 137,887	$ 194,457	$ 151,043
Net client flow	8,732	2,736	25,123	7,690
Market appreciation (depreciation)	13,196	15,163	21,282	(2,947)
Ending balance	$ 240,862	$ 155,786	$ 240,862	$ 155,786

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

	% of AUM				
Investment Type	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Equities	59 %	57 %	56 %	51 %	49 %
Fixed income	27	27	28	31	31
Alternative investments	9	9	9	10	10
Cash and cash equivalents	5	7	7	8	10
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 June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
First Republic Investment Management	0.57 %	0.53 %	0.56 %	0.57 %
Brokerage and investment:				
Brokerage	0.07 %	0.06 %	0.06 %	0.07 %
Money market mutual funds	0.01 %	0.16 %	0.01 %	0.20 %
Total brokerage and investment	0.06 %	0.07 %	0.06 %	0.08 %
Trust Company:				
Trust	0.19 %	0.21 %	0.18 %	0.21 %
Custody	0.08 %	0.07 %	0.10 %	0.10 %
Total Trust Company	0.16 %	0.16 %	0.16 %	0.17 %
Total	0.28 %	0.28 %	0.27 %	0.30 %

Balance Sheet Analysis

Investments

The following table presents the investment portfolio:

($ in thousands)	June 30, 2021	December 31, 2020
Debt securities available-for-sale:		
Agency residential MBS	$ 1,848,713	$ 1,096,383
Other residential MBS	18,064	21,451
Agency commercial MBS	720,735	741,008
Securities of U.S. states and political subdivisions—taxable	47,471	47,473
Total	$ 2,634,983	$ 1,906,315
Debt securities held-to-maturity:		
U.S. Government-sponsored agency securities	$ 100,000	$ 50,000
Agency residential MBS	1,322,689	1,300,551
Other residential MBS	11,139	12,875
Agency commercial MBS	1,997,817	2,488,504
Securities of U.S. states and political subdivisions:		
Tax-exempt municipal securities	13,792,117	11,799,170
Tax-exempt nonprofit debentures	73,718	74,910
Taxable municipal securities	1,569,905	811,504
Corporate debt securities	1,377,320	72,698
Total	20,244,705	16,610,212
Less: Allowance for credit losses	(8,407)	(6,902)
Debt securities held-to-maturity, net	$ 20,236,298	$ 16,603,310
Equity securities (fair value):		
Mutual funds and marketable equity securities	$ 29,550	$ 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 June 30, 2021 and December 31, 2020, respectively.

The average duration of the available-for-sale portfolio was 5.2 and 3.8 years at June 30, 2021 and December 31, 2020, respectively. The weighted average duration of the held-to-maturity portfolio was 10.8 and 8.9 years at June 30, 2021 and December 31, 2020, respectively.

At June 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 $31.3 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 June 30, 2021, no ACL was recognized on available-for-sale debt securities.

As of June 30, 2021, the ACL on held-to-maturity debt securities totaled $8.4 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 loss given default 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 increases in the ACL on held-to-maturity debt securities during the quarter and six months ended June 30, 2021 were 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)	June 30, 2021	December 31, 2020
Residential real estate		
Single family	$ 69,909	$ 61,370
Home equity lines of credit	2,441	2,450
Single family construction	878	788
Total residential real estate	73,228	64,608
Income property		
Multifamily	14,803	13,769
Commercial real estate	8,235	8,018
Multifamily/commercial construction	2,061	2,024
Total income property	25,099	23,811
Business		
Capital call lines of credit	8,127	8,150
Tax-exempt	3,566	3,366
Other business	3,657	3,340
PPP	1,375	1,841
Total business	16,725	16,697
Other		
Stock secured	2,966	2,518
Other secured	2,052	1,819
Unsecured	3,047	3,113
Total other	8,065	7,450
Total loans held for investment	123,117	112,566
Less: Allowance for credit losses	(637)	(635)
Loans, net	122,480	111,931
Loans held for sale	3	21
Total	$ 122,483	$ 111,952

The following table presents an analysis of our loan portfolio at June 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]	$26,887	$13,230	$13,820	$6,549	$2,183	$714	$6,529	$69,912	57 %
Home equity lines of credit	993	368	515	263	62	15	225	2,441	2
Single family construction	228	166	316	33	28	6	101	878	1
Total residential real estate	28,108	13,764	14,651	6,845	2,273	735	6,855	73,231	60
Income property									
Multifamily	5,791	2,828	3,103	628	1,455	239	759	14,803	12
Commercial real estate	3,321	1,600	1,794	259	226	278	757	8,235	7
Multifamily/commercial construction	369	218	934	73	90	—	377	2,061	1
Total income property	9,481	4,646	5,831	960	1,771	517	1,893	25,099	20
Business									
Capital call lines of credit	2,698	2,378	962	755	34	—	1,300	8,127	7
Tax-exempt	983	698	872	396	302	2	313	3,566	3
Other business	1,506	596	561	239	165	14	576	3,657	3
PPP	724	190	244	56	45	14	102	1,375	1
Total business	5,911	3,862	2,639	1,446	546	30	2,291	16,725	14
Other									
Stock secured	583	354	607	253	138	43	988	2,966	2
Other secured	323	760	79	281	5	1	603	2,052	2
Unsecured	926	718	607	265	124	47	360	3,047	2
Total other	1,832	1,832	1,293	799	267	91	1,951	8,065	6
Total	$45,332	$24,104	$24,414	$10,050	$4,857	$1,373	$12,990	$123,120	100 %
% by location at June 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 both June 30, 2021 and December 31, 2020, approximately 51% 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 June 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]	$ 308	$ 2,543	$ 2,205	$ 178	$ 5,234	$ 47,168	$ 17,510	$ 69,912
Home equity lines of credit	2,435	5	—	—	2,440	—	1	2,441
Single family construction	28	—	—	—	28	—	850	878
Total residential real estate	2,771	2,548	2,205	178	7,702	47,168	18,361	73,231
Income property								
Multifamily	230	492	1,438	143	2,303	7,227	5,273	14,803
Commercial real estate	391	440	348	39	1,218	2,459	4,558	8,235
Multifamily/commercial construction	866	28	—	27	921	14	1,126	2,061
Total income property	1,487	960	1,786	209	4,442	9,700	10,957	25,099
Business								
Capital call lines of credit	6,970	537	—	—	7,507	—	620	8,127
Tax-exempt	110	177	—	—	287	312	2,967	3,566
Other business	1,453	162	9	18	1,642	165	1,850	3,657
PPP	—	—	—	—	—	—	1,375	1,375
Total business	8,533	876	9	18	9,436	477	6,812	16,725
Other								
Stock secured	1,466	507	—	963	2,936	3	27	2,966
Other secured	842	830	—	190	1,862	—	190	2,052
Unsecured	620	30	—	7	657	1	2,389	3,047
Total other	2,928	1,367	—	1,160	5,455	4	2,606	8,065
Total	$ 15,719	$ 5,751	$ 4,000	$ 1,565	$ 27,035	$ 57,349	$ 38,736	$ 123,120
% by rate type at June 30, 2021	13 %	5 %	3 %	1 %	22 %	47 %	31 %	100 %
% by rate type at December 31, 2020	13 %	5 %	4 %	1 %	23 %	47 %	30 %	100 %

[1] Includes loans held for sale.

At June 30, 2021, included in the hybrid-rate and fixed-rate loan portfolios are $4.5 billion, or 4% 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. 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 U.S. Dollar LIBOR tenors after December 31, 2021 and all other U.S. Dollar LIBOR tenors after June 30, 2023. In addition, the FHLB of San Francisco has announced that it will no longer calculate and publish COFI after January 31, 2022. The Bank ceased offering new loans indexed to LIBOR in the first half of 2019 (with some limited exceptions for business loans) and to COFI in the first half of 2018 and the Bank has a transition plan in place with respect to existing loans indexed to LIBOR and COFI. In lieu of LIBOR or COFI, new loan originations are currently indexed to Prime or a 12-month average of 1-year CMT.

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:

	June 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	$ 43,516,810	63 %	$ 38,849,327	64 %

At June 30, 2021, interest-only home loans had a weighted average LTV of 56%, based on appraised value at the time of origination, and had credit scores averaging 764 at origination. At June 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:

	June 30, 2021	
($ in thousands)	Unpaid Principal Balance	% of Total
LTV at Origination		
Less than or equal to 60%	$ 37,392,325	53.7 %
Greater than 60% to 70%	21,296,697	30.6
Greater than 70% to 80%	10,497,759	15.1
Greater than 80%	406,935	0.6
Total	$ 69,593,716	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 June 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.

The following table presents CLTV information at origination for HELOCs:

($ in thousands)	June 30, 2021 Unpaid Principal Balance	June 30, 2021 Total Commitment	June 30, 2021 % of Unpaid Principal Balance
CLTV at Origination			
Less than or equal to 60%	$ 1,677,292	$ 6,513,266	69.8 %
Greater than 60% to 70%	509,983	1,715,444	21.2
Greater than 70% to 80%	204,465	500,767	8.5
Greater than 80%	12,277	16,385	0.5
Total	$ 2,404,017	$ 8,745,862	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 June 30, 2021 and December 31, 2020, the unpaid principal balance of single family construction loans was $881.1 million and $791.4 million, respectively, and the total commitment was $1.7 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:

($ in thousands)	Unpaid Principal Balance June 30, 2021	Unpaid Principal Balance December 31, 2020
Multifamily	$ 14,812,989	$ 13,785,103
Multifamily—interest-only (1)	$ 6,770,496	$ 5,953,691

(1) Excludes lines of credit.

At June 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:

($ in thousands)	June 30, 2021 Unpaid Principal Balance	June 30, 2021 Total Commitment	June 30, 2021 % of Total Multifamily	December 31, 2020 Unpaid Principal Balance	December 31, 2020 Total Commitment	December 31, 2020 % of Total Multifamily
Multifamily lines of credit—interest-only	$ 290,642	$ 699,260	2.0 %	$ 324,784	$ 687,194	2.4 %

At June 30, 2021, interest-only multifamily lines of credit had a weighted average LTV of 49% 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)	**June 30, 2021**	**December 31, 2020**
Commercial real estate	$ 8,242,452	$ 8,026,232
Commercial real estate—interest-only [1]	$ 2,977,564	$ 2,822,751

[1] Excludes lines of credit.

At June 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:

	June 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	$ 359,074	$ 719,442	4.4 %	$ 360,783	$ 678,878	4.5 %

At June 30, 2021, interest-only commercial real estate lines of credit had a weighted average LTV of 46% 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 $2.5 billion, and represented 2.1% of our loan portfolio as of June 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 June 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 $3.6 billion at both June 30, 2021 and December 31, 2020.

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:

	June 30, 2021		December 31, 2020	
($ in thousands)	Amortized Cost	Total Commitment	Amortized Cost	Total Commitment
Private Equity/Venture Capital Funds	$ 8,714,571	$ 23,843,636	$ 8,549,842	$ 21,348,503
Schools/Non-profit Organizations	3,885,995	5,092,644	3,694,549	4,669,183
Investment Firms	475,616	1,206,614	390,536	1,050,473
Real Estate Related Entities	654,233	963,775	563,880	890,290
Professional Service Firms	197,416	567,846	226,959	543,845
Aviation/Marine	367,504	378,662	400,010	406,228
Clubs and Membership Organizations	147,498	261,699	155,840	238,588
Vineyards/Wine	147,460	246,405	157,811	259,385
Entertainment Industry	37,797	82,565	17,717	105,585
Other	722,366	1,104,157	698,422	1,018,604
Total excluding PPP	15,350,456	33,748,003	14,855,566	30,530,684
PPP [(1)]	1,374,765	1,400,213	1,841,376	1,865,864
Total including PPP	$ 16,725,221	$ 35,148,216	$ 16,696,942	$ 32,396,548

[(1)] Total commitment related to PPP excludes net deferred fees unamortized balance of $25.4 million and $24.5 million as of June 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					
	June 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	$ 8,498,644	$ 23,620,078	36.0 %	$ 8,228,001	$ 21,017,276	39.1 %
Schools/Non-profit Organizations	556,493	1,761,258	31.6 %	610,826	1,583,102	38.6 %
Investment Firms	366,224	1,096,689	33.4 %	182,450	842,003	21.7 %
Real Estate Related Entities	232,287	540,908	42.9 %	192,089	517,303	37.1 %
Professional Service Firms	43,780	414,220	10.6 %	65,731	382,661	17.2 %
Vineyards/Wine	55,021	153,908	35.7 %	51,095	152,568	33.5 %
Clubs and Membership Organizations	13,777	127,825	10.8 %	17,773	100,275	17.7 %
Entertainment Industry	26,339	71,015	37.1 %	15,366	102,294	15.0 %
Aviation/Marine	6,595	17,015	38.8 %	3,590	8,915	40.3 %
Other	386,502	766,932	50.4 %	319,324	638,760	50.0 %
Total	$10,185,662	$ 28,569,848	35.7 %	$ 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 June 30, 2021, the unpaid principal balance and total commitment for capital call lines of credit was approximately $8.1 billion and $22.7 billion, respectively, resulting in a utilization rate for these lines of credit of 35.7% at June 30, 2021.

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

	Term Loans	
	Unpaid Principal Balance	
($ in thousands)	June 30, 2021	December 31, 2020
Schools/Non-profit Organizations	$ 3,331,386	$ 3,086,081
Real Estate Related Entities	422,867	372,987
Aviation/Marine	361,647	397,313
Private Equity/Venture Capital Funds	223,558	331,227
Professional Service Firms	153,626	161,184
Clubs and Membership Organizations	133,874	138,313
Investment Firms	109,925	208,470
Vineyards/Wine	92,497	106,817
Entertainment Industry	11,550	3,291
Other	337,225	379,844
Total excluding PPP	5,178,155	5,185,527
PPP	1,400,213	1,865,864
Total including PPP	$ 6,578,368	$ 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:

	June 30, 2021		
($ in thousands)	**First Round**	**Second Round**	**Total**
Loans outstanding [1]	$ 583,838	$ 816,375	$ 1,400,213
Forgiveness amounts approved by the SBA [2]	$ 1,515,040	$ 2,263	$ 1,517,303
Loans outstanding submitted for forgiveness review to the SBA [3]	$ 109,759	$ 2,000	$ 111,759

(1) Represents unpaid principal balance.

(2) Since the inception of the PPP through June 30, 2021, 8,526 First Round and 10 Second Round PPP loans have received forgiveness.

(3) As of June 30, 2021, 166 First Round and 1 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 will be 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 June 30,		**Six Months Ended June 30,**	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
First Round [1]	$ 9,703	$ 3,690	$ 20,275	$ 3,690
Second Round [1]	1,151	—	1,417	—
Total	$ 10,854	$ 3,690	$ 21,692	$ 3,690

(1) For the quarter and six months ended June 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 June 30, 2021 was $25.4 million. Of this balance, $4.2 million and $21.2 million relate to First Round and Second Round loans, respectively.

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:

	June 30, 2021		December 31, 2020	
($ in thousands)	Unpaid Principal Balance	Total Commitment	Unpaid Principal Balance	Total Commitment
Stock secured	$ 2,960,595	$ 7,980,266	$ 2,514,076	$ 6,893,234
Other secured	2,050,775	4,352,014	1,818,577	3,610,177
Unsecured	3,042,699	4,074,343	3,109,297	3,911,540
Total	$ 8,054,069	$ 16,406,623	$ 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 $1.9 billion and $1.7 billion at June 30, 2021 and December 31, 2020, and total commitments of $4.1 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 $2.3 billion and $2.5 billion at June 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	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Home equity lines of credit	27.0 %	26.9 %	28.3 %	28.9 %	28.9 %
Single family construction	50.7 %	51.4 %	51.5 %	51.5 %	53.1 %
Multifamily	41.6 %	44.3 %	47.4 %	50.0 %	47.8 %
Commercial real estate	49.9 %	50.1 %	52.9 %	52.2 %	50.9 %
Multifamily/commercial construction	56.1 %	56.2 %	55.0 %	55.0 %	53.6 %
Capital call lines of credit	35.7 %	39.6 %	39.3 %	35.0 %	35.6 %
Tax-exempt	57.2 %	57.1 %	55.7 %	46.7 %	39.4 %
Other business	31.6 %	30.4 %	29.6 %	26.7 %	30.3 %
Stock secured	36.9 %	33.7 %	36.0 %	35.8 %	32.8 %
Other secured	42.5 %	43.0 %	45.1 %	46.6 %	45.7 %
Unsecured	45.2 %	43.1 %	43.3 %	37.2 %	38.4 %

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 June 30, 2021, we have originated approximately $352.1 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 June 30,		Six Months Ended June 30,	
($ in thousands)	2021	2020	2021	2020
Residential real estate				
Single family	$ 8,661,680	$ 5,875,184	$ 15,563,872	$ 9,394,520
Home equity lines of credit	610,658	457,737	1,234,319	853,245
Single family construction	215,014	119,318	439,518	228,480
Total residential real estate	9,487,352	6,452,239	17,237,709	10,476,245
Income property				
Multifamily	1,101,450	946,820	1,892,520	1,728,123
Commercial real estate	458,196	330,683	772,187	782,541
Multifamily/commercial construction	272,145	131,414	582,969	752,335
Total income property	1,831,791	1,408,917	3,247,676	3,262,999
Business				
Capital call lines of credit	2,921,192	1,405,347	6,052,509	3,790,576
Tax-exempt	208,327	184,054	422,294	284,073
Other business	520,394	914,257	1,545,548	1,534,036
PPP	35,586	1,981,797	724,534	1,981,797
Total business	3,685,499	4,485,455	8,744,885	7,590,482
Other				
Stock secured	775,795	519,416	1,485,833	1,111,976
Other secured	598,630	358,730	1,037,619	772,554
Unsecured	372,192	203,270	718,040	526,158
Total other	1,746,617	1,081,416	3,241,492	2,410,688
Total loans originated	$ 16,751,259	$ 13,428,027	$ 32,471,762	$ 23,740,414

Total loan originations were $16.8 billion for the second quarter of 2021, compared to $13.4 billion for the second quarter of 2020, an increase of 25%, and were $32.5 billion for the six months ended June 30, 2021, compared to $23.7 billion for the six months ended June 30, 2020, an increase of 37%. Loan originations increased primarily due to increases in single family and business lending, and were partially offset by decreases in loan originations under the PPP. 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	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Single family	60 %	57 %	57 %	58 %	53 %
Home equity lines of credit [(1)]	50 %	50 %	50 %	49 %	48 %
Single family construction	56 %	53 %	58 %	58 %	58 %
Multifamily	51 %	50 %	52 %	52 %	49 %
Commercial real estate	45 %	47 %	47 %	43 %	43 %
Multifamily/commercial construction	55 %	50 %	54 %	52 %	61 %

[(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	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Single family	769	768	771	774	770
Home equity lines of credit	772	772	769	773	772

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	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Purchase loans	51 %	35 %	38 %	42 %	20 %
Refinance loans	49	65	62	58	80
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	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Single family [1]	57 %	57 %	57 %	57 %	57 %
Home equity lines of credit [2]	50 %	50 %	50 %	50 %	51 %
Single family construction	56 %	56 %	57 %	56 %	57 %
Multifamily	51 %	51 %	51 %	51 %	51 %
Commercial real estate	46 %	46 %	46 %	47 %	47 %
Multifamily/commercial construction	54 %	53 %	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)	**June 30, 2021**	**December 31, 2020**
Nonaccrual loans:		
Residential real estate		
Single family	$ 75,195	$ 85,630
Home equity lines of credit	27,901	31,571
Total residential real estate	103,096	117,201
Income property		
Commercial real estate	4,044	2,320
Multifamily/commercial construction	18,713	57,843
Total income property	22,757	60,163
Business		
Other business	4,330	4,534
Other		
Other secured	645	23
Unsecured	2,052	2,211
Total other	2,697	2,234
Total nonaccrual loans	132,880	184,132
Other real estate owned	—	—
Total nonperforming assets	$ 132,880	$ 184,132
Nonperforming assets to total assets	0.08 %	0.13 %
Accruing loans 90 days or more past due	$ —	$ —
Restructured accruing loans	$ 11,407	$ 11,253

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

Of the loans on nonaccrual status, $54.1 million were current at June 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 $634 million, and was only 0.5% of total loans as of June 30, 2021. The following table presents a summary of these loan modifications as of June 30, 2021:

	COVID-19 Loan Modifications (1), (2), (3), (4), (5)			
($ in millions)	Unpaid Principal Balance	LTV (6)	Average Loan Size	Number of Loans
Single family	$ 124	60 %	$ 1.1	116
Home equity lines of credit	2	64 %	$ 0.3	6
Single family construction	2	75 %	$ 2.4	1
Multifamily	161	51 %	$ 6.4	25
Commercial real estate	157	47 %	$ 5.2	30
Multifamily/commercial construction	9	45 %	$ 8.9	1
Capital call lines of credit	—	n/a	$ —	—
Tax-exempt	141	n/a	$ 23.5	6
Other business	30	n/a	$ 2.5	12
Stock secured	—	n/a	$ —	—
Other secured	2	n/a	$ 0.4	6
Unsecured (7)	6	n/a	$ 0.1	60
Total	$ 634			263

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

(2) Includes 62 loans totaling $274 million that have completed their deferral period, but for which a regular payment is not yet due.

(3) Includes 136 loans totaling $328 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 June 30, 2021, $3.4 billion of loans have completed their deferral period or are no longer outstanding, and 99% of the outstanding loans were current.

(5) Loan modifications requested by borrowers that were in process but not yet completed as of June 30, 2021 totaled $7 million for initial relief, and $2 million for additional relief beyond the initial modification period.

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

(7) 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 2.1% of total loans as of June 30, 2021. As of June 30, 2021, the Bank had modifications of these portfolios totaling $92 million, only 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:

	June 30, 2021				
($ in millions)	Unpaid Principal Balance	LTV	Average Loan Size	Number of Loans	Personal Guarantee %
Retail	$ 1,859	49 %	$ 2.6	729	78 %
Hotel	468	48 %	$ 7.3	66	76 %
Restaurant (1)	210	49 %	$ 1.1	199	95 %
Total (2)	$ 2,537			994	

(1) Approximately 74% of loans to restaurants are real estate secured.

(2) Amounts in the table above exclude $50 million of loans to hotels and $214 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 June 30, 2021 compared to March 31, 2021 was primarily due to loan growth. The increase as of June 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 June 30,		At or for the Six Months Ended June 30,	
($ in thousands)	2021	2020	2021	2020 [1]
Allowance for credit losses on loans:				
Balance at beginning of period	$ 620,825	$ 541,906	$ 635,019	$ 494,429
Provision	17,304	43,189	3,597	90,868
Charge-offs:				
Single family	(196)	—	(527)	(89)
Home equity lines of credit	—	(278)	(211)	(284)
Single family construction	—	(679)	—	(679)
Multifamily	—	—	—	—
Commercial real estate	—	—	—	—
Multifamily/commercial construction	—	—	—	—
Capital call lines of credit	—	—	—	—
Tax-exempt	—	—	—	—
Other business	(302)	(7)	(312)	(7)
PPP	—	—	—	—
Stock secured	—	—	—	—
Other secured	(5)	—	(5)	—
Unsecured	(1,135)	(634)	(1,409)	(883)
Total charge-offs	(1,638)	(1,598)	(2,464)	(1,942)
Recoveries:				
Single family	11	21	28	38
Home equity lines of credit	106	414	292	432
Single family construction	—	—	—	—
Multifamily	—	—	—	—
Commercial real estate	—	—	—	—
Multifamily/commercial construction	—	—	—	—
Capital call lines of credit	—	—	—	—
Tax-exempt	—	—	—	—
Other business	124	36	237	54
PPP	—	—	—	—
Stock secured	—	—	—	—
Other secured	—	—	—	—
Unsecured	178	29	201	118
Total recoveries	419	500	758	642
Net loan charge-offs	(1,219)	(1,098)	(1,706)	(1,300)
Balance at end of period	$ 636,910	$ 583,997	$ 636,910	$ 583,997
Average total loans for the period	$ 120,701,797	$ 98,049,320	$ 117,690,649	$ 95,131,222
Total loans at period end	$ 123,117,178	$ 100,015,235	$ 123,117,178	$ 100,015,235
Total nonaccrual loans	$ 132,880	$ 164,930	$ 132,880	$ 164,930
Ratios:				
Net charge-offs to:				
Average total loans (annualized)	0.00 %	0.00 %	0.00 %	0.00 %
Allowance for credit losses on loans to:				
Total loans	0.52 %	0.58 %	0.52 %	0.58 %
Nonaccrual loans	479.3 %	354.1 %	479.3 %	354.1 %

[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 decreased during the quarter and six months ended June 30, 2021. The decrease in ACL on unfunded commitments as of June 30, 2021 compared to March 31, 2021 was primarily due to a generally lower probability of funding. The decrease as of June 30, 2021 compared to December 31, 2020 was primarily due to a generally lower probability of funding, and an improved economic outlook. The following table presents the changes in the ACL on unfunded loan commitments:

	At or for the Quarter Ended June 30,		At or for the Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020 [1]**
Balance at beginning of period	$ 25,555	$ 29,970	$ 27,578	$ 15,697
Provision (reversal of provision)	(1,544)	(12,368)	(3,567)	1,905
Balance at end of period	$ 24,011	$ 17,602	$ 24,011	$ 17,602

(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 (loss) on sale of loans:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Single family loans originated	$ 8,661,680	$ 5,875,184	$ 15,563,872	$ 9,394,520
Loans sold:				
Flow sales:				
Agency	$ 4,315	$ 10,810	$ 46,717	$ 36,584
Non-agency	—	—	1,073	31,870
Total flow sales	4,315	10,810	47,790	68,454
Bulk sales:				
Non-agency	—	—	—	437,669
Securitizations	—	300,116	—	300,116
Total loans sold	$ 4,315	$ 310,926	$ 47,790	$ 806,239
Gain (loss) on sale of loans:				
Amount	$ 58	$ (1,147)	$ 367	$ 778
Gain (loss) as a percentage of loans sold	1.34 %	(0.37)%	0.77 %	0.10 %

The level of loan originations, loan sales and gain (loss) on loan sales depend upon market conditions and the interest rate environment, as well as our pricing and ALM strategies. The net gain (loss) on sale of loans for the second quarter of 2020 and six months ended June 30, 2020 included costs associated with a securitization sponsored by the Bank. The level of future loan originations, loan sales and gain (loss) 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 June 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 June 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 June 30, 2021, and the Bank has experienced no cumulative losses on the loans within this securitization through June 30, 2021. The remaining unpaid principal balance of multifamily loans securitized was $78.5 million at June 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 $11.7 million as of June 30, 2021, compared to $13.5 million as of December 31, 2020. The remaining unpaid principal balance of single family loans securitized was $225.3 million at June 30, 2021, compared to $256.5 million at December 31, 2020.

The following table presents information on loans serviced for others and net loan servicing fees:

	At or for the Quarter Ended June 30,		At or for the Six Months Ended June 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Loans serviced for others	$ 5,640,470	$ 8,315,632	$ 5,640,470	$ 8,315,632
Loan servicing fees, net	$ 1,057	$ (4,445)	$ 2,545	$ (2,793)

Mortgage loans serviced for investors decreased to $5.6 billion at June 30, 2021, from $8.3 billion at June 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 June 30, 2021, MSRs were $20.8 million (37 bps of loans serviced), compared to $31.7 million (38 bps of loans serviced) at June 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 June 30, 2021, single family loans serviced for investors that are 90 days or more past due were $6.8 million, or 12 bps of such loans serviced.

For mortgage loans in our servicing portfolio, borrowers who are experiencing financial difficulty as a result of COVID-19 may request a modification, such as payment deferrals. Modifications generally include deferring scheduled principal and/or interest payments for six months. As of June 30, 2021, modifications in our mortgage servicing portfolio totaled $24.1 million, compared to $53.5 million as of December 31, 2020 (less than 1% of loans serviced at each respective period end). For the majority of such loans in the Bank's mortgage servicing portfolio, the Bank will continue to advance principal and interest payments to investors in accordance with the terms of the underlying servicing agreements.

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 June 30, 2021, our total deposits were $134.7 billion, a 17% 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 $129.0 billion and $109.3 billion at June 30, 2021 and December 31, 2020, respectively, and represented 96% of total deposits at June 30, 2021, compared to 95% at December 31, 2020. Total deposits included $1.4 billion of brokered deposits at June 30, 2021, compared to $1.1 billion at December 31, 2020. The weighted average contractual rate paid on brokered deposits was 0.03% and 0.07% at June 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)	June 30, 2021	December 31, 2020
Preferred Banking:		
Northern California	$ 36,023,619	$ 29,398,248
Metropolitan New York	21,994,475	17,844,828
Southern California	12,353,441	10,539,845
Boston	12,472,939	10,968,464
Subtotal	82,844,474	68,751,385
Preferred Banking Offices:		
Northern California	22,828,246	20,693,568
Metropolitan New York	8,438,446	6,988,064
Southern California	5,733,495	5,115,241
Boston	2,489,410	2,209,417
Subtotal	39,489,597	35,006,290
Wealth management sweep	10,094,828	9,574,527
Other	2,227,936	1,596,598
Total deposits	$ 134,656,835	$ 114,928,800

The following table presents business and consumer deposits:

($ in thousands)	June 30, 2021	December 31, 2020
Business deposits:		
Checking	$ 63,809,150	$ 50,389,145
Money market checking	11,841,804	8,743,423
Money market savings	5,447,432	4,501,395
CDs	1,618,789	1,671,973
Subtotal	82,717,175	65,305,936
Percent of total deposits	61 %	57 %
Consumer deposits:		
Checking	27,805,335	26,495,188
Money market checking	8,531,731	8,035,461
Money market savings and passbooks	9,300,165	8,083,127
CDs	6,302,429	7,009,088
Subtotal	51,939,660	49,622,864
Percent of total deposits	39 %	43 %
Total deposits	$134,656,835	$114,928,800

We fund a portion of our assets with CDs that have balances greater than $250,000. At June 30, 2021 and December 31, 2020, our CDs having balances greater than $250,000 totaled $4.3 billion and $4.5 billion, respectively. The following table presents the maturities of our CDs greater than $250,000:

($ in thousands)	June 30, 2021
Remaining maturity:	
Three months or less	$ 1,876,534
Over three through six months	1,350,843
Over six through twelve months	752,828
Over twelve months	280,552
Total	$ 4,260,757
Percent of total deposits	3 %

At June 30, 2021 and December 31, 2020, the weighted average contractual rate paid on CDs was 0.49% and 0.59%, respectively, and the weighted average remaining maturity of CDs was 6.0 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:

	June 30, 2021	
($ in thousands)	Amount	Rate
CDs maturing in:		
July 1 - December 31, 2021	$ 5,729,405	0.36 %
2022	1,788,019	0.58 %
2023	161,656	1.59 %
2024	148,058	2.39 %
2025	71,133	1.79 %
2026 and thereafter	22,947	0.71 %
Total	$ 7,921,218	0.49 %

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 June 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 June 30, 2021 were $9.0 billion. The weighted average remaining maturity of long-term FHLB advances was 1.6 years at June 30, 2021. The following table presents the contractual maturities and weighted average contractual rates of our long-term FHLB advances:

	June 30, 2021	
($ in thousands)	**Amount**	**Rate**
FHLB advances maturing in:		
July 1 - December 31, 2021	$ 2,400,000	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	$ 9,000,000	1.30 %

The Bank prepaid FHLB advances totaling $1.5 billion and $2.8 billion for the quarter and six months ended June 30, 2021, respectively, and $850.0 million and $1.5 billion for the quarter and six months ended June 30, 2020, respectively. Prepayment penalties for FHLB advances, which are included in other noninterest expense, totaled $5.4 million and $10.1 million for the quarter and six months ended June 30, 2021, respectively, and $2.6 million and $3.8 million for the quarter and six months ended June 30, 2020, respectively.

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 June 30, 2021:

	June 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	$ 499,108	2.500 %	May 6, 2022	June 6, 2022
Fixed-to-floating rate, issued February 2020	$ 500,000	$ 498,085	1.912% [(4)]	February 12, 2023	February 12, 2024
Subordinated notes:					
Fixed-rate, issued August 2016	$ 400,000	$ 388,403	4.375 %	February 1, 2046	August 1, 2046
Fixed-rate, issued February 2017	$ 400,000	$ 390,132	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 June 30, 2021 was $43.9 billion and $4.3 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 June 30, 2021, our investment securities portfolio of $22.9 billion and cash and cash equivalents of $7.9 billion collectively comprised 19% of total assets. At June 30, 2021, assets that are considered HQLA, including eligible cash, were $23.2 billion. HQLA include $9.6 billion of municipal securities.

At June 30, 2021, we had $43.9 billion of unused, available borrowing capacity at the FHLB supported by pledged loans. In addition, we had $4.3 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 generally 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. We originate single family mortgages in part to attract new clients for other banking and wealth management services. Selling mortgages allows us to originate more loans without growing our balance sheet loan portfolio and creating the need for additional funding and capital. All loans sold are performing loans and meet all underwriting standards required by us and the secondary market. We sold $47.8 million of loans during the six months ended June 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 six months ended June 30, 2021, the primary sources and uses of funds were as follows:

- Loan originations and purchases, net of sales and repayments, were $11.5 billion;
- Investment purchases, net of calls and paydowns, were $3.5 billion;
- Deposits increased by $19.7 billion;
- FHLB advances decreased by $2.8 billion;
- 2,012,500 shares of common stock were issued in an underwritten public offering, with net proceeds of $331.3 million;
- 4.250% Series L Preferred Stock were issued, with net proceeds of $732.8 million; 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)	June 30, 2021	December 31, 2020
Regulatory Capital Components		
Shareholders' equity	$ 13,274,727	$ 11,750,646
CECL Capital Rule retained earnings adjustments [1]	43,310	43,353
CET1 capital adjustments and deductions:		
Preferred stock	(2,142,500)	(1,545,000)
Goodwill and other intangible assets, net of deferred taxes	(198,419)	(203,997)
DTAs that arise from tax credit carryforwards, net of DTLs	(112,057)	(126,754)
Accumulated other comprehensive loss (income)	10,375	(23,378)
CET1 capital	10,875,436	9,894,870
Preferred stock	2,142,500	1,545,000
Additional Tier 1 capital	2,142,500	1,545,000
Tier 1 capital	13,017,936	11,439,870
Tier 2 capital instruments—subordinated notes [2]	778,535	778,313
Qualifying ACL [3]	669,328	669,499
CECL Capital Rule ACL adjustments [1]	(45,295)	(45,338)
Tier 2 capital	1,402,568	1,402,474
Total risk-based capital	$ 14,420,504	$ 12,842,344
Assets		
Average assets	$ 161,593,581	$ 140,449,930
CECL Capital Rule average assets adjustments [1]	43,310	43,353
Average assets after adjustments	$ 161,636,891	$ 140,493,283
RWAs	$ 114,410,500	$ 102,326,452
CECL Capital Rule DTAs adjustments [1]	(4,963)	(4,963)
RWAs after adjustments	$ 114,405,537	$ 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 June 30, 2021 and December 31, 2020, the Bank's noncumulative perpetual preferred stock was 16% and 14% of Tier 1 capital, respectively.

During the six months ended June 30, 2021, the Bank issued $747.5 million of 4.250% Series L Preferred Stock, which qualifies as Tier 1 capital. The Bank redeemed all of the outstanding shares of its 5.50% Series G Preferred Stock, which totaled $150.0 million. In addition, the Bank sold 2,012,500 shares of common stock in an underwritten public offering, which added $331.3 million 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 June 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)	**June 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)	8.05 %	8.14 %	5.00 %	4.00 %	— %
CET1 capital to RWAs	9.51 %	9.67 %	6.50 %	4.50 %	2.50 %
Tier 1 capital to RWAs	11.38 %	11.18 %	8.00 %	6.00 %	2.50 %
Total capital to RWAs	12.60 %	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 June 30, 2021, our capital conservation buffer was 4.60%, 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 June 30,**		**Six Months Ended June 30,**	
	2021	**2020**	**2021**	**2020**
($ in thousands)				
Average common shareholders' equity (a)	$ 10,977,612	$ 9,330,452	$ 10,706,538	$ 9,194,586
Less: Average goodwill and other intangible assets	225,183	231,934	225,929	233,006
Average tangible common shareholders' equity (b)	$ 10,752,429	$ 9,098,518	$ 10,480,609	$ 8,961,580
Net income available to common shareholders (c)	$ 349,451	$ 241,951	$ 665,759	$ 447,617
Return on average common shareholders' equity (c) / (a)	12.77 %	10.43 %	12.54 %	9.79 %
Return on average tangible common shareholders' equity (c) / (b)	13.04 %	10.70 %	12.81 %	10.04 %

[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]	**June 30, 2021**	**December 31, 2020**	**June 30, 2020**
(in thousands, except per share amounts)			
Total shareholders' equity	$ 13,274,727	$ 11,750,646	$ 10,575,928
Less: Preferred stock	2,142,500	1,545,000	1,145,000
Total common shareholders' equity (a)	11,132,227	10,205,646	9,430,928
Less: Goodwill and other intangible assets	224,497	227,512	230,975
Total tangible common shareholders' equity (b)	$ 10,907,730	$ 9,978,134	$ 9,199,953
Number of shares of common stock outstanding (c)	176,742	174,124	172,094
Book value per common share (a) / (c)	$ 62.99	$ 58.61	$ 54.80
Tangible book value per common share (b) / (c)	$ 61.72	$ 57.30	$ 53.46

[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 an active and ongoing 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 $47.8 million of loans during the six months ended June 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 $40.1 billion, or 26% of total earning assets at June 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 $31.5 billion, or 26% of the total loan portfolio at June 30, 2021. The loan portfolio that reprices at least quarterly to market rate indices, such as Prime or LIBOR, totaled $21.4 billion, or 17% of the total loan portfolio at June 30, 2021. The loan portfolio with lagging indices, such as COFI and the CMT, totaled $5.6 billion, or 5% of the total loan portfolio at June 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 $4.5 billion, or 4% of the total loan portfolio at June 30, 2021. In addition, at June 30, 2021, the Bank held $7.5 billion in cash and $1.1 billion in investment securities (collectively, 28% 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 $91.6 billion, or 68% of total deposits at June 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 $35.1 billion, or 26% of total deposits at June 30, 2021. CDs were $7.9 billion, or 6% of total deposits and had a weighted average remaining maturity of 6.0 months at June 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 $9.0 billion at June 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, unsecured, term, fixed-to-floating rate senior notes and unsecured, term, fixed-rate subordinated notes. At June 30, 2021, the senior notes had a carrying value of $997.2 million and mature in June 2022 and February 2024. Also, at June 30, 2021, the subordinated notes had a carrying value of $778.5 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 June 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 June 30, 2022**	**Twelve Months Ending June 30, 2023**
Shock:		
+200 bps immediately	5.4 %	15.4 %
+100 bps immediately	3.1 %	9.3 %
-100 bps immediately	(3.9)%	(9.4)%
Ramp:		
+200 bps over next 12 months	2.1 %	11.1 %
+100 bps over next 12 months	1.2 %	6.8 %
-100 bps over next 12 months	(1.8)%	(7.7)%

The Bank's net interest income sensitivity position is a combined result of the existing balance sheet and future growth projections as of June 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 68% 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 69% of short-term interest rate increases or 64% 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 chief executive officer and chief financial officer, supervised and participated in the evaluation. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures, as of June 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 June 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 second quarter of 2021, we sold 46,973 shares of common stock to eligible employees under our ESPP for aggregate cash consideration of $7.3 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 second quarter of 2021, we granted 39,321 RSUs, net of forfeitures, that have time-based vesting requirements. In addition, we granted 1,018,031 RSUs, net of forfeitures, and 247,400 PSUs that vest over time, provided certain performance criteria are achieved. These awards were granted to certain employees, officers and directors and had an aggregate grant date fair value of $249.4 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.

On July 21, 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 intend to use 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.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers

We did not repurchase any of our common stock during the second 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	Restated Articles of Incorporation of First Republic Bank, incorporated by reference to Exhibit 3.1 of Form 8-K filed on June 8, 2021.
3.2	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 Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (2)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (2)
32.1	Certification of 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 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

August 6, 2021	/s/ Michael J. Roffler
	Michael J. Roffler
	Executive Vice President and Chief Financial Officer
	(Principal Financial Officer)

EXHIBIT 31.1

Certification of 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: August 6, 2021

/s/ James H. Herbert, II

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

EXHIBIT 31.2

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: August 6, 2021

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

EXHIBIT 32.1

Certification of 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 June 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: August 6, 2021

/s/ James H. Herbert, II

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

EXHIBIT 32.2

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 June 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: August 6, 2021	/s/ Michael J. Roffler	
	Name:	Michael J. Roffler
	Title:	Executive Vice President and Chief Financial Officer