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 March 31, 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**

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 April 30, 2021 was 176,306,959.

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GLOSSARY OF ACRONYMS AND TERMS

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

ACL	Allowance for Credit Losses
ALM	Asset Liability Management
American Rescue Plan Act	American Rescue Plan Act of 2021
ARM	Adjustable-Rate Mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AUA	Assets Under Custody or Administration
AUM	Assets Under Management
Board	Board of Directors
bp	Basis Point
CAA	Consolidated Appropriations Act, 2021
CARES Act	Coronavirus Aid, Relief and Economic Security Act
CD	Certificate of Deposit
CECL	Current Expected Credit Losses
CECL Capital Rule	Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances
CET1	Common Equity Tier 1
CLTV	Combined LTV
CMT	Constant Maturity Treasury
COFI	11th District Monthly Weighted Average Cost of Funds Index
COVID-19	COVID-19 Pandemic
CPR	Constant Prepayment Rate
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
Economic Aid Act	Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act
EFC	Economic Forecast Committee
EGRRCPA	Economic Growth, Regulatory Relief, and Consumer Protection Act
EPS	Earnings Per Common Share
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
FCA	Financial Conduct Authority
FDIC	Federal Deposit Insurance Corporation
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
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)	March 31, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	$ 8,889,492	$ 5,094,754
Debt securities available-for-sale (amortized cost of $2,460,190 and no allowance for credit losses at March 31, 2021, and amortized cost of $1,874,064 and no allowance for credit losses at December 31, 2020)	2,428,833	1,906,315
Debt securities held-to-maturity (fair value of $20,161,191 and $17,964,019 at March 31, 2021 and December 31, 2020, respectively)	19,240,358	16,610,212
Less: Allowance for credit losses	(8,024)	(6,902)
Debt securities held-to-maturity, net	19,232,334	16,603,310
Equity securities (fair value)	21,221	20,566
Loans	118,083,418	112,566,265
Less: Allowance for credit losses	(620,825)	(635,019)
Loans, net	117,462,593	111,931,246
Loans held for sale	—	20,679
Investments in life insurance	2,328,844	2,061,362
Tax credit investments	1,127,465	1,131,905
Premises, equipment and leasehold improvements, net	412,331	403,482
Goodwill and other intangible assets	225,925	227,512
Other real estate owned	1,334	—
Other assets	3,667,588	3,101,003
Total Assets	$ 155,797,960	$ 142,502,134
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking	$ 53,806,762	$ 46,281,112
Interest-bearing checking	32,542,600	30,603,221
Money market checking	19,210,069	16,778,884
Money market savings and passbooks	14,097,001	12,584,522
Certificates of deposit	8,250,521	8,681,061
Total Deposits	127,906,953	114,928,800
Long-term FHLB advances	10,505,000	11,755,000
Senior notes	996,668	996,145
Subordinated notes	778,423	778,313
Other liabilities	2,669,186	2,293,230
Total Liabilities	142,856,230	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 March 31, 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; 176,286,878 and 174,123,862 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	1,763	1,741
Additional paid-in capital	5,191,932	4,834,172
Retained earnings	5,626,958	5,346,355
Accumulated other comprehensive income (loss)	(21,423)	23,378
Total Shareholders’ Equity	12,941,730	11,750,646
Total Liabilities and Shareholders’ Equity	$ 155,797,960	$ 142,502,134

See accompanying notes to consolidated financial statements.

FIRST REPUBLIC BANK

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Quarter Ended March 31,	
($ in thousands, except per share amounts)	**2021**	**2020**
Interest income:		
Loans	$ 873,170	$ 796,652
Investments	140,711	148,569
Other	5,189	6,960
Cash and cash equivalents	2,894	3,940
Total interest income	1,021,964	956,121
Interest expense:		
Deposits	27,571	118,845
Borrowings	55,611	85,144
Total interest expense	83,182	203,989
Net interest income	938,782	752,132
Provision (reversal of provision) for credit losses	(14,608)	62,370
Net interest income after provision (reversal of provision) for credit losses	953,390	689,762
Noninterest income:		
Investment management fees	119,042	99,296
Brokerage and investment fees	14,564	15,826
Insurance fees	3,074	2,157
Trust fees	5,731	4,976
Foreign exchange fee income	17,167	12,184
Deposit fees	6,169	6,597
Loan and related fees	7,485	6,114
Loan servicing fees, net	1,488	1,652
Gain on sale of loans	309	1,925
Gain on investment securities	655	2,628
Income from investments in life insurance	16,549	8,160
Other income	3,618	2,529
Total noninterest income	195,851	164,044
Noninterest expense:		
Salaries and employee benefits	463,404	361,204
Information systems	83,516	70,715
Occupancy	57,549	53,641
Professional fees	21,254	13,117
Advertising and marketing	12,633	11,843
FDIC assessments	11,900	10,185
Other expenses	70,140	61,312
Total noninterest expense	720,396	582,017
Income before provision for income taxes	428,845	271,789
Provision for income taxes	94,012	53,103
Net income	334,833	218,686
Dividends on preferred stock	18,525	13,020
Net income available to common shareholders	$ 316,308	$ 205,666
Net income	$ 334,833	$ 218,686
Other comprehensive income (loss), net of tax:		
Net unrealized gain (loss) on debt securities available-for-sale	(44,653)	12,273
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	(148)	(173)
Other comprehensive income (loss)	(44,801)	12,181
Comprehensive income	$ 290,032	$ 230,867
Basic earnings per common share	$ 1.81	$ 1.20
Diluted earnings per common share	$ 1.79	$ 1.20

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
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	—	—	—	—	334,833	—	334,833
Other comprehensive loss	—	—	—	—	—	(44,801)	(44,801)
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	—	—	—	43,959	—	—	43,959
Net issuance of common stock under stock plans	150,516	—	2	(2,856)	—	—	(2,854)
Dividends on preferred stock (see Note 12)	—	—	—	—	(18,525)	—	(18,525)
Dividends on common stock ($0.20/share)	—	—	—	—	(35,705)	—	(35,705)
Balance at March 31, 2021	**176,286,878**	**$2,142,500**	**$ 1,763**	**$5,191,932**	**$5,626,958**	**$ (21,423)**	**$ 12,941,730**
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	—	—	—	—	218,686	—	218,686
Other comprehensive income	—	—	—	—	—	12,181	12,181
Issuance of common stock, net	2,500,000	—	25	290,575	—	—	290,600
Stock compensation expense	—	—	—	36,410	—	—	36,410
Net issuance of common stock under stock plans	273,819	—	3	1,750	—	—	1,753
Dividends on preferred stock (see Note 12)	—	—	—	—	(13,020)	—	(13,020)
Dividends on common stock ($0.19/share)	—	—	—	—	(33,275)	—	(33,275)
Balance at March 31, 2020	**171,394,527**	**$1,145,000**	**$ 1,714**	**$4,543,650**	**$4,652,089**	**$ 17,312**	**$ 10,359,765**

See accompanying notes to consolidated financial statements.

FIRST REPUBLIC BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020
Operating Activities:		
Net income	$ 334,833	$ 218,686
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (reversal of provision) for credit losses	(14,608)	62,370
Depreciation, amortization and accretion, net	40,316	37,153
Amortization of mortgage servicing rights	2,461	3,347
Provision for mortgage servicing rights in excess of fair value	352	650
Deferred income taxes	25,500	1,864
Gain on sale of loans	(309)	(1,925)
Gain on investment securities	(655)	(2,628)
Noncash cost of stock plans	43,959	36,410
Other net losses	1,856	1,132
Loans originated or purchased for sale	(738,551)	(253,669)
Proceeds from sales and principal repayments of loans held for sale	44,264	408,538
Net change in other assets	(146,234)	13,945
Net change in other liabilities	(61,568)	(294,320)
Net Cash Provided by (Used for) Operating Activities	(468,384)	231,553
Investing Activities:		
Loan originations, net of principal collections	(5,436,090)	(5,252,073)
Loans purchased	(83,205)	—
Loans sold	—	91,813
Purchases of debt securities available-for-sale	(49,797)	—
Proceeds from sales and paydowns of debt securities available-for-sale	175,493	193,022
Purchases of debt securities held-to-maturity	(3,253,877)	(879,204)
Proceeds from sales, calls and paydowns of debt securities held-to-maturity	621,146	541,058
Purchases of FHLB stock and other investments	—	(126,157)
Proceeds from redemptions of FHLB stock and sales of other investments	27,945	—
Purchases of investments in life insurance	(252,764)	(18,147)
Net change in tax credit and other investments	(26,285)	(39,305)
Additions to premises, equipment and leasehold improvements, net	(45,811)	(38,886)
Net Cash Used for Investing Activities	(8,323,245)	(5,527,879)
Financing Activities:		
Net increase in deposits	12,979,273	3,553,953
Net decrease in short-term borrowings	—	(800,000)
Proceeds from long-term debt	—	6,150,000
Repayment of long-term debt	(1,250,000)	(1,600,000)
Payment of long-term debt issuance costs	—	(3,329)
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	6,965	7,058
Payments of employee taxes withheld from share-based awards	(9,818)	(5,840)
Dividends on preferred stock	(18,525)	(13,020)
Dividends on common stock	(35,705)	(33,275)
Net Cash Provided by Financing Activities	12,586,367	7,546,147
Increase in Cash and Cash Equivalents	3,794,738	2,249,821
Cash and Cash Equivalents at the Beginning of Period	5,094,754	1,699,557
Cash and Cash Equivalents at the End of Period	$ 8,889,492	$ 3,949,378
Supplemental Disclosure of Cash Flow Items:		
Cash paid:		
Interest	$ 91,813	$ 214,860
Income taxes	$ 60,923	$ 43,226
Non-cash activities:		
Transfer of loans to (from) held for sale	$ (898)	$ 763,884
Transfer of loans held for sale to debt securities	$ 692,914	$ 177,786
Transfer of repossessed assets from loans to other assets	$ 1,271	$ 637

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

Nature of Operations

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

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

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

Reclassifications

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

Use of Estimates

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

Note 2. Cash and Cash Equivalents

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

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

($ in thousands)	March 31, 2021	December 31, 2020
Cash and due from banks	$ 345,878	$ 471,541
Interest-bearing deposits with banks	8,543,614	4,623,213
Total cash and cash equivalents	$ 8,889,492	$ 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 March 31, 2021					
Agency residential MBS	$ 1,759,277	$ 3,305	$ (51,431)	$ —	$ 1,711,151
Other residential MBS	19,585	397	—	—	19,982
Agency commercial MBS	634,035	16,192	—	—	650,227
Securities of U.S. states and political subdivisions—taxable	47,293	180	—	—	47,473
Total	$ 2,460,190	$ 20,074	$ (51,431)	$ —	$ 2,428,833
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 March 31, 2021						
U.S. Government-sponsored agency securities	$ 100,000	$ —	$ (4,953)	$ 95,047	$ —	$ 100,000
Agency residential MBS	1,124,094	23,250	(4,000)	1,143,344	—	1,124,094
Other residential MBS	11,971	121	—	12,092	—	11,971
Agency commercial MBS	2,191,552	84,212	—	2,275,764	—	2,191,552
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	12,850,111	878,891	(31,940)	13,697,062	(6,554)	12,843,557
Tax-exempt nonprofit debentures	73,942	437	—	74,379	(129)	73,813
Taxable municipal securities	1,549,014	31,328	(22,233)	1,558,109	(654)	1,548,360
Corporate debt securities	1,339,674	501	(34,781)	1,305,394	(687)	1,338,987
Total	$ 19,240,358	$ 1,018,740	$ (97,907)	$ 20,161,191	$ (8,024)	$ 19,232,334
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)	March 31, 2021	December 31, 2020
Equity securities (fair value):		
Mutual funds and marketable equity securities	$ 21,221	$ 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)	March 31, 2021	December 31, 2020
Interest receivable on debt securities available-for-sale	$ 3,858	$ 3,053
Interest receivable on debt securities held-to-maturity	$ 122,190	$ 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 March 31, 2021					
U.S. Government-sponsored agency securities	$ —	$ 100,000	$ —	$ —	$ 100,000
Agency residential MBS	—	1,124,094	—	—	1,124,094
Other residential MBS	11,622	349	—	—	11,971
Agency commercial MBS	—	2,191,552	—	—	2,191,552
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	3,262,950	9,307,315	279,846	—	12,850,111
Tax-exempt nonprofit debentures	—	—	19,436	54,506	73,942
Taxable municipal securities	488,248	1,060,766	—	—	1,549,014
Corporate debt securities	525,053	814,621	—	—	1,339,674
Total	$ 4,287,873	$ 14,598,697	$ 299,282	$ 54,506	$ 19,240,358

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

The carrying value of held-to-maturity debt securities that were internally rated and translated to a corresponding external grade, all of which were tax-exempt nonprofit debentures, was $73.9 million and $74.9 million at March 31, 2021 and December 31, 2020, respectively.

Aging and Nonaccrual

As of both March 31, 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 March 31, 2021							
Agency residential MBS	$ (51,143)	$ 1,502,416	$ (288)	$ 17,557	$ (51,431)	$ 1,519,973	408
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 March 31, 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. 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) is determined using a quantitative PD/LGD model to forecast credit losses. The Bank's estimate incorporates the security's characteristics, macroeconomic forecasts and historical loss rates to determine expected credit losses over the life of the securities. The PD/LGD model currently projects 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. On a quarterly or more frequent basis, the Bank's EFC discusses and approves the macroeconomic forecast scenario used for the model and determines whether any changes to the reasonable and supportable period, as well as reversion period, are necessary.

During the three-year reasonable and supportable period, the PD model uses a rating-based transition matrix methodology that considers macroeconomic factors and issuer-level risk characteristics. The LGD model uses static industry level LGD rates segmented by industry sector of the underlying security. Estimated losses are calculated using the product of PD and LGD to produce a loss rate.

Subsequent to the reasonable and supportable period, the Bank reverts to its historical loss rate immediately, which is applied for the remaining life of the security. For the historical loss period, historical average one year probabilities of default by rating bucket are used together with static industry-average LGD rates by industry sector to estimate losses for that period.

The Bank's ACL on corporate debt securities is based on, among other factors, the financial condition of the issuer and structure of the security.

The increase in the ACL on held-to-maturity debt securities during the quarter ended March 31, 2021 was primarily due to purchases of municipal securities and corporate debt securities, partially offset by an improved economic outlook.

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)	Charge-offs	Recoveries	Balance at End of Period
At or for the Quarter Ended March 31, 2021					
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	$ 6,499	$ 55	$ —	$ —	$ 6,554
Tax-exempt nonprofit debentures	143	(14)	—	—	129
Taxable municipal securities	220	434	—	—	654
Corporate debt securities	40	647	—	—	687
Total	$ 6,902	$ 1,122	$ —	$ —	$ 8,024
At or for the Quarter Ended March 31, 2020 (1)					
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	$ 4,432	$ 272	$ —	$ —	$ 4,704
Tax-exempt nonprofit debentures	100	132	—	—	232
Taxable municipal securities	127	14	—	—	141
Corporate debt securities	10	—	—	—	10
Total	$ 4,669	$ 418	$ —	$ —	$ 5,087

(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 March 31, 2021, the carrying value of investment securities pledged was $4.325 billion, of which $4.318 billion was unencumbered and available to support additional borrowings.

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

	Quarter Ended March 31,	
($ in thousands)	**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 March 31,	
($ in thousands)	**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	655	(11)
Total gain on investment securities	$ 655	$ 2,628

The following table presents interest income on investment securities:

	Quarter Ended March 31,	
($ in thousands)	**2021**	**2020**
Interest income on tax-exempt securities	$ 99,149	$ 93,046
Interest income on taxable securities	41,562	55,523
Total	$ 140,711	$ 148,569

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 March 31, 2021					
Amortized cost:					
Agency residential MBS	$ 1,759,277	$ —	$ 1,225	$ —	$ 1,758,052
Other residential MBS	19,585	—	—	—	19,585
Agency commercial MBS	634,035	—	109,885	129,140	395,010
Securities of U.S. states and political subdivisions—taxable	47,293	—	—		47,293
Total	$ 2,460,190	$ —	$ 111,110	$ 129,140	$ 2,219,940
Fair value:					
Agency residential MBS	$ 1,711,151	$ —	$ 1,219	$ —	$ 1,709,932
Other residential MBS	19,982	—	—	—	19,982
Agency commercial MBS	650,227	—	110,129	130,488	409,610
Securities of U.S. states and political subdivisions—taxable	47,473	—	—	—	47,473
Total	$ 2,428,833	$ —	$ 111,348	$ 130,488	$ 2,186,997
At December 31, 2020					
Amortized cost:					
Agency residential MBS	$ 1,091,159	$ —	$ 1,448	$ —	$ 1,089,711
Other residential MBS	21,105	—	—	—	21,105
Agency commercial MBS	714,509	860	110,382	129,140	474,127
Securities of U.S. states and political subdivisions—taxable	47,291	—	—	—	47,291
Total	$ 1,874,064	$ 860	$ 111,830	$ 129,140	$ 1,632,234
Fair value:					
Agency residential MBS	$ 1,096,383	$ —	$ 1,439	$ —	$ 1,094,944
Other residential MBS	21,451	—	—	—	21,451
Agency commercial MBS	741,008	860	110,653	130,553	498,942
Securities of U.S. states and political subdivisions—taxable	47,473	—	—	—	47,473
Total	$ 1,906,315	$ 860	$ 112,092	$ 130,553	$ 1,662,810

	Held-to-maturity				
($ in thousands)	**Amount**	**Within 1 Year**	**After 1 Through 5 Years**	**After 5 Through 10 Years**	**After 10 Years**
At March 31, 2021					
Amortized cost, net of allowance:					
U.S. Government-sponsored agency securities	$ 100,000	$ —	$ —	$ —	$ 100,000
Agency residential MBS	1,124,094	—	3,639	—	1,120,455
Other residential MBS	11,971	—	—	—	11,971
Agency commercial MBS	2,191,552	—	—	—	2,191,552
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	12,843,557	293,327	628,112	161,237	11,760,881
Tax-exempt nonprofit debentures	73,813	—	—	—	73,813
Taxable municipal securities	1,548,360	—	—	—	1,548,360
Corporate debt securities	1,338,987	—	—	—	1,338,987
Total	$ 19,232,334	$ 293,327	$ 631,751	$ 161,237	$ 18,146,019
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)	March 31, 2021	December 31, 2020
Residential real estate		
Single family	$ 65,178,442	$ 61,370,246
Home equity lines of credit	2,392,314	2,449,533
Single family construction	841,962	787,854
Total residential real estate	68,412,718	64,607,633
Income property		
Multifamily	14,141,208	13,768,957
Commercial real estate	8,065,262	8,018,158
Multifamily/commercial construction	2,101,119	2,024,420
Total income property	24,307,589	23,811,535
Business		
Capital call lines of credit	8,653,802	8,149,946
Tax-exempt	3,454,471	3,365,572
Other business	3,679,420	3,340,048
PPP	2,142,253	1,841,376
Total business	17,929,946	16,696,942
Other		
Stock secured	2,519,637	2,518,338
Other secured	1,862,529	1,818,550
Unsecured	3,050,999	3,113,267
Total other	7,433,165	7,450,155
Total loans held for investment	118,083,418	112,566,265
Less: Allowance for credit losses	(620,825)	(635,019)
Loans, net	$ 117,462,593	$ 111,931,246

The following table presents loans held for sale:

($ in thousands)	March 31, 2021	December 31, 2020
Loans held for sale	$ —	$ 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 March 31, 2021 and December 31, 2020, approximately 51% of the total loan portfolio was secured by California real estate. At March 31, 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 March 31, 2021, the Bank had pledged $60.9 billion of loans to secure borrowings of $10.5 billion from the FHLB, although only approximately $13.4 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)	March 31, 2021	December 31, 2020
Interest receivable [(1)]	$ 301,907	$ 288,094

[(1)] Includes $9.0 million and $7.2 million of deferred interest from loan modifications to assist borrowers experiencing financial difficulties as a result of COVID-19 at March 31, 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 March 31, 2021						
Residential real estate						
Single family	$ 2,317	$ —	$ 36,870	$ 39,187	$ 65,139,255	$ 65,178,442
Home equity lines of credit	3,300	—	14,447	17,747	2,374,567	2,392,314
Single family construction	—	—	—	—	841,962	841,962
Total residential real estate	5,617	—	51,317	56,934	68,355,784	68,412,718
Income property						
Multifamily	—	881	—	881	14,140,327	14,141,208
Commercial real estate	—	958	2,542	3,500	8,061,762	8,065,262
Multifamily/commercial construction	—	—	57,881	57,881	2,043,238	2,101,119
Total income property	—	1,839	60,423	62,262	24,245,327	24,307,589
Business						
Capital call lines of credit	—	—	—	—	8,653,802	8,653,802
Tax-exempt	—	—	—	—	3,454,471	3,454,471
Other business	3	—	943	946	3,678,474	3,679,420
PPP	—	—	—	—	2,142,253	2,142,253
Total business	3	—	943	946	17,929,000	17,929,946
Other						
Stock secured	—	—	—	—	2,519,637	2,519,637
Other secured	1,796	—	5	1,801	1,860,728	1,862,529
Unsecured	2,074	1,205	1,124	4,403	3,046,596	3,050,999
Total other	3,870	1,205	1,129	6,204	7,426,961	7,433,165
Total	$ 9,490	$ 3,044	$ 113,812	$ 126,346	$117,957,072	$118,083,418

($ 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:

($ in thousands)	March 31, 2021			December 31, 2020		
		Nonaccrual			Nonaccrual	
	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	$ 851	$ 75,372	$ 67,287	$ —	$ 85,630	$ 73,394
Home equity lines of credit	—	28,357	25,607	—	31,571	26,711
Total residential real estate	851	103,729	92,894	—	117,201	100,105
Income property						
Commercial real estate	—	4,109	3,004	—	2,320	1,200
Multifamily/commercial construction	—	57,881	57,881	—	57,843	57,843
Total income property	—	61,990	60,885	—	60,163	59,043
Business						
Other business	—	4,793	3,610	—	4,534	2,822
Other						
Other secured	—	5	—	—	23	—
Unsecured	—	2,277	192	—	2,211	192
Total other	—	2,282	192	—	2,234	192
Total	$ 851	$172,794	$ 157,581	$ —	$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:

($ in thousands)	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020
Actual interest income recognized	$ —	$ —
Interest income under original terms	$ 1,688	$ 1,263

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 March 31, 2021, the Bank had $1.3 million of residential real estate owned (acquired through foreclosure), compared to none as of December 31, 2020.

The carrying amount of residential mortgage loans in the process of foreclosure was $6.2 million and $8.0 million at March 31, 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 March 31, 2021									
Residential real estate									
Single family:									
Pass	$6,915,706	$22,571,548	$12,307,133	$6,170,810	$ 6,666,934	$10,294,549	$ —	$ —	$64,926,680
Special mention	—	4,116	29,764	19,339	32,108	74,045	—	—	159,372
Substandard	—	2,272	4,107	10,301	14,590	61,120	—	—	92,390
	6,915,706	22,577,936	12,341,004	6,200,450	6,713,632	10,429,714	—	—	65,178,442
Home equity lines of credit:									
Pass	—	—	—	—	—	—	2,297,460	47,695	2,345,155
Special mention	—	—	—	—	—	—	14,988	2,006	16,994
Substandard	—	—	—	—	—	—	25,823	4,342	30,165
	—	—	—	—	—	—	2,338,271	54,043	2,392,314
Single family construction:									
Pass	74,926	251,542	269,029	190,572	41,517	14,376	—	—	841,962
Total residential real estate	6,990,632	22,829,478	12,610,033	6,391,022	6,755,149	10,444,090	2,338,271	54,043	68,412,718
Income property									
Multifamily:									
Pass	917,918	3,788,443	2,852,979	2,369,096	1,553,066	2,412,548	197,687	—	14,091,737
Special mention	—	—	—	1,597	881	—	—	—	2,478
Substandard	—	—	46,993	—	—	—	—	—	46,993
	917,918	3,788,443	2,899,972	2,370,693	1,553,947	2,412,548	197,687	—	14,141,208
Commercial real estate:									
Pass	362,155	1,649,386	1,414,163	1,077,851	855,549	2,413,493	175,385	—	7,947,982
Special mention	—	—	17,483	18,825	16,166	26,848	1,025	—	80,347
Substandard	—	1,568	3,067	—	17,271	14,378	649	—	36,933
	362,155	1,650,954	1,434,713	1,096,676	888,986	2,454,719	177,059	—	8,065,262
Multifamily/commercial construction									
Pass	87,592	668,849	648,864	465,960	97,028	8,166	39,967	—	2,016,426
Special mention	—	8,000	—	—	—	—	—	—	8,000
Substandard	—	18,813	57,880	—	—	—	—	—	76,693
	87,592	695,662	706,744	465,960	97,028	8,166	39,967	—	2,101,119
Total income property	1,367,665	6,135,059	5,041,429	3,933,329	2,539,961	4,875,433	414,713	—	24,307,589

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($ in thousands)	2021	2020	2019	2018	2017	Prior	Revolving lines of credit	Revolving lines of credit converted to term	Total
At March 31, 2021									
Business									
Capital call lines of credit:									
Pass	13	—	26,630	—	—	—	8,627,159	—	8,653,802
Tax-exempt:									
Pass	232,445	977,868	159,581	221,190	388,421	1,466,644	—	—	3,446,149
Substandard	—	—	—	—	—	8,322	—	—	8,322
	232,445	977,868	159,581	221,190	388,421	1,474,966	—	—	3,454,471
Other business:									
Pass	179,481	936,446	497,997	373,916	204,007	349,621	1,091,204	—	3,632,672
Special mention	2,055	5,000	945	2,236	13,185	6,097	2,625	—	32,143
Substandard	219	—	3,958	3,582	2,181	2,643	1,525	—	14,108
Doubtful	100	22	211	—	—	70	94	—	497
	181,855	941,468	503,111	379,734	219,373	358,431	1,095,448	—	3,679,420
PPP:									
Pass	751,899	1,390,354	—	—	—	—	—	—	2,142,253
Total business	1,166,212	3,309,690	689,322	600,924	607,794	1,833,397	9,722,607	—	17,929,946
Other									
Stock secured:									
Pass	—	19,836	880	22,000	—	—	2,476,921	—	2,519,637
Other secured:									
Pass	59,492	190,137	183,668	127,268	61,092	81,191	1,124,354	25,873	1,853,075
Special mention	—	6,336	—	—	—	—	3,113	—	9,449
Doubtful	—	—	—	—	—	5	—	—	5
	59,492	196,473	183,668	127,268	61,092	81,196	1,127,467	25,873	1,862,529
Unsecured:									
Pass	39,137	407,733	625,901	582,926	353,967	324,024	703,215	—	3,036,903
Special mention	—	—	—	—	149	—	—	—	149
Substandard	—	669	1,714	4,193	1,792	2,800	1,674	—	12,842
Doubtful	—	59	—	61	—	246	739	—	1,105
	39,137	408,461	627,615	587,180	355,908	327,070	705,628	—	3,050,999
Total other	98,629	624,770	812,163	736,448	417,000	408,266	4,310,016	25,873	7,433,165
Total	$9,623,138	$32,898,997	$19,152,947	$11,661,723	$10,319,904	$17,561,186	$16,785,607	$ 79,916	$118,083,418

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

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

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

	Quarter Ended March 31,	
($ in thousands)	2021	2020
Residential real estate		
Home equity lines of credit	$ 3,580	$ 8,325
Other		
Other secured	4,235	801
Total	$ 7,815	$ 9,126

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 March 31, 2021, the total ACL on loans was $620.8 million, and $583.4 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 reduction in total ACL on loans as of March 31, 2021 compared to December 31, 2020 was primarily 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. Such reductions in the ACL were partially offset by increases in the ACL due to loan growth. 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 March 31, 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 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. Nonaccrual loans or loans modified in a TDR are generally individually assessed for expected credit losses. Certain loans modified as a result of COVID-19 are also individually assessed. The following discussion describes the Bank's 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 March 31, 2021, the Bank's collateral dependent loans were 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 March 31,	
($ in thousands)	**2021**	**2020**
Provision (reversal of provision) for credit losses:		
Debt securities held-to-maturity [(1)]	$ 1,122	$ 418
Loans	(13,707)	47,679
Unfunded loan commitments	(2,023)	14,273
Total provision (reversal of provision)	$ (14,608)	$ 62,370

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

The following table presents 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 March 31, 2021					
Residential real estate					
Single family	$ 137,117	$ (5,341)	$ (331)	$ 17	$ 131,462
Home equity lines of credit	8,039	(1,808)	(211)	186	6,206
Single family construction	3,681	(591)	—	—	3,090
Total residential real estate	148,837	(7,740)	(542)	203	140,758
Income property					
Multifamily	120,994	(9,428)	—	—	111,566
Commercial real estate	71,430	(4,148)	—	—	67,282
Multifamily/commercial construction	36,059	(210)	—	—	35,849
Total income property	228,483	(13,786)	—	—	214,697
Business					
Capital call lines of credit	89,983	13,863	—	—	103,846
Tax-exempt	39,752	(2,483)	—	—	37,269
Other business	68,071	3,312	(10)	113	71,486
PPP	—	—	—	—	—
Total business	197,806	14,692	(10)	113	212,601
Other					
Stock secured	—	—	—	—	—
Other secured	8,240	(1,744)	—	—	6,496
Unsecured	51,653	(5,129)	(274)	23	46,273
Total other	59,893	(6,873)	(274)	23	52,769
Total	$ 635,019	$ (13,707)	$ (826)	$ 339	$ 620,825
At or for the Quarter Ended March 31, 2020 [1]					
Residential real estate					
Single family	$ 101,532	$ 6,996	$ (89)	$ 17	$ 108,456
Home equity lines of credit	9,070	3,035	(6)	18	12,117
Single family construction	4,801	1,119	—	—	5,920
Total residential real estate	115,403	11,150	(95)	35	126,493
Income property					
Multifamily	111,384	(33)	—	—	111,351
Commercial real estate	55,413	3,634	—	—	59,047
Multifamily/commercial construction	23,884	6,134	—	—	30,018
Total income property	190,681	9,735	—	—	200,416
Business					
Capital call lines of credit	66,844	9,269	—	—	76,113
Tax-exempt	29,678	(212)	—	—	29,466
Other business	56,471	9,676	—	18	66,165
Total business	152,993	18,733	—	18	171,744
Other					
Stock secured	—	—	—	—	—
Other secured	3,399	887	—	—	4,286
Unsecured	31,953	7,174	(249)	89	38,967
Total other	35,352	8,061	(249)	89	43,253
Total	$ 494,429	$ 47,679	$ (344)	$ 142	$ 541,906

[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 ended March 31, 2021 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 March 31,	
($ in thousands)	**2021**	**2020 [1]**
Balance at beginning of period	$ 27,578	$ 15,697
Provision (reversal of provision)	(2,023)	14,273
Balance at end of period	$ 25,555	$ 29,970

[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 March 31, 2021			At December 31, 2020		
($ in thousands)	**Restructured - Nonaccrual**	**Restructured - Accruing**	**Total**	**Restructured - Nonaccrual**	**Restructured - Accruing**	**Total**
Residential real estate						
Single family	$ 40,446	$ 6,218	$ 46,664	$ 45,603	$ 5,737	$ 51,340
Home equity lines of credit	10,493	8	10,501	12,990	10	13,000
Total residential real estate	50,939	6,226	57,165	58,593	5,747	64,340
Income property						
Commercial real estate	1,188	4,708	5,896	1,200	4,709	5,909
Multifamily/commercial construction	57,881	—	57,881	57,843	—	57,843
Total income property	59,069	4,708	63,777	59,043	4,709	63,752
Business						
Other business	3,610	724	4,334	3,670	797	4,467
Total	$ 113,618	$ 11,658	$ 125,276	$ 121,306	$ 11,253	$ 132,559

There were no loans modified that were considered TDRs during the quarter ended March 31, 2021. During the quarter ended March 31, 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 March 31,	
($ in thousands)	**2021**	**2020**
Residential real estate		
Single family	$ —	$ 11,600
Home equity lines of credit	—	2,706
Total residential real estate	—	14,306
Income property		
Multifamily/commercial construction	—	58,135
Total	$ —	$ 72,441

For the quarter ended March 31, 2021, a TDR that was modified in the previous twelve months and for which there was a payment default totaled $2.6 million. The ACL on this loan is individually assessed at the loan level and is based on the collateral dependent methodology. No loans defaulted during the quarter ended March 31, 2020 that were modified in the previous twelve months.

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 $967 million, and were less than 1% of total loans as of March 31, 2021, compared to $1.3 billion, or 1.1% of total loans as of December 31, 2020. In addition, as of March 31, 2021, deferred interest related to these modifications was $9.0 million, as compared to $7.2 million as of December 31, 2020.

Note 5. Mortgage Banking Activities

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

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

	Quarter Ended March 31,	
($ in thousands)	2021	2020
Total loans originated	$ 15,720,503	$ 10,312,387
Single family loans originated	$ 6,902,192	$ 3,519,336
Loans sold:		
Flow sales:		
Agency	$ 42,402	$ 25,774
Non-agency	1,073	31,870
Total flow sales	43,475	57,644
Bulk sales:		
Non-agency	—	437,669
Total loans sold	$ 43,475	$ 495,313
Gain on sale of loans:		
Amount	$ 309	$ 1,925
Gain as a percentage of loans sold	0.71 %	0.39 %

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

	At or for the Quarter Ended March 31,	
($ in thousands)	2021	2020
Loans serviced for others:		
Beginning balance	$ 7,094,221	$ 9,297,972
Loans sold	43,475	495,313
Repayments	(823,959)	(590,093)
Ending balance	$ 6,313,737	$ 9,203,192
MSRs:		
Beginning balance	$ 25,998	$ 41,720
Additions due to new loans sold	297	4,017
Amortization expense	(2,461)	(3,347)
Provision for valuation allowance	(353)	(650)
Reversal of valuation allowance	1	—
Ending balance	$ 23,482	$ 41,740
Estimated fair value of MSRs	$ 28,601	$ 52,714
MSRs as a percent of loans serviced	0.37 %	0.45 %
Weighted average servicing fee collected for the period (annualized)	0.25 %	0.25 %
MSRs as a multiple of weighted average servicing fee	1.49 x	1.83 x

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

	At or for the Quarter Ended March 31,	
($ in thousands)	**2021**	**2020**
Valuation allowance:		
Beginning balance	$ 329	$ 1,862
Provision	353	650
Reversal to income due to increase in fair value	(1)	—
Write-down due to permanent impairment	—	(1,762)
Ending balance	$ 681	$ 750

The following table presents loan servicing fees:

	Quarter Ended March 31,	
($ in thousands)	**2021**	**2020**
Contractually specified servicing fees	$ 4,301	$ 5,649
Late charges and ancillary fees, net of costs	$ (366)	$ (378)

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)	**March 31, 2021**	**December 31, 2020**
Fair value of MSRs	$ 28,601	$ 31,368
Weighted average prepayment speed (CPR)	23.8 %	24.5 %
Impact on fair value of 10% adverse change	$ (2,252)	$ (2,513)
Impact on fair value of 20% adverse change	$ (4,279)	$ (4,750)
Weighted average discount rate	11.9 %	12.1 %
Impact on fair value of 10% adverse change	$ (702)	$ (765)
Impact on fair value of 20% adverse change	$ (1,371)	$ (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.

The following table summarizes the assets and liabilities recorded on the Bank's balance sheet associated with transactions with VIEs:

	VIEs		
($ in thousands)	**Not consolidated**	**Consolidated**	**Total**
March 31, 2021			
Assets:			
Debt securities	$ 12,588	$ —	$ 12,588
Tax credit investments	1,127,465	—	1,127,465
Other investments	60,887	—	60,887
Total Assets	1,200,940	—	1,200,940
Liabilities:			
Unfunded commitments—tax credit investments	415,515	—	415,515
Unfunded commitments—other investments	14,382	—	14,382
Total Liabilities	429,897	—	429,897
Net Assets	$ 771,043	$ —	$ 771,043
December 31, 2020			
Assets:			
Debt securities	$ 13,502	$ —	$ 13,502
Tax credit investments	1,131,905	—	1,131,905
Other investments	60,034	—	60,034
Total Assets	1,205,441	—	1,205,441
Liabilities:			
Reimbursement obligation	20	—	20
Unfunded commitments—tax credit investments	399,665	—	399,665
Unfunded commitments—other investments	16,858	—	16,858
Total Liabilities	416,543	—	416,543
Net Assets	$ 788,898	$ —	$ 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 $1.2 billion at both March 31, 2021 and December 31, 2020. 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 March 31, 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)	**March 31, 2021**	**December 31, 2020**
Supplemental balance sheet information:		
Lease assets [1]	$ 1,349,959	$ 951,971
Lease liabilities [1]	$ 1,400,227	$ 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 March 31,	
($ in thousands)	**2021**	**2020**
Components of lease cost:		
Operating lease cost [1]	$ 35,333	$ 31,697
Variable lease cost [1]	100	120
Total lease cost	$ 35,433	$ 31,817

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

	Quarter Ended March 31,	
($ 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	$ 30,021	$ 30,099
Non-cash activity related to lease assets:		
Lease assets obtained from new operating lease liabilities [1]	$ 428,221	$ 107,523

[1] For the quarter ended March 31, 2021, includes approximately $300 million for a lease of offices in Hudson Yards, New York, which commenced in March 2021.

Note 8. Goodwill and Intangible Assets

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

($ in thousands)	March 31, 2021 Gross Carrying Value	March 31, 2021 Accumulated Amortization	March 31, 2021 Carrying Value	December 31, 2020 Gross Carrying Value	December 31, 2020 Accumulated Amortization	December 31, 2020 Carrying Value
Intangible assets:						
Customer relationship and core deposit intangibles	$ 220,650	$ (209,241)	$ 11,409	$ 220,650	$ (207,654)	$ 12,996
Trade name	42,900	—	42,900	42,900	—	42,900
Intangible assets	$ 263,550	$ (209,241)	54,309	$ 263,550	$ (207,654)	55,896
Goodwill			171,616			171,616
Total			$ 225,925			$ 227,512

Amortization of intangible assets (excluding MSRs) was $1.6 million for the quarter ended March 31, 2021 and $2.3 million for the quarter ended March 31, 2020, and is included in other expenses on the consolidated statements of income and comprehensive income.

The following table presents the Bank's MSRs:

($ in thousands)	March 31, 2021 Gross Carrying Value	March 31, 2021 Accumulated Amortization	March 31, 2021 Valuation Allowance	March 31, 2021 Carrying Value	December 31, 2020 Gross Carrying Value	December 31, 2020 Accumulated Amortization	December 31, 2020 Valuation Allowance	December 31, 2020 Carrying Value
MSRs [1]	$ 135,629	$ (111,466)	$ (681)	$ 23,482	$ 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 December 31, 2019, December 31, 2020 and March 31, 2021	$ 24,604	$ 147,012	$ 171,616

The following table presents the estimated future amortization for amortizable intangible assets as of March 31, 2021. The projections of amortization expense are based on existing asset balances as of March 31, 2021. Future amortization expense may vary from these projections.

($ in thousands)	Customer relationship intangibles	MSRs
April 1 - December 31, 2021	$ 3,944	$ 6,483
2022	$ 3,666	$ 5,440
2023	$ 2,235	$ 3,237
2024	$ 1,259	$ 2,081
2025	$ 305	$ 1,561
2026	$ —	$ 1,170

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 March 31,	
($ in thousands)	March 31, 2021	December 31, 2020	2021	2020
Short-term borrowings:				
Federal funds purchased	$ —	$ —	$ —	$ 1,135
FHLB advances	—	—	—	3,565
Total	—	—	—	4,700
Long-term debt:				
FHLB advances	10,505,000	11,755,000	40,463	66,566
Senior notes (1)	996,668	996,145	6,038	4,773
Subordinated notes (1)	778,423	778,313	9,110	9,105
Total	12,280,091	13,529,458	55,611	80,444
Total borrowings	$ 12,280,091	$ 13,529,458	$ 55,611	$ 85,144

(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 March 31, 2021, the Bank had no short-term FHLB advances. At March 31, 2021, all of the long-term FHLB advances were fixed-rate for a specific term. At March 31, 2021, the contractual maturities and weighted average contractual rates of long-term FHLB advances were as follows:

	March 31, 2021	
($ in thousands)	Amount	Rate
FHLB advances maturing in:		
April 1 - December 31, 2021	$ 3,905,000	1.79 %
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	$ 10,505,000	1.43 %

For the quarters ended March 31, 2021 and 2020, the Bank prepaid FHLB advances totaling $1.3 billion and $600.0 million, respectively. Prepayment penalties for FHLB advances, which are included in other noninterest expense, totaled $4.7 million and $1.2 million for the quarters ended March 31, 2021 and 2020, respectively.

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $326.4 million and $354.3 million at March 31, 2021 and December 31, 2020, respectively. At March 31, 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 March 31, 2021:

	March 31, 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	$ 498,873	2.500 %	May 6, 2022	June 6, 2022
Fixed-to-floating rate, issued February 2020	$ 500,000	$ 497,795	1.912% (4)	February 12, 2023	February 12, 2024
Subordinated notes:					
Fixed-rate, issued August 2016	$ 400,000	$ 388,341	4.375 %	February 1, 2046	August 1, 2046
Fixed-rate, issued February 2017	$ 400,000	$ 390,082	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 March 31, 2021 was $37.0 billion and $4.5 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:

	March 31, 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	$ 5,096,831	$ 54,111	$ 53,358	$ 4,211,234	$ 81,088	$ 73,073
Interest rate contracts with borrowers	$ 2,024	—	10	$ 35,045	224	—
Forward loan sale commitments	$ 2,024	10	—	$ 55,635	—	224
Total		$ 54,121	$ 53,368		$ 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
March 31, 2021								
Derivative assets:								
Foreign exchange contracts	$ 54,111	$ 43,978	$ 10,133	$ —	$ 10,133	$ 10,133	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 53,358	$ 8,301	$ 45,057	$ —	$ 45,057	$ 10,133	$ 34,890	$ 34
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: The Bank's U.S. Treasury securities are valued using quoted market prices from the active exchange on which the securities are traded. For most other 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**
March 31, 2021				
Assets:				
Debt securities available-for-sale:				
Agency residential MBS	$ —	$ 1,711,151	$ —	$ 1,711,151
Other residential MBS	—	19,982	—	19,982
Agency commercial MBS	—	650,227	—	650,227
Securities of U.S. states and political subdivisions—taxable	—	—	47,473	47,473
Equity securities (fair value):				
Mutual funds and marketable equity securities	21,221	—	—	21,221
Derivative assets	—	54,121	—	54,121
Total	$ 21,221	$ 2,435,481	$ 47,473	$ 2,504,175
Liabilities:				
Derivative liabilities	$ —	$ 53,368	$ —	$ 53,368
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 ended March 31, 2021 and 2020.

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

	At or for the Quarter Ended March 31,	
($ in thousands)	**2021**	**2020**
Available-for-sale debt securities of U.S. states and political subdivisions—taxable:		
Balance at beginning of period	$ 47,473	$ 47,450
Unrealized losses included in other comprehensive income (loss)	(2)	(10)
Accretion included in interest income	2	6
Balance at end of period	$ 47,473	$ 47,446

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

	March 31, 2021	December 31, 2020	March 31, 2021 and December 31, 2020	
($ in thousands)	**Fair Value**		**Valuation Technique**	**Unobservable Input**
Available-for-sale debt securities of U.S. states and political subdivisions—taxable	$ 47,473	$ 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 March 31, 2021 and December 31, 2020:

($ in thousands)	Level 1	Level 2	Level 3	Total
March 31, 2021				
Loans	$ —	$ —	$ 5,872	$ 5,872
MSRs	—	—	5,490	5,490
Total	$ —	$ —	$ 11,362	$ 11,362
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 March 31,	
($ in thousands)	2021	2020
Loans	$ (346)	$ 623
MSRs	(352)	(650)
Total	$ (698)	$ (27)

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:

	March 31, 2021				
		Fair Value			
($ in thousands)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	$ 8,889,492	$ 8,889,492	$ 8,889,492	$ —	$ —
Debt securities held-to-maturity, net: (1)					
U.S. Government-sponsored agency securities	100,000	95,047	—	95,047	—
Agency residential MBS	1,124,094	1,143,344	—	1,143,344	—
Other residential MBS	11,971	12,092	—	12,092	—
Agency commercial MBS	2,191,552	2,275,764	—	2,275,764	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	12,843,557	13,697,062	—	13,636,448	60,614
Tax-exempt nonprofit debentures	73,813	74,379	—	—	74,379
Taxable municipal securities	1,548,360	1,558,109	—	1,558,109	—
Corporate debt securities	1,338,987	1,305,394	—	1,305,394	—
Loans, net: (1)					
Real estate secured mortgages	92,364,852	90,622,025	—	64,272,923	26,349,102
Other loans	25,097,741	23,645,642	—	—	23,645,642
Other assets:					
MSRs	23,482	28,601	—	—	28,601
FHLB stock	326,394	326,394	—	—	326,394
Liabilities:					
Deposits:					
CDs	$ 8,250,521	$ 8,280,181	$ —	$ —	$ 8,280,181
Borrowings:					
Long-term FHLB advances	10,505,000	10,607,043	—	10,607,043	—
Senior notes	996,668	1,021,965	—	1,021,965	—
Subordinated notes	778,423	932,560	—	932,560	—

(1) Carrying amount is presented net of ACL.

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

(1) Carrying amount is presented net of ACL.

Note 12. Preferred Stock

At March 31, 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 for each series of the Bank's preferred stock:

(in thousands, except share amounts)	March 31, 2021	December 31, 2020
5.50% Noncumulative Perpetual Series G—No shares authorized, issued or outstanding at March 31, 2021; 172,500 shares authorized; 150,000 shares issued and outstanding at December 31, 2020	$ —	$ 150,000
5.125% Noncumulative Perpetual Series H—200,000 shares authorized, issued and outstanding	200,000	200,000
5.50% Noncumulative Perpetual Series I—300,000 shares authorized, issued and outstanding	300,000	300,000
4.70% Noncumulative Perpetual Series J—400,000 shares authorized; 395,000 shares issued and outstanding	395,000	395,000
4.125% Noncumulative Perpetual Series K—500,000 shares authorized, issued and outstanding	500,000	500,000
4.250% Noncumulative Perpetual Series L—747,500 shares authorized, issued and outstanding at March 31, 2021; no shares authorized, issued or outstanding at December 31, 2020	747,500	—
Total	$ 2,142,500	$ 1,545,000

On February 9, 2021, the 4.250% Noncumulative Perpetual Series L Preferred Stock ("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. 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% Noncumulative Perpetual Series G Preferred Stock ("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.

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% Noncumulative Perpetual Series H Preferred Stock and 5.50% Noncumulative Perpetual Series I Preferred Stock are paid each March 30, June 30, September 30 and December 30. Additionally, dividends on the 4.70% Noncumulative Perpetual Series J Preferred Stock, 4.125% Noncumulative Perpetual Series K Preferred Stock and Series L Preferred Stock are paid each January 30, April 30, July 30 and October 30, and the Series L Preferred Stock dividend payments commenced on April 30, 2021.

The following table presents dividends on preferred stock:

	Quarter Ended March 31,			
	2021		2020	
(in thousands, except per share amounts)	Total	Per Share	Total	Per Share
5.70% Noncumulative Perpetual Series F	$ —	$ —	$ 1,425	$ 14.25
5.50% Noncumulative Perpetual Series G	2,041	$ 13.61	2,063	$ 13.75
5.125% Noncumulative Perpetual Series H	2,562	$ 12.81	2,562	$ 12.81
5.50% Noncumulative Perpetual Series I	4,125	$ 13.75	4,125	$ 13.75
4.70% Noncumulative Perpetual Series J	4,641	$ 11.75	2,845	$ 7.20
4.125% Noncumulative Perpetual Series K	5,156	$ 10.31	—	$ —
Total	$ 18,525		$ 13,020	

Note 13. Common Stock and Stock Plans

Common Stock

At March 31, 2021, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At March 31, 2021, the Bank had 176,286,878 shares issued and outstanding. During the quarter ended March 31, 2021, the Bank sold 2,012,500 shares of common stock in an underwritten offering, which added approximately $331.3 million to common equity.

First Republic Bank 2017 Omnibus Award Plan

At March 31, 2021, the Bank had 3,033,638 shares reserved for future stock award grants.

Stock Options

During the quarter ended March 31, 2021, 7,100 options were exercised with a total intrinsic value of $881,000. As of March 31, 2021, 10,750 options with an aggregate intrinsic value of $1.5 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	46,326	$147.07		131,205	$158.20	
Vested	(20,604)	$101.00		(96,700)	$104.88	
Canceled or forfeited	(4,831)	$107.76		(952)	$104.12	
Nonvested awards as of March 31, 2021	2,953,155	$107.47	3.1 years	496,608	$120.76	1.9 years

The total fair value of Performance RSUs that vested in the quarter ended March 31, 2021 was $3.2 million. The total fair value of Time RSUs that vested in the quarter ended March 31, 2021 was $15.4 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	—	—	
Vested	(41,907)	$90.55	
Canceled or forfeited	—	—	
Nonvested awards as of March 31, 2021	983,500	$104.72	1.8 years

The total fair value of PSUs that vested in the quarter ended March 31, 2021 was $6.1 million.

Compensation Expense

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

	Quarter Ended March 31,			
	2021		2020	
($ in thousands)	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit
RSUs	$ 32,208	$ 9,118	$ 26,262	$ 7,565
PSUs	10,575	1,814	8,934	1,701
Total	$ 42,783	$ 10,932	$ 35,196	$ 9,266

	March 31, 2021	
($ in thousands)	Unrecognized Expense	Weighted Average Expected Recognition Period
RSUs	$ 297,249	3.1 years
PSUs	60,268	2.0 years
Total	$ 357,517	

Excess Tax Benefits

Excess tax benefits from exercise or vesting of share-based awards totaled $2.9 million and $4.7 million for the quarters ended March 31, 2021 and 2020, respectively.

Note 14. Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in the components of accumulated other comprehensive income (loss):

($ in thousands)	Debt Securities Available-For-Sale	Debt Securities Transferred from Available-For-Sale to Held-to-Maturity	Total
Balance at December 31, 2020	**$ 23,205**	**$ 173**	**$ 23,378**
Net unrealized loss on debt securities available-for-sale	(63,608)	—	(63,608)
Related tax effect	18,955	—	18,955
Amortization of unrealized gain on debt securities transferred from available-for-sale to held-to-maturity [1]	—	(211)	(211)
Related tax effect [2]	—	63	63
Other comprehensive loss	(44,653)	(148)	(44,801)
Balance at March 31, 2021	**$ (21,448)**	**$ 25**	**$ (21,423)**
Balance at December 31, 2019	**$ 4,293**	**$ 838**	**$ 5,131**
Net unrealized gain on debt securities available-for-sale	17,483	—	17,483
Related tax effect	(5,210)	—	(5,210)
Reclassification of loss on debt securities available-for-sale to net income [3]	115	—	115
Related tax effect [2]	(34)	—	(34)
Amortization of unrealized gain on debt securities transferred from available-for-sale to held-to-maturity [1]	—	(246)	(246)
Related tax effect [2]	—	73	73
Other comprehensive income (loss)	12,354	(173)	12,181
Balance at March 31, 2020	**$ 16,647**	**$ 665**	**$ 17,312**

[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 21.9% and 19.5% for the quarters ended March 31, 2021 and 2020, respectively. The following table presents the reconciliation between the effective tax rate and the federal statutory rate:

	Quarter Ended March 31,	
Effective Tax Rate	**2021**	**2020**
Statutory rate	21.0 %	21.0 %
State taxes, net of federal benefits	8.1	8.3
Tax-exempt income	(5.7)	(7.6)
Investments in life insurance	(0.8)	(0.6)
Tax credits	(11.2)	(16.5)
Tax credit investment amortization	10.1	14.6
Excess tax benefits—stock options	0.0	(1.5)
Excess tax benefits—other stock awards	(0.7)	(0.3)
FDIC assessments	0.6	0.8
Other, net	0.5	1.3
Effective tax rate	21.9 %	19.5 %

Note 16. Earnings Per Common Share

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

	Quarter Ended March 31,	
(in thousands, except per share amounts)	**2021**	**2020**
Basic EPS:		
Net income	$ 334,833	$ 218,686
Less: Dividends on preferred stock	18,525	13,020
Net income available to common shareholders	$ 316,308	$ 205,666
Weighted average common shares outstanding	174,820	170,835
Basic EPS	$ 1.81	$ 1.20
Diluted EPS:		
Net income available to common shareholders	$ 316,308	$ 205,666
Weighted average shares:		
Common shares outstanding	174,820	170,835
Dilutive effect of stock options, RSUs and PSUs	2,131	1,204
Weighted average diluted common shares outstanding	176,951	172,039
Diluted EPS	$ 1.79	$ 1.20

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:

	Quarter Ended March 31,	
(in thousands)	**2021**	**2020**
RSUs and PSUs	8	1,317

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:

($ in thousands)	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020
Noninterest income:		
Revenue from contracts with customers:		
Investment management fees	$ 119,042	$ 99,296
Brokerage and investment fees	12,971	15,183
Insurance fees	3,074	2,157
Trust fees	5,731	4,976
Deposit fees	6,169	6,597
Other income	2,429	1,434
Total revenue from contracts with customers	149,416	129,643
Other sources of noninterest income	46,435	34,401
Total noninterest income	$ 195,851	$ 164,044

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 $18.5 million and $29.2 million at March 31, 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 table presents 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 March 31, 2021				
Net interest income	$ 897,461	$ 41,321	$ —	$ 938,782
Reversal of provision for credit losses	(14,608)	—	—	(14,608)
Noninterest income from contracts with customers [1]	6,113	153,473	(10,170)	149,416
Other noninterest income	27,761	18,674	—	46,435
Noninterest income	33,874	172,147	(10,170)	195,851
Amortization of intangibles	—	1,587	—	1,587
Other noninterest expense	562,192	166,787	(10,170)	718,809
Noninterest expense	562,192	168,374	(10,170)	720,396
Income before provision for income taxes	383,751	45,094	—	428,845
Provision for income taxes	80,861	13,151	—	94,012
Net income	$ 302,890	$ 31,943	$ —	$ 334,833
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 155,119,846	$ 1,190,244	$ (512,130)	$ 155,797,960
At or for the Quarter Ended March 31, 2020				
Net interest income	$ 728,016	$ 24,116	$ —	$ 752,132
Provision for credit losses	62,370	—	—	62,370
Noninterest income from contracts with customers [1]	6,844	132,503	(9,704)	129,643
Other noninterest income	21,747	12,654	—	34,401
Noninterest income	28,591	145,157	(9,704)	164,044
Amortization of intangibles	181	2,103	—	2,284
Other noninterest expense	451,806	137,631	(9,704)	579,733
Noninterest expense	451,987	139,734	(9,704)	582,017
Income before provision for income taxes	242,250	29,539	—	271,789
Provision for income taxes	46,014	7,089	—	53,103
Net income	$ 196,236	$ 22,450	$ —	$ 218,686
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 123,381,733	$ 852,288	$ (319,092)	$ 123,914,929

[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, and foreign exchange fee income.

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 March 31, 2021. There have been no material subsequent events that would require recognition in our consolidated financial statements as of or for the quarter ended March 31, 2021 or disclosure in the notes to the financial statements.

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.

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 March 31, 2021	At or for the Quarter Ended March 31, 2020
Selected Financial Data:		
Interest income	$ 1,021,964	$ 956,121
Interest expense	83,182	203,989
Net interest income	938,782	752,132
Provision (reversal of provision) for credit losses	(14,608)	62,370
Net interest income after provision (reversal of provision) for credit losses	953,390	689,762
Noninterest income	195,851	164,044
Noninterest expense	720,396	582,017
Net income	334,833	218,686
Dividends on preferred stock	18,525	13,020
Net income available to common shareholders	$ 316,308	$ 205,666
Selected Ratios:		
Basic EPS	$ 1.81	$ 1.20
Diluted EPS	$ 1.79	$ 1.20
Net income to average assets [(1)]	0.89 %	0.74 %
Net income available to common shareholders to average common equity [(1)]	12.30 %	9.13 %
Net income available to common shareholders to average tangible common equity [(1)]	12.57 %	9.37 %
Average total equity to average total assets	8.12 %	8.58 %
Dividends per common share	$ 0.20	$ 0.19
Dividend payout ratio	11.2 %	15.9 %
Book value per common share	$ 61.26	$ 53.76
Tangible book value per common share	$ 59.98	$ 52.40
Net interest margin [(1)]	2.67 %	2.74 %
Efficiency ratio [(2)]	63.5 %	63.5 %
Selected Asset Quality Ratios:		
Nonperforming assets to total assets	0.11 %	0.10 %
Allowance for loan credit losses to total loans	0.53 %	0.57 %
Allowance for loan credit losses to nonaccrual loans	359.3 %	432.1 %
Net loan charge-offs to average total loans [(1)]	0.00 %	0.00 %
Capital Ratios:		
Tier 1 leverage ratio	8.32 %	8.46 %
CET1 ratio	9.64 %	9.87 %
Tier 1 risk-based capital ratio	11.60 %	11.14 %
Total risk-based capital ratio	12.87 %	12.62 %

[(1)] Ratios are annualized.

[(2)] 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 March 31, 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 includes: 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 reduce 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 March 31, 2021, total assets were $155.8 billion, a 9% increase compared to $142.5 billion at December 31, 2020 and a 26% increase compared to $123.9 billion at March 31, 2020. Asset growth was driven primarily by very strong deposit growth, which was deployed into loans, investments and higher cash balances.

Investments

- At March 31, 2021, total investment securities were $21.7 billion, a 17% increase compared to $18.5 billion at December 31, 2020 and a 15% increase compared to $18.8 billion at March 31, 2020. Total investment securities represented 14% of total assets at March 31, 2021, compared to 13% at December 31, 2020 and 15% at March 31, 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 $23.3 billion at March 31, 2021, compared to $18.1 billion at December 31, 2020 and $17.6 billion at March 31, 2020. At March 31, 2021, HQLA represented 15.3% of average total assets for the first quarter of 2021.

Loans

- At March 31, 2021, loans, excluding loans held for sale, were $118.1 billion, a 5% increase compared to $112.6 billion at December 31, 2020 and a 24% increase compared to $95.3 billion at March 31, 2020. Loans increased primarily as a result of growth in single family, business and multifamily loans, as well as PPP loans. PPP loans totaled $2.1 billion as of March 31, 2021. For additional discussion regarding our loan portfolio, see "—Balance Sheet Analysis—Loan Portfolio."

- Average loan balances were $114.7 billion for the first quarter of 2021, an increase of 24% compared to $92.8 billion for the first quarter of 2020.

- Our single family mortgage loans, including single family mortgage loans held for sale and HELOCs, were $67.6 billion and represented 57% of total loans at March 31, 2021, compared to $63.8 billion, or 57% of total loans at December 31, 2020 and $52.1 billion, or 54% of total loans at March 31, 2020.

- Loan origination volume was $15.7 billion for the first quarter of 2021, compared to $10.3 billion for the first quarter of 2020, an increase of 52%. Loan originations increased primarily due to increases in single family and business lending, as well as loan originations under the PPP. Loan originations included $688.9 million of PPP loans for the first quarter of 2021.

Deposits

- Total deposits were $127.9 billion at March 31, 2021, an increase of 11% compared to $114.9 billion at December 31, 2020, and an increase of 37% compared to $93.7 billion at March 31, 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 $124.6 billion for the first quarter of 2021, an increase of 38% from $90.5 billion for the first quarter of 2020.

- At March 31, 2021, checking deposit balances were $86.3 billion, or 68% of total deposits, compared to $76.9 billion, or 67% of total deposits at December 31, 2020 and $57.9 billion, or 62% of total deposits at March 31, 2020.

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

Business and Consumer Deposits as a % of Total Deposits	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
Business deposits	59 %	57 %	55 %
Consumer deposits	41	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 March 31, 2021 was 8.32%. We continue to exceed regulatory guidelines for well-capitalized institutions. See "—Capital Resources" for further discussion of capital ratios and our capital requirements.

- Book value per common share was $61.26 at March 31, 2021, a 5% increase from December 31, 2020 and a 14% increase during the last twelve months.

- Tangible book value per common share was $59.98 at March 31, 2021, a 5% increase from December 31, 2020 and a 14% increase during the last twelve months.

- The following table presents book value per common share and tangible book value per common share:

Book Value per Common Share and Tangible Book Value per Common Share	**March 31, 2021**	**December 31, 2020**	**March 31, 2020**
(in thousands, except per share amounts)			
Total shareholders' equity	$ 12,941,730	$ 11,750,646	$ 10,359,765
Less: Preferred stock	2,142,500	1,545,000	1,145,000
Total common shareholders' equity (a)	10,799,230	10,205,646	9,214,765
Less: Goodwill and other intangible assets	225,925	227,512	232,985
Total tangible common shareholders' equity (b)	$ 10,573,305	$ 9,978,134	$ 8,981,780
Number of shares of common stock outstanding (c)	176,287	174,124	171,395
Book value per common share (a) / (c)	$ 61.26	$ 58.61	$ 53.76
Tangible book value per common share (b) / (c)	$ 59.98	$ 57.30	$ 52.40

Capital Markets Activity

- Our capital markets activity for the first quarter 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% Noncumulative Perpetual Series L Preferred Stock ("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 approximately $331.3 million.
    - In March 2021, we redeemed all outstanding shares of our 5.50% Noncumulative Perpetual Series G Preferred Stock, which totaled $150.0 million plus all accrued and unpaid dividends through the date of redemption.

Dividends

- Cash dividends paid in the first quarter of 2021 were $0.20 per share of common stock to shareholders of record as of January 28, 2021, compared to $0.19 in the first quarter of 2020.
- On April 14, 2021, we declared a cash dividend for the first quarter of $0.22 per share, which is payable on May 13, 2021 to shareholders of record as of April 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 $218.9 billion at March 31, 2021, compared to $194.5 billion at December 31, 2020, an increase of 13%, and $137.9 billion at March 31, 2020, an increase of 59%. 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 21.9% for the quarter ended March 31, 2021, compared to 19.5% for the quarter ended March 31, 2020. See "—Results of Operations—Quarter Ended March 31, 2021, Compared to Quarter Ended March 31, 2020—Provision for Income Taxes" for additional information.

Results of Operations—Quarter Ended March 31, 2021, Compared to Quarter Ended March 31, 2020

Overview

Net income for the first quarter of 2021 was $334.8 million, compared to $218.7 million for the first quarter of 2020, an increase of 53% primarily due to higher net interest income and a reversal of provision for credit losses in the first quarter of 2021. Diluted EPS for the first quarter of 2021 was $1.79, compared to $1.20 for the first quarter of 2020, an increase of 49%.

Net income for the Commercial Banking segment for the first quarter of 2021 was $302.9 million, compared to $196.2 million for the first quarter of 2020, an increase of 54%. The Wealth Management segment's net income for the first quarter of 2021 was $31.9 million, compared to $22.5 million for the first quarter of 2020, an increase of 42%. For a discussion of segment results, see "—Business Segments."

Net Interest Income and Net Interest Margin

Net interest income for the first quarter of 2021 was $938.8 million, compared to $752.1 million for the first quarter of 2020, an increase of 25%, primarily due to an increase in average interest-earning assets, partially offset by a decrease in net interest margin.

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 first quarter of 2021 was 2.67%, compared to 2.74% for the first quarter of 2020, a decrease of 7 bps, primarily due to higher average cash balances.

Fully taxable-equivalent net interest income for the first quarter of 2021 was $973.5 million, compared to $782.6 million for the first quarter of 2020, an increase of 24%.

On an average basis, interest-earning assets and interest-bearing liabilities for the first quarter of 2021 both increased 29% from the first quarter a year ago.

Yields/Rates (Fully Taxable-Equivalent Basis)

The following table presents 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 March 31,					
	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	$ 11,448,652	$ 2,894	0.10 %	$ 1,853,579	$ 3,940	0.85 %
Investment securities:						
U.S. Government-sponsored agency securities	93,889	339	1.45 %	307,449	2,207	2.87 %
Agency residential and commercial MBS	5,625,748	30,536	2.17 %	6,746,664	47,186	2.80 %
Other residential and commercial MBS	32,992	154	1.87 %	3,834	32	3.33 %
Municipal securities	13,349,101	134,990	4.04 %	11,358,749	122,542	4.32 %
Other investment securities [3]	429,289	2,568	2.39 %	43,783	320	2.92 %
Total investment securities	19,531,019	168,587	3.45 %	18,460,479	172,287	3.73 %
Loans:						
Residential real estate [4]	65,458,977	469,010	2.87 %	51,300,013	404,982	3.16 %
Multifamily [5]	13,922,237	122,829	3.53 %	12,565,723	118,944	3.74 %
Commercial real estate	8,032,825	77,879	3.88 %	7,574,573	78,609	4.11 %
Multifamily/commercial construction	2,867,284	31,100	4.34 %	2,550,647	30,285	4.70 %
Business [6]	15,076,564	123,741	3.28 %	12,390,386	122,971	3.93 %
PPP	1,989,987	15,766	3.17 %	—	—	— %
Other [7]	7,347,624	39,685	2.16 %	6,453,056	47,572	2.92 %
Total loans	114,695,498	880,010	3.07 %	92,834,398	803,363	3.44 %
FHLB stock	344,990	5,189	6.10 %	406,974	6,960	6.88 %
Total interest-earning assets	146,020,159	1,056,680	2.90 %	113,555,430	986,550	3.46 %
Noninterest-earning assets:						
Noninterest-earning cash	413,625			443,255		
Goodwill and other intangibles	226,683			234,078		
Other assets	6,091,492			4,721,313		
Total noninterest-earning assets	6,731,800			5,398,646		
Total Assets	$ 152,751,959			$ 118,954,076		
Liabilities and Equity:						
Deposits:						
Checking	$ 83,679,569	2,074	0.01 %	$ 53,863,519	8,432	0.06 %
Money market checking	18,888,949	7,644	0.16 %	12,724,620	29,302	0.93 %
Money market savings and passbooks	13,640,388	6,310	0.19 %	9,750,489	15,567	0.64 %
CDs	8,413,083	11,543	0.56 %	14,185,945	65,544	1.86 %
Total deposits	124,621,989	27,571	0.09 %	90,524,573	118,845	0.53 %
Borrowings:						
Short-term borrowings	6	—	0.18 %	1,231,827	4,700	1.53 %
Long-term FHLB advances	11,321,666	40,463	1.45 %	13,420,604	66,566	1.99 %
Senior notes [8]	996,412	6,038	2.42 %	765,308	4,773	2.49 %
Subordinated notes [8]	778,369	9,110	4.68 %	777,938	9,105	4.68 %
Total borrowings	13,096,453	55,611	1.72 %	16,195,677	85,144	2.11 %
Total interest-bearing liabilities	137,718,442	83,182	0.24 %	106,720,250	203,989	0.77 %
Noninterest-bearing liabilities	2,637,481			2,030,107		
Preferred equity	1,963,583			1,145,000		
Common equity	10,432,453			9,058,719		
Total Liabilities and Equity	$ 152,751,959			$ 118,954,076		
Net interest spread [9]			2.65 %			2.69 %
Net interest income (fully taxable-equivalent basis) and net interest margin [10]		$ 973,498	2.67 %		$ 782,561	2.74 %
Reconciliation of tax-equivalent net interest income to reported net interest income:						
Municipal securities tax-equivalent adjustment		(27,876)			(23,718)	
Business loans tax-equivalent adjustment		(6,840)			(6,711)	
Net interest income, as reported		$ 938,782			$ 752,132	

(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, HELOCs, 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 loans 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.

Interest Income

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

($ in thousands)	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020	% Change Quarter Ended March 31, 2021 vs. 2020
Interest income:			
Loans	$ 873,170	$ 796,652	10 %
Investments	140,711	148,569	(5)%
Other [(1)]	5,189	6,960	(25)%
Cash and cash equivalents	2,894	3,940	(27)%
Total interest income	$ 1,021,964	$ 956,121	7 %
Fully taxable-equivalent interest income:			
Loans	$ 880,010	$ 803,363	10 %
Investments	$ 168,587	$ 172,287	(2)%

(1) Represents dividends on FHLB stock.

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 $1.0 billion for the first quarter of 2021, compared to $956.1 million for the first quarter of 2020. The increase was the result of an increase of 29% in average interest-earning assets, which were $146.0 billion, compared to $113.6 billion for the first quarter of 2020, partially offset by a decrease in the average yield on interest-earning assets to 2.90% from 3.46% for the first quarter of 2020.

Loans

Interest income on loans for the first quarter of 2021 was $873.2 million, compared to $796.7 million for the first quarter of 2020. Fully taxable-equivalent interest income on loans was $880.0 million for the first quarter of 2021, compared to $803.4 million for the first quarter of 2020. The increase was due to continued loan growth, partially offset by lower loan yields. Average loan balances were $114.7 billion for the first quarter of 2021, compared to $92.8 billion for the first quarter of 2020, an increase of 24%. The average yield on loans was 3.07% for the first quarter of 2021, a decrease of 37 bps compared to 3.44% for the first quarter of 2020. Such decline was due to the decline in the average federal funds rate, which was 0.25% in the first quarter of 2021, compared to 1.40% in the first quarter of 2020, along with lower rates on new loan volume.

Interest income on loans included prepayment penalty fees of $4.7 million for the first quarter of 2021, compared to $2.7 million for the first quarter of 2020. The increase in these fees was primarily due to higher prepayments on single family and multifamily 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 3.05% at March 31, 2021, compared to 3.09% at December 31, 2020 and 3.38% at March 31, 2020. For ARMs, the yield is also affected by the timing of changes in the loan rates, which generally lag market rate changes. At March 31, 2021, approximately 26% of our total loans were adjustable-rate or mature within one year, compared to 27% and 30% at December 31, 2020 and March 31, 2020, respectively.

Investments

Interest income on investments for the first quarter of 2021 was $140.7 million, compared to $148.6 million for the first quarter of 2020. The decrease was primarily due to lower yields, partially offset by higher average investment balances. Fully taxable-equivalent interest income on investments was $168.6 million for the first quarter of 2021, compared to $172.3 million for the first quarter of 2020.

The average yield on investment securities for the first quarter of 2021 was 3.45%, compared to 3.73% for the first quarter of 2020, a decline of 28 bps. The yield decline was due to lower yields on new purchases of municipal securities and agency residential and commercial MBS, compared to the yield on these securities in the first quarter of 2020. Average investment balances were $19.5 billion for the first quarter of 2021, compared to $18.5 billion for the first quarter of 2020, an increase of 6%. The increase was primarily due to investment purchases, partially offset by calls and paydowns.

FHLB Stock

Dividends on FHLB stock for the first quarter of 2021 were $5.2 million, compared to $7.0 million for the first quarter of 2020. The decrease in dividend income was due to lower average FHLB stock balances and lower yield. Average FHLB stock balances were $345.0 million for the first quarter of 2021, a decrease of 15% compared to $407.0 million for the first quarter of 2020. The average yield on FHLB stock was 6.10% for the first quarter of 2021, compared to 6.88% for the first quarter of 2020.

Interest Expense

The following table presents interest expense:

($ in thousands)	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020	% Change Quarter Ended March 31, 2021 vs. 2020
Interest expense:			
Deposits:			
Checking	$ 2,074	$ 8,432	(75)%
Money market checking	7,644	29,302	(74)%
Money market savings and passbooks	6,310	15,567	(59)%
CDs	11,543	65,544	(82)%
Total interest expense on deposits	27,571	118,845	(77)%
Borrowings:			
Short-term borrowings	—	4,700	NM
Long-term FHLB advances	40,463	66,566	(39)%
Senior notes	6,038	4,773	27 %
Subordinated notes	9,110	9,105	0 %
Total interest expense on borrowings	55,611	85,144	(35)%
Total interest expense	$ 83,182	$ 203,989	(59)%

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

Total interest expense consists of interest expense on deposits, federal funds purchased, FHLB advances, senior notes and subordinated notes. Total interest expense was $83.2 million for the first quarter of 2021, compared to $204.0 million for the first quarter of 2020. The decrease was the result of a decline in the average cost of interest-bearing liabilities to 0.24% for the first quarter of 2021 from 0.77% for the first quarter of 2020, partially offset by an increase of 29% in average interest-bearing liabilities, which were $137.7 billion for the first quarter of 2021, compared to $106.7 billion for the first quarter of 2020.

Deposits

Interest expense on deposits was $27.6 million for the first quarter of 2021, compared to $118.8 million for the first quarter of 2020. The decrease in interest expense was driven by a decrease in rates paid on deposits, partially offset by growth in deposit balances. The average interest rate paid on deposits was 0.09% and 0.53% for the first quarter of 2021 and 2020, respectively. Such decrease was impacted by the decrease in the average federal funds rate, which was 0.25% in the first quarter of 2021, compared to 1.40% in the first quarter of 2020, along with repricing of CDs as a result of the lower interest rate environment.

Interest expense on checking deposits was $2.1 million for the first quarter of 2021, compared to $8.4 million for the first quarter of 2020. The decrease was due to a decrease in rates paid, partially offset by an increase in average balances. The average interest rate paid on checking deposits was 0.01% for the first quarter of 2021, compared to 0.06% for the first quarter of 2020. Average checking deposit balances were $83.7 billion for the first quarter of 2021, compared to $53.9 billion for the first quarter of 2020, an increase of 55%.

Interest expense on money market checking deposits was $7.6 million for the first quarter of 2021, compared to $29.3 million for the first quarter of 2020. The decrease was due to a decrease in rates paid, partially offset by an increase in average balances. The average interest rate paid on money market checking and savings deposits was 0.16% for the first quarter of 2021, compared to 0.93% for the first quarter of 2020. Average money market checking and savings deposit balances were $18.9 billion for the first quarter of 2021, compared to $12.7 billion for the first quarter of 2020, an increase of 48% for the quarter.

Interest expense on money market savings and passbooks deposits was $6.3 million for the first quarter of 2021, compared to $15.6 million for the first quarter of 2020. The decrease was due to a decrease in rates paid, partially offset by an increase in average balances. The average interest rate paid on money market checking and savings deposits was 0.19% for the first quarter of 2021, compared to 0.64% for the first quarter of 2020. Average money market checking and savings deposit balances were $13.6 billion for the first quarter of 2021, compared to $9.8 billion for the first quarter of 2020, an increase of 40% for the quarter.

Interest expense on CDs was $11.5 million for the first quarter of 2021, compared to $65.5 million for the first quarter of 2020. The decrease was due to a decrease in average balances and a decrease in rates paid. Average CD balances were $8.4 billion for the first quarter of 2021, compared to $14.2 billion for the first quarter of 2020, a decrease of 41%. The average interest rate paid on CDs was 0.56% for the first quarter of 2021, compared to 1.86% for the first quarter of 2020.

Average deposit balances were $124.6 billion for the first quarter of 2021, an increase of 38% from $90.5 billion for the first quarter of 2020. The following table presents average deposit balances by deposit type as a percentage of average total deposits:

	Quarter Ended March 31,	
Average Deposits by Type as a % of Average Total Deposits	**2021**	**2020**
Checking	67 %	59 %
Money market checking	15 %	14 %
Money market savings and passbooks	11 %	11 %
CDs	7 %	16 %

At March 31, 2021, our total deposits were $127.9 billion, compared to $93.7 billion at March 31, 2020, an increase of 37%, and the weighted average contractual rate paid on total deposits was 0.08% and 0.36%, 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 $55.6 million for the first quarter of 2021, compared to $85.1 million for the first quarter of 2020. The decrease was primarily due to a decrease in the average cost and lower average balances of long-term FHLB advances.

Short-term borrowings, which include federal funds purchased and short-term FHLB advances, have an original maturity of one year or less. We had no short-term borrowings at both March 31, 2021 and March 31, 2020. We had no interest expense on short-term borrowings for the first quarter of 2021, compared to $4.7 million for the first quarter of 2020. The decrease was primarily due to lower average balances. Average short-term borrowings for the first quarter of 2021 were less than $100,000, compared to $1.2 billion for the first quarter of 2020. In addition, the average cost of short-term borrowings was 0.18% for the first quarter of 2021, compared to 1.53% for the first quarter of 2020. Such decrease was impacted by the decrease in the average federal funds rate, which was 0.25% in the first quarter of 2021, compared to 1.40% in the first quarter of 2020.

At March 31, 2021, long-term FHLB advances outstanding were $10.5 billion, compared to $16.3 billion at March 31, 2020. Interest expense on long-term FHLB advances was $40.5 million for the first quarter of 2021, compared to $66.6 million for the first quarter of 2020. The decrease was due to a decrease in the average cost of long-term FHLB advances and lower average balances. Average long-term FHLB advances for the first quarter of 2021 were $11.3 billion, a decrease of 16% compared to $13.4 billion for the first quarter of 2020. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 8% for the first quarter of 2021, compared to 13% for the first quarter of 2020. The average cost of long-term FHLB advances was 1.45% and 1.99% for the first quarter of 2021 and 2020, respectively. The decrease was the result of lower interest rates on new advances, compared to the interest rates on repaid borrowings.

At March 31, 2021, the carrying value of unsecured senior notes was $996.7 million, compared to $994.7 million at March 31, 2020. Interest expense on our senior notes was $6.0 million for the first quarter of 2021, compared to $4.8 million for the first quarter of 2020, 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 March 31, 2021, the carrying value of unsecured subordinated notes totaled $778.4 million, compared to $778.0 million at March 31, 2020. Interest expense on our subordinated notes was $9.1 million for both the first quarter of 2021 and 2020, 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:

($ in thousands)	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020	% Change Quarter Ended March 31, 2021 vs. 2020
Provision (reversal of provision) for credit losses:			
Debt securities held-to-maturity	$ 1,122	$ 418	168 %
Loans	(13,707)	47,679	NM
Unfunded loan commitments	(2,023)	14,273	NM
Total	$ (14,608)	$ 62,370	NM

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

During the first quarter of 2021, the Bank recorded a reversal of provision for credit losses of $14.6 million, compared to a provision of $62.4 million for the first quarter of 2020. The reversal of provision for credit losses on loans and unfunded loan commitments in the first quarter of 2021 was primarily driven by a substantially improved economic outlook, partially offset by loan growth. The reversal of provision for credit losses on loans was also driven by the significant resumption of regular, consistent loan payments on COVID-19 loan modifications following the end of the modification period. 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:

($ in thousands)	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020	% Change Quarter Ended March 31, 2021 vs. 2020
Noninterest income:			
Investment management fees	$ 119,042	$ 99,296	20 %
Brokerage and investment fees	14,564	15,826	(8)%
Insurance fees	3,074	2,157	43 %
Trust fees	5,731	4,976	15 %
Foreign exchange fee income	17,167	12,184	41 %
Deposit fees	6,169	6,597	(6)%
Loan and related fees	7,485	6,114	22 %
Loan servicing fees, net	1,488	1,652	(10)%
Gain on sale of loans	309	1,925	(84)%
Gain on investment securities	655	2,628	(75)%
Income from investments in life insurance	16,549	8,160	103 %
Other income	3,618	2,529	43 %
Total noninterest income	$ 195,851	$ 164,044	19 %

Noninterest income for the first quarter of 2021 was $195.9 million, compared to $164.0 million for the first quarter of 2020. The increase was primarily due to higher wealth management fees and higher income from investments in life insurance.

Wealth Management Fees

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

Investment management fees. We provide traditional portfolio management and customized client portfolios through FRIM. We earn fee income from the management of equity securities, fixed income securities, balanced portfolios, and alternative investments for our clients. In addition, we employ experienced wealth managers to work with our relationship managers to generate new AUM using an open architecture platform. Investment management fees were $119.0 million for the first quarter of 2021, compared to $99.3 million for the first quarter of 2020. 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 $90.8 billion at March 31, 2021, compared to $60.1 billion at March 31, 2020, an increase of 51% due to both market appreciation and net client inflow. The addition of client assets was the result of growth in investment management services to Bank clients, acquiring new clients, the successful marketing efforts of existing wealth managers and the hiring of experienced wealth managers who brought their clients with them. 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 were $14.6 million for the first quarter of 2021, compared to $15.8 million for the first quarter of 2020. 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 March 31, 2021, we held $112.9 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $67.1 billion at March 31, 2020, an increase of 68%, due to both market appreciation and net client inflow.

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 were $3.1 million for the first quarter of 2021, compared to $2.2 million for the first quarter of 2020. 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 for the first quarter of 2021 were $5.7 million, compared to $5.0 million for the first quarter of 2020. At March 31, 2021, AUA were $15.2 billion, compared to $10.7 billion at March 31, 2020, an increase of 41%, due to both net client inflow and market appreciation. 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 $17.2 million of foreign exchange fee income for the first quarter of 2021, compared to $12.2 million for the first quarter of 2020. The increase in foreign exchange fees for the quarter was 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 $6.2 million for the first quarter of 2021, compared to $6.6 million for the first quarter of 2020.

Loan and related fees. Loan and related fee income was $7.5 million for the first quarter of 2021, compared to $6.1 million for the first quarter of 2020. 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 provisions for, or reversal of, the MSR valuation allowance. The following table presents net loan servicing fees:

	Quarter Ended March 31,	
($ in thousands)	**2021**	**2020**
Contractually specified servicing fees	$ 4,301	$ 5,649
MSR amortization expense	(2,461)	(3,347)
MSR net provision for valuation allowance	(352)	(650)
Loan servicing fees, net	$ 1,488	$ 1,652

Net loan servicing fees were $1.5 million for the first quarter of 2021, compared to $1.7 million for the first quarter of 2020. The average servicing portfolio for the first quarter of 2021 was $6.9 billion, compared to $9.1 billion for the first quarter of 2020, a decrease of 25%.

Contractual servicing fees were $4.3 million for the first quarter of 2021, compared to $5.6 million for the first quarter of 2020, a decrease of 24%. 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% for both the first quarter of 2021 and 2020.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. For the first quarter of 2021, the overall annualized repayment speed experienced on loans serviced was 39%, compared to 23% for the first quarter of 2020. If actual repayments of loans serviced are lower than our estimate of future repayments, we could reduce the amortization of MSRs and release a valuation allowance, if any, 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 the establishment of an additional valuation allowance, thereby decreasing our expected level of current and future earnings.

Gain on sale of loans. The net gain 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 on sale of loans also includes adjustments made to loans held for sale from any adjustments to the cost of loans based on current market prices. The following table presents loan sales activity and gain on sale of loans:

	Quarter Ended March 31,	
($ in thousands)	**2021**	**2020**
Gain on sale of loans	$ 309	$ 1,925
Loans sold	$ 43,475	$ 495,313
Gain on sale of loans as a percentage of loans sold	0.71 %	0.39 %

The lower level of gain on sales for the first quarter of 2021 was the result of a lower volume of loans sold, partially offset by higher margins.

Gain on investment securities. The gain on investment securities consists of activity from sales of investment securities and includes 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 March 31,	
($ in thousands)	**2021**	**2020**
Net gain on sales of investment securities	$ —	$ 2,639
Net change in fair value of equity securities	655	(11)
Gain on investment securities	$ 655	$ 2,628

Income from investments in life insurance. Income from investments in life insurance was $16.5 million for the first quarter of 2021, compared to $8.2 million for the first quarter of 2020. The increase was primarily due to purchases of investments in life insurance. The book value of this portfolio of tax-exempt investments was $2.3 billion and $1.5 billion at March 31, 2021 and 2020, respectively.

Noninterest Expense

The following table presents noninterest expense:

	Quarter Ended March 31,		% Change Quarter Ended March 31,
($ in thousands)	**2021**	**2020**	**2021 vs. 2020**
Noninterest expense:			
Salaries and employee benefits	$ 463,404	$ 361,204	28 %
Information systems	83,516	70,715	18 %
Occupancy	57,549	53,641	7 %
Professional fees	21,254	13,117	62 %
Advertising and marketing	12,633	11,843	7 %
FDIC assessments	11,900	10,185	17 %
Other expenses	70,140	61,312	14 %
Total noninterest expense	$ 720,396	$ 582,017	24 %

Noninterest expense was $720.4 million for the first quarter of 2021, compared to $582.0 million for the first quarter of 2020. The increase in noninterest expense was primarily due to higher salaries and employee benefits and information systems costs from the continued investments in the expansion of the franchise, and higher professional fees.

Noninterest expense was reduced by certain general and administrative costs, primarily compensation costs directly related to loan originations, which have been capitalized in accordance with ASC 310-20, "Nonrefundable Fees and Other Costs." We capitalized loan origination costs of $66.4 million for the first quarter of 2021, compared to $40.9 million for the first quarter of 2020, an increase of $25.5 million, or 62%. 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 63.5% for both the first quarter of 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, 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 $463.4 million for the first quarter of 2021, compared to $361.2 million for the first quarter of 2020. The increase was primarily the result of the addition of new personnel to support higher levels of lending, deposit growth, expansion of wealth management and higher incentive compensation related to the continued expansion of the franchise. At March 31, 2021, we had 5,682 full-time equivalent employees, including temporary employees and independent contractors, a 16% increase from 4,893 at March 31, 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 $83.5 million for the first quarter of 2021, compared to $70.7 million for the first quarter of 2020. The increase in information systems costs was primarily due to continued technology initiatives to upgrade our systems, enhance the client experience and support our growth.

Occupancy. Occupancy costs were $57.5 million for the first quarter of 2021, compared to $53.6 million for the first quarter of 2020. The increase was 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 $21.3 million for the first quarter of 2021, compared to $13.1 million for the first quarter of 2020. The increase in professional fees was primarily due to an increase in consulting services supporting various technology initiatives, along with higher audit and legal 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 $12.6 million for the first quarter of 2021 and $11.8 million for the first quarter of 2020. 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 increase for the quarter was primarily due to an increase in deposit-related promotions, partially offset by a decrease in advertising and decreased costs associated with holding client events as a result of the pandemic.

FDIC assessments. FDIC assessments were $11.9 million for the first quarter of 2021, compared to $10.2 million for the first quarter of 2020. The increase was 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 $70.1 million for the first quarter of 2021, compared to $61.3 million for the first quarter of 2020. 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. 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 March 31,	
($ in thousands)	**2021**	**2020**
Deposit client related costs	$ 10,639	$ 12,707
Charitable contributions	8,204	1,187
Loan related costs	5,147	3,500
Subscriptions	4,925	4,469
Prepayment penalties on FHLB advances	4,725	1,231
Insurance	3,663	3,008
Recruiting	3,520	1,581
Training	3,168	1,886
Travel and entertainment	2,494	5,361
Other operating expenses	23,655	26,382
Total other expenses	$ 70,140	$ 61,312

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 first quarter of 2021 was 21.9%, compared to 19.5% for the first quarter of 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 increase in the effective tax rate was primarily the result of lower excess tax benefits from a decrease in stock option exercises by employees, and growth in pre-tax income greater than growth in interest income on tax-exempt municipal securities.

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

	Quarter Ended March 31,	
Effective Tax Rate	**2021**	**2020**
Effective tax rate, prior to excess tax benefits—stock awards	22.6 %	21.3 %
Excess tax benefits—stock awards	(0.7)	(1.8)
Effective tax rate	21.9 %	19.5 %

The number of stock options exercised or RSUs and PSUs 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, RSUs and PSUs:

	Quarter Ended March 31,			
	2021		2020	
($ in thousands)	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit
Stock options	7,100	$ 232	152,592	$ 4,055
RSUs	117,304	1,952	64,295	326
PSUs	41,907	723	41,910	272
Total	166,311	$ 2,907	258,797	$ 4,653

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:

($ in thousands)	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020	% Change Quarter Ended March 31, 2021 vs. 2020
Net interest income	$ 897,461	$ 728,016	23 %
Provision (reversal of provision) for credit losses	(14,608)	62,370	NM
Noninterest income	33,874	28,591	18 %
Noninterest expense	562,192	451,987	24 %
Income before provision for income taxes	383,751	242,250	58 %
Provision for income taxes	80,861	46,014	76 %
Net income	$ 302,890	$ 196,236	54 %

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

Net interest income for Commercial Banking for the first quarter of 2021 was $897.5 million, compared to $728.0 million for the first quarter of 2020. The increase for the quarter was primarily due to an increase in average interest-earning assets, partially offset by a decrease in net interest margin.

During the first quarter of 2021, the Bank recorded a reversal of provision for credit losses of $14.6 million, compared to a provision of $62.4 million for the first quarter of 2020. The reversal of provision for credit losses on loans and unfunded loan commitments in the first quarter of 2021 was primarily driven by a substantially improved economic outlook, partially offset by loan growth. The reversal of provision for credit losses on loans was also driven by the significant resumption of regular, consistent loan payments on COVID-19 loan modifications following the end of the modification period. 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 $33.9 million for the first quarter of 2021, compared to $28.6 million for the first quarter of 2020. The increase was primarily due to higher income from investments in life insurance.

Noninterest expense for Commercial Banking was $562.2 million for the first quarter of 2021, compared to $452.0 million for the first quarter of 2020. The increase was primarily due to higher salaries and employee benefits and information systems costs from the continued investments in the expansion of the franchise, and higher professional fees.

Provision for income taxes for Commercial Banking for the first quarter of 2021 was $80.9 million, compared to $46.0 million for the first quarter of 2020. The increase in the provision for income taxes was the result of the significant increase in pre-tax income, lower excess tax benefits from a decrease in stock option exercises by employees, and growth in pre-tax income greater than growth in interest income on tax-exempt municipal securities.

Wealth Management

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

($ in thousands)	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020	% Change Quarter Ended March 31, 2021 vs. 2020
Net interest income	$ 41,321	$ 24,116	71 %
Noninterest income	172,147	145,157	19 %
Noninterest expense	168,374	139,734	20 %
Income before provision for income taxes	45,094	29,539	53 %
Provision for income taxes	13,151	7,089	86 %
Net income	$ 31,943	$ 22,450	42 %

Net interest income for Wealth Management was $41.3 million for the first quarter of 2021, compared to $24.1 million for the first quarter of 2020. Net interest income is earned from Wealth Management client deposits with the Bank, for which Wealth Management earns a deposit earnings credit and fees earned 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 $16.8 billion and $11.0 billion at March 31, 2021 and 2020, respectively, including sweep deposits. Wealth Management client deposits, including sweep deposit accounts, averaged $17.4 billion and $9.4 billion for the first quarter of 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 0.96% and 1.03% for the first quarter of 2021 and 2020, respectively.

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 2.67% and 2.74% for the first quarter of 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 approximately $114.4 million for the first quarter of 2021 and $64.2 million for the first quarter of 2020.

Noninterest income for Wealth Management was $172.1 million for the first quarter of 2021, compared to $145.2 million for the first quarter of 2020. The increase was primarily due to higher investment management fees due to growth in AUM and foreign exchange fee income. 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.

Noninterest expense for Wealth Management was $168.4 million for the first quarter of 2021, compared to $139.7 million for the first quarter of 2020. The increase was 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 capabilities in all markets to grow this segment.

AUM and AUA, in aggregate, were $218.9 billion at March 31, 2021, compared to $137.9 billion a year ago, an increase of 59%, driven by both market appreciation and net client inflow. 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)	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
First Republic Investment Management	$ 90,819	$ 83,596	$ 74,661	$ 68,124	$ 60,056
Brokerage and investment:					
Brokerage	101,478	88,059	76,769	70,178	60,189
Money market mutual funds	11,435	9,003	4,416	5,933	6,893
Total brokerage and investment	112,913	97,062	81,185	76,111	67,082
Trust Company:					
Trust	10,986	9,910	8,687	7,905	7,288
Custody	4,216	3,889	3,651	3,646	3,461
Total Trust Company	15,202	13,799	12,338	11,551	10,749
Total AUM and AUA	$ 218,934	$ 194,457	$ 168,184	$ 155,786	$ 137,887

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 March 31,	
($ in millions)	2021	2020
Beginning balance	$ 194,457	$ 151,043
Net client flow	16,391	4,954
Market appreciation (depreciation)	8,086	(18,110)
Ending balance	$ 218,934	$ 137,887

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

	% of AUM				
Investment Type	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Equities	57 %	56 %	51 %	49 %	44 %
Fixed income	27	28	31	31	32
Alternative investments	9	9	10	10	12
Cash and cash equivalents	7	7	8	10	12
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 March 31,	
Fee Income as a Percentage of Average AUM and AUA	**2021**	**2020**
First Republic Investment Management	0.55 %	0.63 %
Brokerage and investment:		
Brokerage	0.06 %	0.08 %
Money market mutual funds	0.01 %	0.23 %
Total brokerage and investment	0.06 %	0.09 %
Trust Company:		
Trust	0.18 %	0.21 %
Custody	0.11 %	0.12 %
Total Trust Company	0.16 %	0.18 %
Total	0.27 %	0.33 %

Balance Sheet Analysis

Investments

The following table presents the investment portfolio:

($ in thousands)	**March 31, 2021**	**December 31, 2020**
Debt securities available-for-sale:		
Agency residential MBS	$ 1,711,151	$ 1,096,383
Other residential MBS	19,982	21,451
Agency commercial MBS	650,227	741,008
Securities of U.S. states and political subdivisions—taxable	47,473	47,473
Total	$ 2,428,833	$ 1,906,315
Debt securities held-to-maturity:		
U.S. Government-sponsored agency securities	$ 100,000	$ 50,000
Agency residential MBS	1,124,094	1,300,551
Other residential MBS	11,971	12,875
Agency commercial MBS	2,191,552	2,488,504
Securities of U.S. states and political subdivisions:		
Tax-exempt municipal securities	12,850,111	11,799,170
Tax-exempt nonprofit debentures	73,942	74,910
Taxable municipal securities	1,549,014	811,504
Corporate debt securities	1,339,674	72,698
Total	19,240,358	16,610,212
Less: Allowance for credit losses	(8,024)	(6,902)
Debt securities held-to-maturity, net	$ 19,232,334	$ 16,603,310
Equity securities (fair value):		
Mutual funds and marketable equity securities	$ 21,221	$ 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 March 31, 2021 and December 31, 2020, respectively.

The average duration of the available-for-sale portfolio was 5.6 and 3.8 years at March 31, 2021 and December 31, 2020, respectively. The average duration of the held-to-maturity portfolio was 11.0 and 8.9 years at March 31, 2021 and December 31, 2020, respectively.

At March 31, 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 $29.1 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 March 31, 2021, no ACL was recognized on available-for-sale debt securities.

As of March 31, 2021, the ACL on held-to-maturity debt securities totaled $8.0 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 using a quantitative model that incorporates the security's characteristics, macroeconomic forecasts and historical loss rates to determine expected credit losses over the life of the securities. No ACL is recognized on held-to-maturity U.S. Government-sponsored agency securities, agency residential MBS and agency commercial MBS due to the explicit or implicit guarantee by the Federal Government. The increase in the ACL on held-to-maturity debt securities during the quarter ended March 31, 2021 was primarily due to purchases of municipal securities and corporate debt securities, partially offset by an improved economic outlook.

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)	March 31, 2021	December 31, 2020
Residential real estate		
Single family	$ 65,179	$ 61,370
Home equity lines of credit	2,392	2,450
Single family construction	842	788
Total residential real estate	68,413	64,608
Income property		
Multifamily	14,141	13,769
Commercial real estate	8,065	8,018
Multifamily/commercial construction	2,101	2,024
Total income property	24,307	23,811
Business		
Capital call lines of credit	8,654	8,150
Tax-exempt	3,455	3,366
Other business	3,679	3,340
PPP	2,142	1,841
Total business	17,930	16,697
Other		
Stock secured	2,520	2,518
Other secured	1,863	1,819
Unsecured	3,051	3,113
Total other	7,434	7,450
Total loans held for investment	118,084	112,566
Less: Allowance for credit losses	(621)	(635)
Loans, net	117,463	111,931
Loans held for sale	—	21
Total	$ 117,463	$ 111,952

The following table presents an analysis of our loan portfolio at March 31, 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	$25,628	$12,394	$12,676	$6,194	$1,987	$661	$5,639	$65,179	55 %
Home equity lines of credit	963	359	510	270	58	12	220	2,392	2
Single family construction	223	151	309	36	23	2	98	842	1
Total residential real estate	26,814	12,904	13,495	6,500	2,068	675	5,957	68,413	58
Income property									
Multifamily	5,577	2,777	2,910	576	1,320	225	756	14,141	12
Commercial real estate	3,265	1,612	1,655	301	209	264	759	8,065	7
Multifamily/commercial construction	342	287	932	67	81	—	392	2,101	2
Total income property	9,184	4,676	5,497	944	1,610	489	1,907	24,307	21
Business									
Capital call lines of credit	3,258	2,567	579	777	40	—	1,433	8,654	7
Tax-exempt	953	645	878	399	276	2	302	3,455	3
Other business	1,564	575	535	260	180	15	550	3,679	3
PPP	1,084	295	393	99	87	21	163	2,142	2
Total business	6,859	4,082	2,385	1,535	583	38	2,448	17,930	15
Other									
Stock secured	511	286	502	202	100	46	873	2,520	2
Other secured	284	781	77	231	7	1	482	1,863	1
Unsecured	914	715	619	272	131	52	348	3,051	3
Total other	1,709	1,782	1,198	705	238	99	1,703	7,434	6
Total	$44,566	$23,444	$22,575	$9,684	$4,499	$1,301	$12,015	$118,084	100 %
% by location at March 31, 2021	38 %	20 %	19 %	8 %	4 %	1 %	10 %	100 %	
% by location at December 31, 2020	38 %	20 %	19 %	8 %	4 %	1 %	10 %	100 %	

At both March 31, 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 March 31, 2021, by rate type:

	Adjustable Rate							
($ in millions)	**Prime**	**LIBOR**	**COFI**	**Other**	**Total**	**Hybrid Rate**	**Fixed Rate**	**Total**
Residential real estate								
Single family	$ 282	$ 2,480	$ 2,317	$ 172	$ 5,251	$ 45,069	$ 14,859	$ 65,179
Home equity lines of credit	2,386	5	—	—	2,391	—	1	2,392
Single family construction	29	—	—	—	29	—	813	842
Total residential real estate	2,697	2,485	2,317	172	7,671	45,069	15,673	68,413
Income property								
Multifamily	236	516	1,498	125	2,375	6,902	4,864	14,141
Commercial real estate	385	436	366	38	1,225	2,493	4,347	8,065
Multifamily/commercial construction	873	87	—	23	983	12	1,106	2,101
Total income property	1,494	1,039	1,864	186	4,583	9,407	10,317	24,307
Business								
Capital call lines of credit	7,511	663	—	—	8,174	—	480	8,654
Tax-exempt	111	174	—	—	285	288	2,882	3,455
Other business	1,418	175	9	18	1,620	155	1,904	3,679
PPP	—	—	—	—	—	—	2,142	2,142
Total business	9,040	1,012	9	18	10,079	443	7,408	17,930
Other								
Stock secured	1,237	559	—	691	2,487	6	27	2,520
Other secured	753	787	—	128	1,668	—	195	1,863
Unsecured	575	31	—	10	616	—	2,435	3,051
Total other	2,565	1,377	—	829	4,771	6	2,657	7,434
Total	$ 15,796	$ 5,913	$ 4,190	$ 1,205	$ 27,104	$ 54,925	$ 36,055	$ 118,084
% by rate type at March 31, 2021	13 %	5 %	4 %	1 %	23 %	46 %	31 %	100 %
% by rate type at December 31, 2020	13 %	5 %	4 %	1 %	23 %	47 %	30 %	100 %

At March 31, 2021, included in the hybrid-rate and fixed-rate loan portfolios are $3.9 billion, or 3% of the total loan portfolio, that either (1) mature within one year; or (2) are within one year of adjusting from the initial fixed-rate period.

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 representative LIBOR rates will no longer be available 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:

	March 31, 2021		December 31, 2020	
($ in thousands)	Unpaid Principal Balance	% of Total Single Family	Unpaid Principal Balance	% of Total Single Family
Interest-only single family	$ 41,166,226	63 %	$ 38,849,327	64 %

At March 31, 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 March 31, 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.

The following table presents LTV information at origination for all single family loans:

	March 31, 2021	
($ in thousands)	Unpaid Principal Balance	% of Total
LTV at Origination		
Less than or equal to 60%	$ 35,659,278	54.9 %
Greater than 60% to 70%	19,511,869	30.1
Greater than 70% to 80%	9,327,262	14.4
Greater than 80%	400,249	0.6
Total	$ 64,898,658	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 March 31, 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:

	March 31, 2021		
($ in thousands)	Unpaid Principal Balance	Total Commitment	% of Unpaid Principal Balance
CLTV at Origination			
Less than or equal to 60%	$ 1,615,293	$ 6,363,698	68.5 %
Greater than 60% to 70%	518,218	1,720,160	22.0
Greater than 70% to 80%	209,571	512,302	8.9
Greater than 80%	14,552	19,434	0.6
Total	$ 2,357,634	$ 8,615,594	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 March 31, 2021 and December 31, 2020, the unpaid principal balance of single family construction loans was $845.5 million and $791.4 million, respectively, and the total commitment was $1.6 billion and $1.5 billion, respectively.

Income property

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

Multifamily

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

	Unpaid Principal Balance	
($ in thousands)	March 31, 2021	December 31, 2020
Multifamily	$ 14,151,551	$ 13,785,103
Multifamily—interest-only [(1)]	$ 6,231,124	$ 5,953,691

[(1)] Excludes lines of credit.

At March 31, 2021, interest-only multifamily loans (excluding lines of credit) had a weighted average LTV of 50% 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:

	March 31, 2021			December 31, 2020		
($ in thousands)	Unpaid Principal Balance	Total Commitment	% of Total Multifamily	Unpaid Principal Balance	Total Commitment	% of Total Multifamily
Multifamily lines of credit—interest-only	$ 323,442	$ 717,068	2.3 %	$ 324,784	$ 687,194	2.4 %

At March 31, 2021, interest-only multifamily lines of credit had a weighted average LTV of 50% based on the appraised value at the time of origination.

Commercial Real Estate

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

	Unpaid Principal Balance	
($ in thousands)	March 31, 2021	December 31, 2020
Commercial real estate	$ 8,072,500	$ 8,026,232
Commercial real estate—interest-only (1)	$ 2,797,823	$ 2,822,751

(1) Excludes lines of credit.

At March 31, 2021, interest-only commercial real estate loans (excluding lines of credit) that allow for interest-only payments had a weighted average LTV of 45% 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:

	March 31, 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	$ 340,631	$ 695,598	4.2 %	$ 360,783	$ 678,878	4.5 %

At March 31, 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 March 31, 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 March 31, 2021 and December 31, 2020, the unpaid principal balance of multifamily/commercial construction loans was $2.1 billion and $2.0 billion, respectively, and the total commitment was $3.7 billion and $3.6 billion, respectively.

Business

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

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

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

	March 31, 2021		December 31, 2020	
($ in thousands)	Amortized Cost	Total Commitment	Amortized Cost	Total Commitment
Private Equity/Venture Capital Funds	$ 8,978,253	$ 22,311,626	$ 8,287,269	$ 20,781,850
Schools/Non-profit Organizations	3,784,874	4,990,542	3,699,486	4,674,110
Investment Firms	585,969	1,338,108	483,011	1,273,598
Real Estate Related Entities	647,392	1,055,958	624,282	995,962
Professional Service Firms	210,348	535,651	226,794	543,680
Aviation/Marine	365,614	380,545	400,010	406,228
Clubs and Membership Organizations	153,520	260,139	146,290	228,916
Vineyards/Wine	157,956	256,488	157,811	259,385
Entertainment Industry	25,513	110,097	28,762	116,752
Other	878,254	1,403,194	801,851	1,250,203
Total excluding PPP	15,787,693	32,642,348	14,855,566	30,530,684
PPP [1]	2,142,253	2,175,766	1,841,376	1,865,864
Total including PPP	$ 17,929,946	$ 34,818,114	$ 16,696,942	$ 32,396,548

[1] Total commitment related to PPP excludes net deferred fees unamortized balance of $33.5 million and $24.5 million as of March 31, 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:

($ in thousands)	Lines of Credit					
	March 31, 2021			December 31, 2020		
	Unpaid Principal Balance	Total Commitment	Utilization Percentage	Unpaid Principal Balance	Total Commitment	Utilization Percentage
Private Equity/Venture Capital Funds	$ 8,681,832	$ 22,005,195	39.5 %	$ 7,965,515	$ 20,450,623	38.9 %
Schools/Non-profit Organizations	540,297	1,744,052	31.0 %	615,754	1,588,029	38.8 %
Investment Firms	384,283	1,135,929	33.8 %	274,812	1,065,128	25.8 %
Real Estate Related Entities	239,520	646,962	37.0 %	252,746	623,223	40.6 %
Professional Service Firms	52,821	378,169	14.0 %	65,566	382,496	17.1 %
Vineyards/Wine	51,184	149,618	34.2 %	51,095	152,568	33.5 %
Clubs and Membership Organizations	14,935	121,125	12.3 %	8,101	90,603	8.9 %
Entertainment Industry	16,594	100,307	16.5 %	26,533	113,461	23.4 %
Aviation/Marine	2,915	17,015	17.1 %	3,590	8,915	40.3 %
Other	568,619	1,092,851	52.0 %	422,533	870,111	48.6 %
Total	$10,553,000	$ 27,391,223	38.5 %	$ 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 March 31, 2021, the unpaid principal balance and total commitment for capital call lines of credit was approximately $8.6 billion and $21.8 billion, respectively, resulting in a utilization rate for these lines of credit of 39.6% at March 31, 2021.

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

($ in thousands)	Term Loans — Unpaid Principal Balance	
	March 31, 2021	December 31, 2020
Schools/Non-profit Organizations	$ 3,246,490	$ 3,086,081
Real Estate Related Entities	408,996	372,739
Aviation/Marine	363,530	397,313
Private Equity/Venture Capital Funds	306,431	331,227
Investment Firms	202,179	208,470
Professional Service Firms	157,482	161,184
Clubs and Membership Organizations	139,014	138,313
Vineyards/Wine	106,870	106,817
Entertainment Industry	9,790	3,291
Other	310,343	380,092
Total excluding PPP	5,251,125	5,185,527
PPP	2,175,766	1,865,864
Total including PPP	$ 7,426,891	$ 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:

	March 31, 2021		
($ in thousands)	**First Round**	**Second Round**	**Total**
Loans outstanding [1]	$ 1,404,984	$ 770,782	$ 2,175,766
Forgiveness amounts approved by the SBA [2]	$ 734,182	$ —	$ 734,182
Loans outstanding submitted for forgiveness review to the SBA [3]	$ 386,000	$ —	$ 386,000

(1) Represents unpaid principal balance.

(2) Since the inception of the PPP through March 31, 2021, 5,140 First Round PPP loans have received forgiveness.

(3) As of March 31, 2021, 572 First 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:

	At or for the Quarter Ended March 31, 2021 [1]		
($ in thousands)	**First Round**	**Second Round**	**Total**
Net deferred fees amortized [2]	$ 10,571	$ 266	$ 10,837
Net deferred fees unamortized balance	$ 13,920	$ 19,592	$ 33,512

(1) PPP loans were originated beginning in April 2020, therefore, there were no net deferred fees for the quarter ended March 31, 2020.

(2) For the quarter ended March 31, 2021, includes the impact of net deferred fees accelerated upon forgiveness by the SBA of the First Round PPP loans.

Other

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

	March 31, 2021		December 31, 2020	
($ in thousands)	Unpaid Principal Balance	Total Commitment	Unpaid Principal Balance	Total Commitment
Stock secured	$ 2,515,252	$ 7,374,457	$ 2,514,076	$ 6,893,234
Other secured	1,861,487	3,897,463	1,818,577	3,610,177
Unsecured	3,044,931	3,990,776	3,109,297	3,911,540
Total	$ 7,421,670	$ 15,262,696	$ 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 $1.7 billion at both March 31, 2021 and December 31, 2020, and total commitments of $3.7 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 March 31, 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	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Home equity lines of credit	26.9 %	28.3 %	28.9 %	28.9 %	32.6 %
Single family construction	51.4 %	51.5 %	51.5 %	53.1 %	54.4 %
Multifamily	44.3 %	47.4 %	50.0 %	47.8 %	48.7 %
Commercial real estate	50.1 %	52.9 %	52.2 %	50.9 %	54.3 %
Multifamily/commercial construction	56.2 %	55.0 %	55.0 %	53.6 %	49.9 %
Capital call lines of credit	39.6 %	39.3 %	35.0 %	35.6 %	44.2 %
Tax-exempt	57.1 %	55.7 %	46.7 %	39.4 %	29.5 %
Other business	30.4 %	29.6 %	26.7 %	30.3 %	34.3 %
Stock secured	33.7 %	36.0 %	35.8 %	32.8 %	34.6 %
Other secured	43.0 %	45.1 %	46.6 %	45.7 %	43.8 %
Unsecured	43.1 %	43.3 %	37.2 %	38.4 %	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 March 31, 2021, we have originated approximately $335.4 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 March 31,	
($ in thousands)	2021	2020
Residential real estate		
Single family	$ 6,902,192	$ 3,519,336
Home equity lines of credit	623,661	395,508
Single family construction	224,504	109,162
Total residential real estate	7,750,357	4,024,006
Income property		
Multifamily	791,070	781,303
Commercial real estate	313,991	451,858
Multifamily/commercial construction	310,824	620,921
Total income property	1,415,885	1,854,082
Business		
Capital call lines of credit	3,131,317	2,385,229
Tax-exempt	213,967	100,019
Other business	1,025,154	619,779
PPP	688,948	—
Total business	5,059,386	3,105,027
Other		
Stock secured	710,038	592,560
Other secured	438,989	413,824
Unsecured	345,848	322,888
Total other	1,494,875	1,329,272
Total loans originated	$ 15,720,503	$ 10,312,387

Total loan originations were $15.7 billion for the first quarter of 2021, compared to $10.3 billion for the first quarter of 2020, an increase of 52%. Loan originations increased primarily due to increases in single family and business lending, as well as 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	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Single family	57 %	57 %	58 %	53 %	57 %
Home equity lines of credit [(1)]	50 %	50 %	49 %	48 %	51 %
Single family construction	53 %	58 %	58 %	58 %	57 %
Multifamily	50 %	52 %	52 %	49 %	54 %
Commercial real estate	47 %	47 %	43 %	43 %	49 %
Multifamily/commercial construction	50 %	54 %	52 %	61 %	51 %

[(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 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	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Single family	768	771	774	770	765
Home equity lines of credit	772	769	773	772	768

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	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Purchase loans	35 %	38 %	42 %	20 %	31 %
Refinance loans	65	62	58	80	69
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	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Single family [1]	57 %	57 %	57 %	57 %	58 %
Home equity lines of credit [2]	50 %	50 %	50 %	51 %	51 %
Single family construction	56 %	57 %	56 %	57 %	57 %
Multifamily	51 %	51 %	51 %	51 %	52 %
Commercial real estate	46 %	46 %	47 %	47 %	47 %
Multifamily/commercial construction	53 %	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)	March 31, 2021	December 31, 2020
Nonaccrual loans:		
Residential real estate		
Single family	$ 75,372	$ 85,630
Home equity lines of credit	28,357	31,571
Total residential real estate	103,729	117,201
Income property		
Commercial real estate	4,109	2,320
Multifamily/commercial construction	57,881	57,843
Total income property	61,990	60,163
Business		
Other business	4,793	4,534
Other		
Other secured	5	23
Unsecured	2,277	2,211
Total other	2,282	2,234
Total nonaccrual loans	172,794	184,132
Other real estate owned	1,334	—
Total nonperforming assets	$ 174,128	$ 184,132
Nonperforming assets to total assets	0.11 %	0.13 %
Accruing loans 90 days or more past due	$ 851	$ —
Restructured accruing loans	$ 11,658	$ 11,253

See Note 4 in "Item 1. Financial Statements" for information related to interest income on nonaccrual loans for the quarters ended March 31, 2021 and 2020.

Of the loans on nonaccrual status, $57.3 million were current at March 31, 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 $967 million and were less than 1% of total loans as of March 31, 2021. The following table presents a summary of these loan modifications as of March 31, 2021:

	COVID-19 Loan Modifications (1), (2), (3), (4), (5)				
($ in millions)	Unpaid Principal Balance	Deferred Interest (6)	LTV (7)	Average Loan Size	Number of Loans
Single family	$ 274	$ 5	59 %	$ 1.2	232
Home equity lines of credit	15	—	62 %	$ 0.7	22
Single family construction	2	—	75 %	$ 2.2	1
Multifamily	199	1	50 %	$ 6.2	32
Commercial real estate	274	1	46 %	$ 6.5	42
Multifamily/commercial construction	19	1	38 %	$ 19.0	1
Capital call lines of credit	—	—	n/a	$ —	—
Tax-exempt	135	1	n/a	$ 19.3	7
Other business	32	—	n/a	$ 1.3	24
Stock secured	—	—	n/a	$ —	—
Other secured	4	—	n/a	$ 0.3	13
Unsecured (8)	13	—	n/a	$ 0.1	118
Total	$ 967	$ 9			492

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

(2) Includes 93 loans totaling $28 million that have completed their deferral period, but for which a regular payment is not yet due.

(3) Includes 294 loans totaling $566 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 March 31, 2021, $3.3 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 March 31, 2021 totaled $12 million for initial relief, and $7 million for additional relief beyond the initial modification period.

(6) Represents interest payments not made during the deferral period through March 31, 2021.

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

(8) 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 March 31, 2021. As of March 31, 2021, the Bank had modifications of these portfolios totaling $141 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:

	March 31, 2021				
($ in millions)	Unpaid Principal Balance	LTV	Average Loan Size	Number of Loans	Personal Guarantee %
Retail	$ 1,862	49 %	$ 2.7	713	77 %
Hotel	420	48 %	$ 6.6	65	73 %
Restaurant (1)	215	49 %	$ 1.1	204	94 %
Total (2)	$ 2,497			982	

(1) Approximately 72% of loans to restaurants are real estate secured.

(2) Amounts in the table above exclude $62 million of loans to hotels and $240 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 estimate incorporates individual loan and/or property level characteristics, macroeconomic forecasts and historical loss rates to determine expected credit losses over the life of the Bank's 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 reduction in total ACL on loans as of March 31, 2021 compared to December 31, 2020 was primarily 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. Such reductions in the ACL were partially offset by increases in the ACL due to loan growth.

The following table presents an analysis of our ACL on loans, including provision (reversal of provision) for credit losses, charge-offs and recoveries, as well as net charge-offs and ACL ratios:

($ in thousands)	At or for the Quarter Ended March 31, 2021	At or for the Quarter Ended March 31, 2020 [(1)]
Allowance for credit losses on loans:		
Balance at beginning of period	$ 635,019	$ 494,429
Provision (reversal of provision)	(13,707)	47,679
Charge-offs:		
Single family	(331)	(89)
Home equity lines of credit	(211)	(6)
Single family construction	—	—
Multifamily	—	—
Commercial real estate	—	—
Multifamily/commercial construction	—	—
Capital call lines of credit	—	—
Tax-exempt	—	—
Other business	(10)	—
PPP	—	—
Stock secured	—	—
Other secured	—	—
Unsecured	(274)	(249)
Total charge-offs	(826)	(344)
Recoveries:		
Single family	17	17
Home equity lines of credit	186	18
Single family construction	—	—
Multifamily	—	—
Commercial real estate	—	—
Multifamily/commercial construction	—	—
Capital call lines of credit	—	—
Tax-exempt	—	—
Other business	113	18
PPP	—	—
Stock secured	—	—
Other secured	—	—
Unsecured	23	89
Total recoveries	339	142
Net loan charge-offs	(487)	(202)
Balance at end of period	$ 620,825	$ 541,906
Average total loans for the period	$ 114,646,044	$ 92,213,125
Total loans at period end	$ 118,083,418	$ 95,285,062
Total nonaccrual loans	$ 172,794	$ 125,418
Ratios:		
Net charge-offs to:		
Average total loans (annualized)	0.00 %	0.00 %
Allowance for credit losses on loans to:		
Total loans	0.53 %	0.57 %
Nonaccrual loans	359.3 %	432.1 %

(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 ended March 31, 2021 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 March 31,	
($ in thousands)	**2021**	**2020 [1]**
Balance at beginning of period	$ 27,578	$ 15,697
Provision (reversal of provision)	(2,023)	14,273
Balance at end of period	$ 25,555	$ 29,970

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

Mortgage Banking Activities

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

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

	Quarter Ended March 31,	
($ in thousands)	**2021**	**2020**
Single family loans originated	$ 6,902,192	$ 3,519,336
Loans sold:		
Flow sales:		
Agency	$ 42,402	$ 25,774
Non-agency	1,073	31,870
Total flow sales	43,475	57,644
Bulk sales:		
Non-agency	—	437,669
Total loans sold	$ 43,475	$ 495,313
Gain on sale of loans:		
Amount	$ 309	$ 1,925
Gain as a percentage of loans sold	0.71 %	0.39 %

The level of loan originations, loan sales and gain on loan sales depend upon market conditions and the interest rate environment, as well as our pricing and ALM strategies. The lower levels of gain on sales for the first quarter of 2021 was the result of a lower volume of loans sold, partially offset by higher margins. The level of future loan originations, loan sales and gain on loan sales will depend on overall credit availability, the interest rate environment, the strength of the general economy, local real estate markets and the housing industry, and conditions in the secondary loan sale market. These factors have been, and will likely continue to be, affected by COVID-19.

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

As of March 31, 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 March 31, 2021, the weighted average LTV of those loans was 55% based on the appraised value at the time of origination. There was no liability for estimated losses related to this reimbursement obligation at March 31, 2021, and the Bank has experienced no cumulative losses on the loans within this securitization through March 31, 2021. The remaining unpaid principal balance of multifamily loans securitized was $84.9 million at March 31, 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 $12.6 million as of March 31, 2021, compared to $13.5 million as of December 31, 2020. The remaining unpaid principal balance of single family loans securitized was $238.0 million at March 31, 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 March 31,	
($ in thousands)	**2021**	**2020**
Loans serviced for others	$ 6,313,737	$ 9,203,192
Loan servicing fees, net	$ 1,488	$ 1,652

Mortgage loans serviced for investors decreased to $6.3 billion at March 31, 2021, from $9.2 billion at March 31, 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 March 31, 2021, MSRs were $23.5 million (37 bps of loans serviced), compared to $41.7 million (45 bps of loans serviced) at March 31, 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 March 31, 2021, single family loans serviced for investors that are 90 days or more past due were $9.3 million, or 15 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 March 31, 2021, modifications in our mortgage servicing portfolio totaled $43.4 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 March 31, 2021, our total deposits were $127.9 billion, an 11% 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 $122.2 billion and $109.3 billion at March 31, 2021 and December 31, 2020, respectively, and represented 96% of total deposits at March 31, 2021, compared to 95% at December 31, 2020. Total deposits included $1.3 billion of brokered deposits at March 31, 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 March 31, 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)	March 31, 2021	December 31, 2020
Preferred Banking:		
Northern California	$ 34,143,200	$ 29,398,248
Metropolitan New York	20,350,468	17,844,828
Southern California	11,357,106	10,539,845
Boston	12,120,606	10,968,464
Subtotal	77,971,380	68,751,385
Preferred Banking Offices:		
Northern California	21,924,159	20,693,568
Metropolitan New York	8,328,131	6,988,064
Southern California	5,565,638	5,115,241
Boston	2,327,953	2,209,417
Subtotal	38,145,881	35,006,290
Wealth management sweep	9,881,853	9,574,527
Other	1,907,839	1,596,598
Total deposits	$ 127,906,953	$ 114,928,800

The following table presents business and consumer deposits:

($ in thousands)	March 31, 2021	December 31, 2020
Business deposits:		
Checking	$ 57,778,855	$ 50,389,145
Money market checking	10,760,635	8,743,423
Money market savings	4,755,736	4,501,395
CDs	1,626,195	1,671,973
Subtotal	74,921,421	65,305,936
Percent of total deposits	59 %	57 %
Consumer deposits:		
Checking	28,570,507	26,495,188
Money market checking	8,449,434	8,035,461
Money market savings and passbooks	9,341,265	8,083,127
CDs	6,624,326	7,009,088
Subtotal	52,985,532	49,622,864
Percent of total deposits	41 %	43 %
Total deposits	$127,906,953	$114,928,800

We fund a portion of our assets with CDs that have balances greater than $250,000. At March 31, 2021 and December 31, 2020, our CDs having balances greater than $250,000 totaled $4.4 billion and $4.5 billion, respectively. The following table presents the maturities of our CDs greater than $250,000:

($ in thousands)	March 31, 2021
Remaining maturity:	
Three months or less	$ 2,556,319
Over three through six months	1,000,685
Over six through twelve months	595,583
Over twelve months	294,944
Total	$ 4,447,531
Percent of total deposits	3 %

At March 31, 2021 and December 31, 2020, the weighted average contractual rate paid on CDs was 0.54% and 0.59%, respectively, and the weighted average remaining maturity of CDs was 5.5 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:

	March 31, 2021	
($ in thousands)	Amount	Rate
CDs maturing in:		
April 1 - December 31, 2021	$ 6,797,246	0.42 %
2022	1,081,014	0.74 %
2023	140,159	1.77 %
2024	144,908	2.43 %
2025	70,577	1.80 %
2026 and thereafter	16,617	0.77 %
Total	$ 8,250,521	0.54 %

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 March 31, 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 March 31, 2021 were $10.5 billion. The weighted average remaining maturity of long-term FHLB advances was 1.6 years at March 31, 2021. The following table presents the contractual maturities and weighted average contractual rates of our long-term FHLB advances:

	March 31, 2021	
($ in thousands)	**Amount**	**Rate**
FHLB advances maturing in:		
April 1 - December 31, 2021	$ 3,905,000	1.79 %
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	$ 10,505,000	1.43 %

For the quarters ended March 31, 2021 and 2020, the Bank prepaid FHLB advances totaling $1.3 billion and $600.0 million, respectively. Prepayment penalties for FHLB advances, which are included in other noninterest expense, totaled $4.7 million and $1.2 million for the quarters ended March 31, 2021 and 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 March 31, 2021:

	March 31, 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	$ 498,873	2.500 %	May 6, 2022	June 6, 2022
Fixed-to-floating rate, issued February 2020	$ 500,000	$ 497,795	1.912% [4]	February 12, 2023	February 12, 2024
Subordinated notes:					
Fixed-rate, issued August 2016	$ 400,000	$ 388,341	4.375 %	February 1, 2046	August 1, 2046
Fixed-rate, issued February 2017	$ 400,000	$ 390,082	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 March 31, 2021 was $37.0 billion and $4.5 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 March 31, 2021, our investment securities portfolio of $21.7 billion and cash and cash equivalents of $8.9 billion collectively comprised 20% of total assets. At March 31, 2021, assets that are considered HQLA, including eligible cash, were $23.3 billion. HQLA include $9.3 billion of municipal securities.

At March 31, 2021, we had $37.0 billion of unused, available borrowing capacity at the FHLB supported by pledged loans. In addition, we had $4.5 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 27% 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 $43.5 million of loans during the first quarter of 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 first quarter of 2021, the primary sources and uses of funds were as follows:

- Loan originations and purchases, net of sales and repayments, were $6.2 billion;
- Investment purchases, net of sales, calls and paydowns, were $2.5 billion;
- Deposits increased by $13.0 billion;
- FHLB advances decreased by $1.3 billion;
- 2,012,500 shares of common stock were issued in an underwritten public offering, with net proceeds of approximately $331.3 million;
- 4.250% Noncumulative Perpetual Series L Preferred Stock were issued, with net proceeds of $732.8 million; and
- All of the outstanding shares of 5.50% Noncumulative Perpetual Series G Preferred Stock were redeemed, which totaled $150.0 million.

Capital Resources

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

($ in thousands)	March 31, 2021	December 31, 2020
Regulatory Capital Components		
Shareholders' equity	$ 12,941,730	$ 11,750,646
CECL Capital Rule retained earnings adjustments [1]	39,579	43,353
CET1 capital adjustments and deductions:		
Preferred stock	(2,142,500)	(1,545,000)
Goodwill and other intangible assets, net of deferred taxes	(201,116)	(203,997)
DTAs that arise from tax credit carryforwards, net of DTLs	(110,501)	(126,754)
Accumulated other comprehensive loss (income)	21,423	(23,378)
CET1 capital	10,548,615	9,894,870
Preferred stock	2,142,500	1,545,000
Additional Tier 1 capital	2,142,500	1,545,000
Tier 1 capital	12,691,115	11,439,870
Tier 2 capital instruments—subordinated notes [2]	778,423	778,313
Qualifying ACL [3]	654,404	669,499
CECL Capital Rule ACL adjustments [1]	(41,564)	(45,338)
Tier 2 capital	1,391,263	1,402,474
Total risk-based capital	$ 14,082,378	$ 12,842,344
Assets		
Average assets	$ 152,425,820	$ 140,449,930
CECL Capital Rule average assets adjustments [1]	39,579	43,353
Average assets after adjustments	$ 152,465,399	$ 140,493,283
RWAs	$ 109,418,131	$ 102,326,452
CECL Capital Rule DTAs adjustments [1]	(4,963)	(4,963)
RWAs after adjustments	$ 109,413,168	$ 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 March 31, 2021 and December 31, 2020, the Bank's noncumulative perpetual preferred stock was 17% and 14% of Tier 1 capital, respectively.

During the first quarter of 2021, the Bank issued $747.5 million of 4.250% Noncumulative Perpetual Series L Preferred Stock, which qualifies as Tier 1 capital. The Bank redeemed all of the outstanding shares of its 5.50% Noncumulative Perpetual Series G Preferred Stock, which totaled $150.0 million. In addition, the Bank sold 2,012,500 new shares of common stock in an underwritten public offering, which added approximately $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 March 31, 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	**March 31, 2021 [(1)]**	**December 31, 2020**	**Well-Capitalized Ratio**	**Minimum Capital Ratio**	**Minimum Capital Conservation Buffer [(2)]**
Tier 1 leverage ratio (Tier 1 capital to average assets)	8.32 %	8.14 %	5.00 %	4.00 %	— %
CET1 capital to RWAs	9.64 %	9.67 %	6.50 %	4.50 %	2.50 %
Tier 1 capital to RWAs	11.60 %	11.18 %	8.00 %	6.00 %	2.50 %
Total capital to RWAs	12.87 %	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 March 31, 2021, our capital conservation buffer was 4.87%, which exceeded the minimum requirement of 2.5% required to be held by banking institutions.

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 $43.5 million of loans in the first quarter of 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 $40.5 billion, or 27% of total earning assets at March 31, 2021. Of these earning assets, loans that are currently adjustable and reprice with indices or mature within one year totaled $31.0 billion, or 26% of the total loan portfolio at March 31, 2021. The loan portfolio that reprices at least quarterly to market rate indices, such as Prime or LIBOR, totaled $21.7 billion, or 18% of the total loan portfolio at March 31, 2021. The loan portfolio with lagging indices, such as COFI and the CMT, totaled $5.4 billion, or 5% of the total loan portfolio at March 31, 2021. Additionally, the loan portfolio that either (1) matures within one year or (2) is within one year of adjusting from the initial fixed-rate period totaled $3.9 billion, or 3% of the total loan portfolio at March 31, 2021. In addition, at March 31, 2021, the Bank held $8.5 billion in cash and $1.0 billion in investment securities (collectively, 31% 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 $86.3 billion, or 68% of total deposits at March 31, 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 $33.3 billion, or 26% of total deposits at March 31, 2021. CDs were $8.3 billion, or 6% of total deposits and had a weighted average remaining maturity of 5.5 months at March 31, 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 $10.5 billion at March 31, 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 March 31, 2021, the senior notes had a carrying value of $996.7 million and mature in June 2022 and February 2024. Also, at March 31, 2021, the subordinated notes had a carrying value of $778.4 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 March 31, 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 March 31, 2022**	**Twelve Months Ending March 31, 2023**
Shock:		
+200 bps immediately	4.5 %	12.1 %
+100 bps immediately	2.0 %	6.6 %
-100 bps immediately	(3.6)%	(8.7)%
Ramp:		
+200 bps over next 12 months	1.2 %	7.8 %
+100 bps over next 12 months	0.5 %	4.2 %
-100 bps over next 12 months	(1.4)%	(6.2)%

As of March 31, 2021, the Bank's net interest income position is mildly asset sensitive, indicating that we would generally benefit from parallel increases in interest rates. In a hypothetical rising rate environment, we benefit from adjustable-rate loans, which would begin to reprice upward with prevailing rates, adjustable-rate securities, certain fixed funding sources and modeled deposit balances and mix.

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 65% 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 March 31, 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 March 31, 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 first quarter of 2021, we sold 48,379 shares of common stock to eligible employees under our ESPP for aggregate cash consideration of $6.7 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 first quarter of 2021, we granted 131,205 RSUs, net of forfeitures, that are time vesting. In addition, we granted 46,326 RSUs, net of forfeitures, that vest over time, provided certain performance criteria are achieved. These awards were granted to certain employees and officers and had an aggregate grant date fair value of $27.6 million. We did not receive any cash consideration in connection with these grants. These grants were exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the grants involved securities issued by a bank.

In February 2021, we sold 29,900,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 4.250% Noncumulative Perpetual Series L Preferred Stock for aggregate cash consideration of $747.5 million. The aggregate underwriting discount was $13.1 million. Net proceeds, after underwriting discounts, were $734.4 million, which we used for general corporate purposes, including a portion of the proceeds that were allocated for the redemption of the Bank's 5.50% Noncumulative Perpetual Series G Preferred Stock ("Series G Preferred Stock") on March 30, 2021. This transaction was exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the transaction involved securities issued by a bank.

In March 2021, we sold 2,012,500 shares of common stock as part of an underwritten public offering. The aggregate public offering price was $335.1 million, and the aggregate underwriting discount was $3.5 million. Net proceeds, after underwriting discounts, were $331.6 million ($164.75 per share), which we used for general corporate purposes. This transaction was also exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the transaction involved securities issued by a bank.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers

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

On March 30, 2021 (the "Redemption Date"), we redeemed all outstanding depositary shares, each representing a 1/40th interest in the Bank's Series G Preferred Stock. In total, 6,000,000 depositary shares 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 Redemption Date. As of the Redemption Date, the Series G Preferred Stock was deemed no longer outstanding, and no further dividends will be declared on the Series G Preferred Stock.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

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

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Certificate of Determination for the Bank's 4.250% Noncumulative Perpetual Series L Preferred Stock, par value $0.01 per share, incorporated by reference to Exhibit 3.1 of Form 8-K filed on February 3, 2021.
4.1	Deposit Agreement, dated February 9, 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 February 9, 2021.
4.2	Form of Depositary Receipt (included in Exhibit 4.1).
10.1	Employment Agreement Amendment No. 6, effective February 24, 2021, to the Employment Agreement dated June 15, 2010, as amended effective February 27, 2012, February 25, 2014, December 1, 2015, May 10, 2017 and February 13, 2019, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.7 of Form 10-K filed on February 26, 2021. (1)
10.2	Form of Restricted Stock Unit Agreement—Time Vesting under the 2017 Omnibus Award Plan. (1), (2)
10.3	First Republic Bank 2021 Annual Executive Incentive Plan. (1), (2)
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

May 7, 2021

/s/ Michael J. Roffler

Michael J. Roffler
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

FIRST REPUBLIC BANK
2017 OMNIBUS AWARD PLAN

RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), dated as of ____________ (the "Date of Grant"), is made by and between **First Republic Bank**, a California state-chartered bank ("Bank") and ___________ ("Participant").

WHEREAS, Bank adopted the **First Republic Bank** 2017 Omnibus Award Plan (the "Plan"), pursuant to which restricted stock unit awards may be granted with respect to Common Stock of Bank;

WHEREAS, Bank desires to grant Participant a restricted stock unit award with respect to the number of shares of Common Stock provided for herein; and

WHEREAS, Bank's grant of restricted stock units is conditioned on Participant's agreeing to the Restrictive Covenants attached as Appendix A (which are an integral part of this Agreement) (the "Restrictive Covenants") and the other terms of this Agreement.

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

1. Grant of Restricted Stock Units.

(a) Subject to the terms and conditions of this Agreement and the Plan, Bank hereby grants to Participant __________ restricted stock units ("RSUs"). Upon the expiration of the applicable Restricted Period with respect to each outstanding RSU, Bank shall deliver to Participant, or his or her beneficiary, without charge, one share of Common Stock of Bank (each, a "Share") in accordance with the terms and conditions hereof.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the meaning set forth in the Plan. In the event of conflict between the terms herein and the terms of the Plan, the terms of the Plan will govern the RSUs.

(c) Compliance with Employment Policies and Restrictive Covenants. Notwithstanding anything to the contrary contained herein, Participant agrees that his or her entitlement to retain any RSUs and to receive Shares (including any cash or other securities or property payable in lieu thereof and any dividend equivalents in respect thereof) upon settlement of the RSUs shall be conditioned on Participant's compliance with the covenants and other obligations set forth in the Restrictive Covenants and otherwise in the employment policies of Bank, as such covenants, obligations and policies may be revised from time to time by Bank (collectively, the "Employment Policies"), and Participant further agrees that the

Committee may in its sole discretion cancel any RSU, in whole or in part, if Participant, without the consent of Bank, shall fail to comply with any of the Employment Policies, or otherwise engages in activity that is in conflict with or adverse to the interest of Bank or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. Participant agrees that Bank may condition the settlement of the RSUs upon Participant's written certification of his or her compliance with any of the Employment Policies and the other provisions of this Section 1(c).

2. Terms and Conditions.

(a) Restricted Period. The period of time between the Date of Grant and the vesting of RSUs (and the termination of restrictions thereon) will be referred to herein as the "Restricted Period." Except as may otherwise be provided herein, one third (1/3) of the RSUs shall become vested on each twelve-month anniversary of the Date of Grant, subject to Participant's continuous service as an employee or, if determined by the Committee or as appropriate the CEO, CFO or Chief People Officer, a consultant ("Continuous Service") with Bank or its Affiliates through each such vesting date. Except as may otherwise be provided herein, if Participant's Continuous Service with Bank is terminated at any time for any reason prior to the lapse of the Restricted Period, all RSUs granted hereunder that have not vested on or prior to such termination of Continuous Service shall be forfeited by Participant.

(b) Impact of a Change In Control on RSUs.

(i) Substitution or Assumption by Successor. Upon a Change in Control, as defined in the Plan, in which the RSUs are assumed or substituted with an equivalent value award, the RSUs (including any substitute or replacement award) will vest on the vesting dates described in Section 2(a) in accordance with this Section 2 subject only to Continuous Service through each such date (except as otherwise set forth in this Section 2).

(ii) No Substitution or Assumption by Successor. Subject to Participant's Continuous Service through the date thereof, and notwithstanding Section 2(a) above, the vesting of the RSUs shall be accelerated upon any Change in Control, as defined in the Plan in which the RSUs are not substituted, assumed, replaced or continued by a successor pursuant to the terms of the Plan.

(c) Treatment of RSUs Upon Termination of Continuous Service.

(i) General. Except as provided in Section 2(b)(ii) above or Section 2(c)(ii) below, if Participant's Continuous Service terminates prior to the last day of the Restricted Period applicable to any outstanding RSUs for any reason (other than by reason of death, Retirement or Disability as set forth below), then Participant shall forfeit all outstanding, unvested RSUs, which shall terminate and expire on the date of such termination of Continuous Service without consideration to Participant and without any action by Bank or any Affiliate. Neither Participant nor any successors, heirs, assigns, or legal representatives of Participant shall thereafter have any rights or interest in such RSUs or consideration therefor.

(ii) Involuntary Termination.

A. if Participant's Continuous Service is terminated during the Restricted Period as a result of termination by Bank of Participant without "Cause" (as defined for purposes of this Agreement in that certain employment agreement between Participant and Bank, dated June 15, 2010, as amended by Amendment No. 1 effective as of February 27, 2012, Amendment No. 2 effective February 25, 2014, Amendment No. 3 effective December 1, 2015, Amendment No. 4 effective May 10, 2017 and Amendment No. 5 effective February 13, 2019 (the "Employment Agreement")), the RSUs will remain eligible to vest in accordance with this Section 2(a) as if Participant's Continuous Service had not been terminated; and

B. if Participant's Continuous Service is terminated during the Restricted Period as a result of Participant's resignation for "Good Reason" (as defined for purposes of this Agreement or in the Employment Agreement), the RSUs will remain eligible to vest in accordance with this Section 2(a) as if Participant's Continuous Service had not terminated.

(iii) Extended Term. Notwithstanding Section 2(c)(i), if Participant's Continuous Service is terminated during the Restricted Period and on or after the commencement of the Extended Term (as defined in the Employment Agreement) as a result of Participant's resignation because Participant is not elected to the Board by shareholders of Bank or is not appointed as Executive Chairman, the RSUs will remain eligible to vest in in accordance with Section 2(a) as if Participant's Continuous Service had not terminated.

(d) Retirement or Disability. Notwithstanding Section 2(c)(i) above, if Participant's Continuous Service terminates during the Restricted Period as a result of Participant's Retirement, or because Participant becomes disabled within the meaning of that term under Section 409A(a)(2)(C) of the Code ("Disability"), RSUs will continue to be eligible to vest during the Restricted Period in accordance with the schedule set forth in Section 2(a), but without regard to Participant's Continuous Service as set forth in Section 2(a). For purposes of this Agreement, "Retirement" means voluntary termination of Continuous Service by Participant that occurs on or after a mutual agreement is reached with the Committee.

(e) Death. Notwithstanding Section 2(c)(i) above, if Participant's Continuous Service terminates during the Restricted Period as a result of Participant's death, Participant will fully vest in the RSUs on the date of death.

(f) Settlement of RSUs. As soon as practicable after vesting, each outstanding RSU will be settled through the delivery by Bank of one share of Bank Common Stock and any dividend equivalents credited with respect to such RSU. Notwithstanding any contrary provision of this Agreement, pursuant to Section 8(d)(ii) of the Plan, the Committee may, in its sole discretion, elect to pay cash or part cash and part Shares in lieu of delivering only Shares in respect of any vested RSUs.

(g) Dividend Equivalents. If a cash dividend is paid with respect to the Shares, a cash dividend equivalent equal to the total cash dividend Participant would have received had his or her outstanding RSUs been actual Shares will be accumulated and paid in cash to Participant through payroll if and when such RSUs become vested and settled. Neither

Participant nor any successors, heirs, assigns, or legal representatives of Participant shall have any rights or interest in dividend equivalent amounts in respect of any RSUs which are forfeited.

(h) Transferability. Unless otherwise permitted by the Committee pursuant to Section 13(c) of the Plan, the RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against Bank; provided, that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(i) Rights as Shareholder. Participant shall not be deemed for any purpose to be the owner of any of the Shares underlying the RSUs unless, until and to the extent that (i) the RSU shall have become vested pursuant to its terms and (ii) Bank shall have issued and delivered to Participant the Shares underlying such RSUs.

(j) Withholding Taxes. To the extent that the vesting of the RSUs or the receipt of Shares (including any cash or other securities or property payable in lieu thereof), or the vesting or receipt of dividend equivalents, results in income to Participant for federal or state tax purposes, Participant shall make adequate arrangements satisfactory to Bank, at its discretion, to meet Bank's obligations under applicable tax withholding laws or regulations. Unless Bank shall otherwise provide, Bank shall withhold Shares that would otherwise be issued upon vesting of the RSUs to cover applicable withholding taxes, equal to the greatest number of whole shares having a Fair Market Value on the date immediately preceding the date on which the applicable tax liability is determined not in excess of the minimum amount required to satisfy the statutory withholding tax obligations with respect to the RSUs. Alternatively, Bank, in its sole discretion, may provide for the withholding of applicable taxes from the proceeds of the sale of Shares acquired upon vesting of the RSUs, either through a voluntary sale or through a mandatory sale arranged by Bank (on Participant's behalf pursuant to this authorization). Bank may also require Participant to deliver to Bank at the time of vesting of the RSUs or receipt of Shares, or the vesting or receipt of other amounts, as the case may be, such amount of money as Bank may require to satisfy all tax withholding obligations of Bank, and Participant also authorizes Bank to satisfy all such tax withholding obligations from his or her wages or other cash compensation payable to Participant by Bank. Bank may refuse to issue or deliver the Shares or other amounts unless all withholding taxes that may be due as a result of this award have been paid.

3. Miscellaneous.

(a) Notices. All notices, demands or other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first class mail, return receipt requested, telecopier, courier service, overnight mail or personal delivery:

(i) if to Bank:

First Republic Bank
111 Pine Street
San Francisco, CA 94111
Attention: Michael Roffler
Facsimile No.: (415) 262-4131

(ii) if to Participant, at Participant's last known address on file with Bank.

(b) No Right to Continued Employment or Service. Nothing in the Plan or in this Agreement shall confer upon Participant any right to continue in the service of Bank or its Affiliates or shall interfere with or restrict in any way the right of Bank or its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(c) Bound by Plan. By signing this Agreement, Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan (other than those terms expressly excluded from application in this Agreement).

(d) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of Bank, its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(e) Modifications. No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(f) Code Section 409A. To the fullest extent applicable, this Agreement and the benefits payable hereunder are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A of the Code in accordance with the "short-term deferral" exception available under the regulations promulgated under Section 409A. In that regard, Shares (including any cash or securities or other property payable in lieu thereof) and any dividend equivalents shall be issued to Participant no later than March 15 following the calendar year in which Participant's right to receive such Shares or other amounts pursuant to this Agreement is no longer subject to a substantial risk of forfeiture within the meaning of Section 409A and the regulations thereunder. To the extent that any such benefit is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation in accordance with such regulations, this Agreement is intended to comply with the applicable requirements of Section 409A with respect to such benefits. This Agreement shall be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent, and any ambiguity as to its compliance with Section 409A will be read in such a manner so that all payments hereunder comply with Section 409A of the Code. If the Committee determines that any Shares issued or amounts payable hereunder will be taxable to Participant under Section 409A of the Code and related

Department of Treasury guidance, prior to delivery to such Participant of such Shares or payment to such Participant of such amount, Bank may (a) adopt such amendments to this Agreement and the Plan, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the RSUs granted hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A of the Code. Further, each installment of a series of payments hereunder will be deemed to be a separate payment for purposes of Section 409A of the Code. Finally, solely to the extent required by Section 409A of the Code, and notwithstanding any other provision of the Plan or this Agreement, any payments made hereunder on account of the "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code) of a Participant who is determined to be a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code) shall not actually be paid before the date which is six months after Participant's separation from service (or, if earlier, the date of death of Participant) or a "change in control event" (within the meaning of Section 409A of the Code).

(g) Severability. If any provision of this Agreement (including Appendix A) or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party.

(h) Entire Agreement. This Agreement and the Plan, including all appendices and exhibits thereto, contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(i) Venue and Governing Law. The parties agree that the exclusive jurisdiction and venue for any action or proceeding arising under or related to this Agreement shall be the state or federal courts located in the State of the Bank office to which Participant is assigned as of (i) the Date of Grant, or (ii) in the event Participant previously received a grant of RSUs, the date on which Participant received the first grant of RSUs (the "Forum State"). This Agreement and the rights and obligations of Participant hereunder shall be construed and determined in accordance with the laws of the Forum State, without regard to the Forum State's internal conflict of laws principles.

(j) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(k) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement (which includes all of the terms of Appendix A) has been executed and delivered by the parties hereto on the first date set forth above. For the avoidance of doubt, Appendix A contains restrictive covenants that limit the ability of Participant to engage in certain practices following employment with Bank and is an integral part of this Agreement, without which Bank would not have granted the opportunity to earn the RSUs.

First Republic Bank

By: ______________________________

APPENDIX A

RESTRICTIVE COVENANTS

The Restrictive Covenants set forth in this Appendix A to the Restricted Stock Unit Agreement (the "Agreement") limit the ability of Participant to engage in certain practices following employment with Bank and is an integral part of the Agreement, without which Bank would not have granted the opportunity to earn the RSUs.

1. Non-Competition; Garden Leave.

(a) Non-Competition. You agree that while you are employed by Bank or its Affiliates, you shall not, directly or indirectly (without the prior written consent of Bank), (i) participate in or associate with (including as a director, officer, employee, partner, consultant, agent or advisor) a Competitive Business, nor (ii) hold a 5% or greater equity (including stock options, whether or not exercisable), voting or profit participation interest in a Competitive Business.

(b) Garden Leave. You agree that, upon the termination of your employment (i) by Bank or its Affiliates other than without Cause (as defined in the Plan) or (ii) by you for any reason, you shall, upon request by Bank or such Affiliate, and its undertaking to pay you an amount equal to your then base monthly salary (subject to any applicable withholdings) during such period, maintain yourself available to consult with Bank or such Affiliate for up to 90 days following such termination (the "Garden Leave Period") for the purpose of assuring an orderly transition of your duties and responsibilities to another employee of Bank and, during such period, you shall not engage in any Competitive Business. For the avoidance of doubt, during the Garden Leave Period you shall not be eligible to receive any bonus payments, awards or other incentive compensation, unless provided otherwise pursuant to the terms of any applicable award agreements, the Garden Leave Period not being part of your Continuous Service for purposes of the Agreement or concepts similar to continuous service under any other applicable award agreements.

2. Non-Solicitation. You agree that (a) during your employment and for a period ending on the first anniversary following termination of your employment (i) by Bank or its Affiliates other than without Cause (as defined in the Plan) or (ii) by you for any reason, you shall not take any action, directly or indirectly (without the prior written consent of Bank), that causes or could reasonably be expected to cause any person who is then an employee of Bank or its Affiliates to resign from Bank or its Affiliates or to apply for or accept employment with any other business or enterprise or (b) during your employment and for a period ending on the first anniversary following termination of your employment (i) by Bank or its Affiliates other than without Cause (as defined in the Plan) or (ii) by you for any reason, except to the extent otherwise agreed in writing by Bank, you shall not take any action, directly or indirectly (without the prior written consent of Bank), that causes or could reasonably be expected to cause any customer or prospective customer of Bank or its Affiliates, to whom you provided services or with whom you otherwise had contact to (i) become a customer of or transact any business with a Competitive Business, or (ii) reduce or refrain from doing any business with Bank or its Affiliates.

3. Non-Disparagement and Non-Disclosure. You agree that, while you are employed by Bank or its Affiliates and thereafter, you will not, in any manner, directly or indirectly (a) disparage, portray in a negative light, or make any statement which would be harmful to, or lead to unfavorable publicity for, Bank or its Affiliates or any of its or their current or former directors, officers or associates, including without limitation, in any and all interviews, oral statements, written materials, electronically-displayed materials and materials or information displayed on internet- or internet-related sites or (b) disclose the circumstances of your termination to any other party, except that you may make such disclosure on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such circumstances confidential. Nothing in this Section 3 shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the Securities and Exchange Commission ("SEC"), or any other regulatory or law enforcement agency or self-regulatory organization ("SRO"); (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or its Affiliates; (C) initiating testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law; or (D) responding to a duly served subpoena, *provided that* you promptly give Bank written notice thereof so that Bank may consider what steps it can take to preserve the confidentiality of such information.

4. Confidential and Proprietary Information. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were or will promptly be disclosed to your manager, are the sole property of Bank and its Affiliates, and are "works for hire" that are owned by Bank. You agree that while you are employed by Bank or its Affiliates and following termination of your employment for any reason, you will do whatever Bank deems necessary to transfer to Bank or its Affiliates, or to document Bank's ownership of, any such property. You further agree not to challenge Bank's ownership rights in such intellectual property, or claim that such intellectual property is owned or co-owned by another person or entity, including yourself. Furthermore, you agree not to use such intellectual property in any way or to attempt to transfer such intellectual property to any other person or entity. The above requirements will not apply to any invention that you develop entirely on your own time and to which all of the following apply: (a) no equipment, supplies, facilities, software or Confidential Information (as defined below) of Bank or any of its Affiliates are used; (b) such invention is not related to Bank's actual or demonstrably anticipated research and development (or that of any of Bank's Affiliates); and (c) such invention does not result from any work performed by you for Bank or any of its Affiliates. You agree that Bank and its Affiliates expend substantial time, effort and resources identifying customers with particular needs or characteristics which Bank and its Affiliates seek to address and that information or lists of any kind pertaining to the identity, contact date, needs and characteristics of such customers, or to the terms and conditions of such customers' business relationship with Bank or its Affiliates, constitutes Confidential Information (as defined below) and is proprietary to and a trade secret of Bank and its Affiliates and may not be used by you for any purpose other than in your employment by or service to Bank or its Affiliates. You also agree that the provisions of the

immediately preceding sentence shall apply to information pertaining to prospective customers of Bank or its Affiliates. You further agree that following termination of your employment for any reason, you will not, without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information to any person or use, copy, transmit or remove (or attempt to use, copy, transmit or remove) any Confidential Information for any purpose. Nothing in this Section 4 shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or an Affiliate, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law, or (D) responding to a duly served subpoena, *provided that* you promptly give Bank written notice thereof so that Bank may consider what steps it can take to preserve the confidentiality of such information. For the avoidance of doubt, you and Bank agree that no confidentiality, non-disparagement or other obligation you owe to Bank prohibits you from reporting possible violations of U.S. Federal law or regulation to any governmental agency or entity under any whistleblower protection provision of U.S. Federal or U.S. State law or regulation (including Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002) or requires you to notify Bank of any such report. In making any such report, however, you are not authorized to disclose communications with counsel that were made for the purpose of receiving legal advice, that contain legal advice or that are protected by the attorney work product or similar privilege. You are hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (a) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (b) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (c) to your attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

5. Cooperation. You agree (a) to provide truthful and complete cooperation, including but not limited to, your appearance at interviews and depositions, in all legal matters, including but not limited to, regulatory and litigation proceedings relating to your employment or areas of responsibility at Bank or its Affiliates, whether or not such matters have already been commenced, and (b) to provide Bank's counsel, upon request, all documents or electronic media in your possession or control relating to such regulatory or litigation matter.

6. Reasonableness of Covenant. You agree that the covenants contained herein are reasonable and necessary to protect the confidentiality of the customer lists, the terms, conditions and nature of customer relationships, and other trade secrets and Confidential Information concerning Bank and its Affiliates, acquired by you and to avoid actual or apparent conflicts of interest.

7. Injunctive Relief. Without limiting any remedies available to Bank, including the remedies set forth in Section 1(c) of the Agreement, you acknowledge and agree that a breach of the covenants contained in Sections 1-5 of this Appendix A will result in injury to Bank and its Affiliates for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Bank shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining you from engaging in activities prohibited by Sections 1-5 of this Appendix A or such other relief as may be required specifically to enforce any of the covenants in Sections 1-5 of this Appendix A.

8. Definitions. For purposes of these covenants, the following terms shall have the following meanings:

(a) "Competitive Business" means any business enterprise that either (i) engages in any activity that competes with the business of Bank or its Affiliates or (ii) holds a 5% or greater equity, voting or profit participation interest in any enterprise that engages in such a competitive activity.

(b) "Confidential Information" means any information concerning the business or affairs of Bank or any of its Affiliates which is not generally known to the public and includes, but is not limited to, any file, document, book, account, list (including without limitation customer lists), process, patent, specification, drawing, design, computer program or file, computer disk, method of operation, recommendation, report, plan, survey, data, manual, strategy, financial data, client information or data (including the terms and conditions of any business relationships between clients and Bank or its Affiliates), or contract which comes to your knowledge in the course of your employment or which is generated by you in the course of performing your obligations to Bank whether alone or with others.

9. Additional Agreements. For the avoidance of doubt, to the extent you are a party to one or more written agreements with Bank or any Affiliate that contain any confidentiality, non-competition, non-solicitation or non-disparagement covenants, those covenants and related enforcement provisions are deemed part of, and are hereby incorporated into, this Agreement, and the grant of the RSUs shall be deemed additional consideration for your continued compliance with such restrictions.

First Republic Bank

By: ______________________________

Participant Name: ___________________

Accepted on: ________________________

FIRST REPUBLIC BANK
2021 ANNUAL EXECUTIVE INCENTIVE PLAN

Section 1. Purpose. The purpose of the First Republic Bank 2021 Annual Executive Incentive Plan (this "**Plan**") is to attract, retain and motivate selected executive officers of First Republic Bank (the "**Bank**") and its subsidiaries (together with the Bank, and their and its successors and assigns, the "**Company**") in order to promote the Company's growth and profitability.

Section 2. Administration.

(a) **General.** Subject to Section 2(d), this Plan shall be administered by a committee (the "**Committee**") designated by the Board of Directors of the Bank (the "**Board**"). Unless the Board determines otherwise, the compensation committee of the Board shall constitute the Committee. The Committee at all times shall be composed of at least two directors of Bank, each of whom is a "Non-Employee Director" within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended (or any successor rule).

(b) **Role of the Committee.** The Committee shall have complete control over the administration of this Plan, and shall have the authority in its sole and absolute discretion to: (i) exercise all of the powers granted to it under this Plan, including designating individuals as Participants (as defined in Section 4(a)) in this Plan in accordance with Section 4; (ii) construe, interpret and implement this Plan; (iii) prescribe, amend and rescind rules and regulations relating to this Plan, including rules and regulations governing its own operations; (iv) make all determinations and take all actions necessary or advisable in administering this Plan (including, without limitation, certifying the calculation of each Participant's Award, determining and certifying the size of the Bonus payable to each Participant and whether such Bonus is payable in cash or equity-based awards of the Bank); (v) correct any defect, supply any omission and reconcile any inconsistency in this Plan; and (vi) amend this Plan, including to reflect changes in or interpretations of applicable law, rules or regulations.

(c) **Procedures; Decisions Final.** Actions of the Committee shall be made by the vote of a majority of its members. The determination of the Committee on all matters relating to this Plan and any amounts payable thereunder shall be final, binding and conclusive on all parties. There is no obligation for uniformity of treatment of Participants, and the Committee's determinations and interpretations with respect to the Plan and Bonuses hereunder need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

(d) **Delegation.** The Committee may allocate among its members and may delegate some or all of its authority or administrative responsibility to such individual or individuals who are not members of the Committee as it shall deem necessary or appropriate.

(e) **No Liability.** No member of the Board, the Committee or any employee or agent of the Company (each such person an "**Indemnifiable Person**") shall be liable for any action taken or omitted to be taken or any determination made with respect to the Plan, any Award or any Bonus hereunder (unless constituting bad faith, fraud or a willful criminal act or omission). Each Indemnifiable Person shall be indemnified and held harmless by the Bank against and from any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Indemnifiable Person in connection with or resulting from any action, suit or proceeding to which such Indemnifiable Person may be a party or in which such Indemnifiable Person may be involved by reason of any action taken or omitted to be taken or determination made under the Plan or any Award or any Bonus and against and from any and all amounts paid by such Indemnifiable Person, with the Bank's approval, in settlement thereof, or paid by such Indemnifiable Person in satisfaction of any judgment in any such action, suit or proceeding against such Indemnifiable Person, provided that the Bank shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Bank gives notice of its intent to assume the defense, the Bank shall have sole control over such defense with counsel of the Bank's choice. The foregoing right of indemnification shall not be available to an Indemnifiable Person to the extent that a final judgment or other final adjudication (in either case, not subject to further appeal) binding on such Indemnifiable Person determines that the acts or omissions or determinations of such Indemnifiable Person giving rise to the indemnification claim resulted from such Indemnifiable Person's bad faith, fraud or willful criminal act or omission or such right of indemnification is otherwise prohibited by law or by the Bank's Articles of Incorporation or Bylaws. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such Indemnifiable Persons may be entitled under the Bank's Articles of Incorporation or By-Laws, as a matter of law, or otherwise, or any other power that the Bank may have to indemnify such Indemnifiable Persons or hold them harmless.

Section 3. Performance Period. The Committee shall designate the periods (each a "**Performance Period**") with respect to which a Participant may be granted the opportunity to earn one or more Bonus payouts. The first annual Performance Period shall commence January 1, 2021 and end on December 31, 2021. The Performance Period shall be the Bank's fiscal year, or such other period as determined by the Committee, including multi-year Performance Periods or Performance Periods of less than one fiscal year.

Section 4. Eligibility and Participation.

(a) **Participants.** Prior to the 90th day after the beginning of the Performance Period, the Committee shall designate those executive officers of the Company who shall participate in this Plan for each Performance Period (the "**Participants**"), which may include those executive officers who (i) are, or are expected to be, "covered employees" as defined in Section 162(m) of the Code or (ii) are otherwise selected by the Committee to participate in the Plan. No employee shall at any time have a right to be selected as a Participant in the Plan for any Performance Period, to be entitled automatically to an award, nor, having been selected as a Participant for one Performance Period, to be a Participant in any other Performance Period. Each Participant shall receive notice that they have been designated to participate in the Plan and shall be provided a copy of this Plan.

(b) **Changes During a Performance Period.** Except as provided below, the Committee shall have the authority at any time (i) during the Performance Period to remove Participants from this Plan for that Performance Period, (ii) to add Participants to this Plan for a particular Performance Period and (iii) at any time prior to the final determination of Awards change the Target Award Level of any Participant or assign a different Target Award Level to a Participant to reflect any change in the Participant's responsibility level or position during the course of the Performance Period.

Section 5. Bonus Amounts.

(a) **Award Amounts.** For each Performance Period, the award opportunity may have a performance goal tied to the Bank's Pre-Tax Profits (as defined below) for each Participant (a Participant's "**Award**"). "**Pre-Tax Profits**" means the Bank's net income before tax and before bonuses payable to the Participants, as reported on the basis of generally accepted accounting principles per the Bank's audited financial statements, excluding all unusual or non-recurring items including without limitation: (i) changes in law applicable to the Bank measured based on the effect of the changes on revenue, income, assets and liabilities demonstrably caused by such changes in law, (ii) changes in accounting principles, including any related accounting restatements, and (iii) amounts related to (a) exit or disposal of a business, (b) losses or expenses of any acquisition or divestiture, including charges related to transition, integration and alignment costs and employee equity-based or other employee retention awards granted in connection with an acquisition, (c) the impairment or disposal of long-lived assets or the impairment of goodwill and other intangible assets, (d) litigation and regulatory judgments, charges or settlements and any accruals or reserves relating to litigation or regulatory matters, (e) the impact of charges relating to pre-payment or other early retirement of borrowings and (f) other items that are categorized as unusual in nature or infrequently occurring within the meaning of GAAP (or items similarly categorized under any FASB-approved successor terms). Notwithstanding the foregoing, the Committee may establish other performance goals (and how they are weighted, if applicable) and the target incentive amount with respect to any Performance Period for Participants at such time or times as the Committee determines in its sole discretion. The Award may be designated as dollar amount, percentage of base salary, or such other measure, as determined by the Committee, and which can be established at or with different levels, including minimum or maximum levels. Any performance goals established by the Committee may be (but need not be) different for each Performance Period and different performance goals may be applicable to different Participants.

(b) **Committee Discretion to Determine Bonus.** The Committee has the sole discretion to determine whether all or any portion of a Participant's Award shall be paid, and the specific amount, if any, to be paid to each Participant, subject in all cases to the terms, conditions and limits of this Plan. The Committee may, at any time, establish (and, once established, rescind, waive or amend) additional conditions and terms of payment of Awards (including, but not limited to, the achievement of other financial, strategic or individual goals, which may be objective or subjective) as it may deem desirable in carrying out the purposes of this Plan. Notwithstanding anything to the contrary in this Plan, the Committee may, in its sole discretion, reduce or increase all or part of the Award amount for any Participant for a particular Performance Period at any time prior to the payment of Awards to Participants pursuant to Section 6. The portion of an Award that the Committee determines to pay to a Participant for a Performance Period, is herein referred to as his or her "**Bonus**".

(c) **Certification.** Following the completion of each Performance Period and prior to any Bonus payment, the Committee shall certify in writing the amount of each Participant's Award and the amount of the Bonus payable to each Participant.

Section 6. Payment of Bonus Amount; Voluntary Deferral.

(a) **Payment.** Each Participant's Bonus shall be payable, in the discretion of the Committee in cash and/or an equity-based award of equivalent value granted pursuant to the Bank's 2017 Omnibus Award Plan, as may be amended and restated from time to time, or any other shareholder-approved equity-based compensation plan of the Bank or the Company (any such Plan, a "**Company Equity Plan**"). The cash portion of the Bonus shall be paid by March 15th of the fiscal year after the end of the Performance Period for which such Bonus is earned, at such time as bonuses are generally paid by the Bank for the relevant fiscal year following certification by the Committee; provided, however, that in the Committee's sole discretion, a Participant's receipt of the cash portion of such Bonus may be subject to deferral requirements as established by the Committee in accordance with Section 409A of the Code; provided, further, that any mandatory deferral required by applicable law (including any rules, regulations and applicable guidance) shall be implemented as required by law. Any equity-based award granted in respect of all or a portion of a Participant's Bonus shall be subject to such terms and conditions the Company Equity Plan under which it was awarded, including any additional restriction or vesting requirements as the Committee and the administrative committee of the applicable Company Equity Plan may determine. The number of Bank restricted stock units, restricted shares or unrestricted shares of Bank common stock that are equivalent to a dollar amount shall be determined based on the grant date fair value of such common stock or stock-based awards, in accordance with FASB ASC Topic 718 (with fractional shares being rounded to the nearest whole share).

(b) **Voluntary Deferral.** The Committee may, in its sole discretion, approve requests to permit an individual Participant to voluntarily defer the receipt of part or all of any payments otherwise due to such Participant under this Plan. If such deferral is approved, the Participant may elect to defer all or any part of a Bonus payment in accordance with rules and procedures to be determined by the Committee and subject to the terms and conditions of any applicable deferred compensation plan of the Company and the requirements of Section 409A of the Code. Deferred Bonus payments will not be funded and no Participant shall acquire rights to any specific assets of the Bank or the Company, provided, however that the Bank may establish a bookkeeping reserve to meet its obligations or a trust or other funding vehicle that would not cause the Plan to be deemed to be funded for tax purposes or for purposes of the Employment Retirement Security Act of 1974, as amended.

(c) **Committee Determination Required.** No Participant shall have any right to payment of any amounts under this Plan unless and until the Committee determines (i) the amount of the Participant's Award, (ii) the amount of such Participant's Bonus, (iii) that such Bonus shall be paid and (iv) the method and timing of its payment.

Section 7. Termination of Employment. If a Participant's employment with the Company terminates for any reason before the end of a Performance Period, the Participant shall not be entitled to any Bonus under this Plan for that Performance Period unless otherwise provided in connection with the terms of an Award, the Participant's employment agreement or otherwise determined by the Committee in connection with specified terminations of employment. A Participant who is terminated for Cause within the meaning of a Participant's employment agreement with the Bank, or if there is no employment agreement, within the meaning of the Bank's 2017 Omnibus Award Plan, as may be amended and restated from time to time, after the end of the Performance Period but before payment of a Bonus in respect of that Performance Period shall forfeit participation in the Plan, and no Bonus shall be payable to such a Participant.

Section 8. Change in Control. Unless otherwise determined by the Committee or otherwise set forth in the terms of an Award or the Participant's employment agreement, in the event of a Participant's termination of employment for any reason other than Cause within one year following a Change in Control, in each case, as defined in the Participant's employment agreement with the Bank, or if there is no employment agreement, the Bank's 2017 Omnibus Award Plan, as may be amended and restated from time to time, then, with respect to that Participant only, the then-current Performance Period shall automatically end and such Participant's Award shall be payable on a *pro rata* basis for (i) the number of whole months elapsed from the commencement of the Performance Period through the employment termination date over (ii) the number of whole months included in the original Performance Period, based on the target level of performance (or, if higher, the actual level of performance achieved), and such *pro rata* Bonus shall be paid promptly (but no later than 30 days) after such termination of employment.

Section 9. Recoupment. Notwithstanding any provision of this Plan to the contrary, any payment under this Plan shall be subject to any forfeiture, recoupment or clawback as may be required by applicable law (including any rules, regulations and applicable guidance), any agreement with the Company, the terms of an Award or any Company clawback or recoupment policies as may be in effect from time to time.

Section 10. General Provisions.

(a) **Amendment, Termination, Etc.** The Board or the Committee may at any time and from time to time modify, alter, amend, suspend, discontinue or terminate this Plan and any Award granted hereunder, except that no modification, alteration, amendment, suspension, discontinuation or termination may materially impair the rights of a Participant under any Award theretofore granted without the Participant's consent, except for an amendment made to comply with applicable law, stock exchange rules or accounting rules. In addition, no amendment that would require shareholder approval under applicable law or stock exchange rules shall be effective without the approval of the shareholders of the Bank as required by such law or stock exchange rules.

(b) **Nonassignability.** No rights of any Participant under this Plan may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of (including through the use of any cash-settled instrument), either voluntarily or involuntarily by operation of law, other than by will or by the laws of descent and distribution, unless the Committee determines otherwise. Any sale, exchange, transfer, assignment, pledge, hypothecation or other disposition in violation of the provisions of this Section 10(b) shall be void and shall not be recognized or given effect by the Bank or the Company.

(c) **No Employment Rights.** Nothing in this Plan shall confer upon any Participant the right to continue in the employ of the Bank or the Company for the Performance Period or thereafter or affect any right which the Bank or the Company may have to terminate such employment.

(d) **Choice of Forum.**

(1) **Jurisdiction.** The Company and each Participant, as a condition to such Participant's participation in this Plan, hereby irrevocably submit to the exclusive jurisdiction of any state or federal court of appropriate jurisdiction located in San Francisco, California over any suit, action or proceeding arising out of or relating to or concerning this Plan that is not otherwise arbitrated or resolved according to Section 10(e). The Company and each Participant, as a condition to such Participant's participation in this Plan, acknowledge that the forum designated by this Section 10(d) has a reasonable relation to this Plan and to the relationship between such Participant and the Company. Notwithstanding the foregoing, nothing herein shall preclude the Company from bringing any action or proceeding in any other court for the purpose of enforcing the provisions of Section 10(d).

(2) **Acceptance of Jurisdiction.** The agreement by the Company and each Participant as to forum is independent of the law that may be applied in the action, and the Company and each Participant, as a condition to such Participant's participation in this Plan, (i) agree to such forum even if the forum may under applicable law choose to apply non-forum law, (ii) hereby waive, to the fullest extent permitted by applicable law, any objection which the Company or such Participant now or hereafter may have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding in any court referred to in Section 10(d)(1), (iii) undertake not to commence any suit, action or proceeding arising out of or relating to or concerning this Plan in any forum other than the forum described in this Section 10(d) and (iv) agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any such suit, action or proceeding in any such court shall be conclusive and binding upon the Company and each Participant.

(3) **Service of Process.** Each Participant, as a condition to such Participant's participation in this Plan, hereby irrevocably appoints the General Counsel of the Bank as such Participant's agent for service of process in connection with any action, suit or proceeding arising out of or relating to or concerning this Plan that is not otherwise arbitrated or resolved according to Section 10(e), who shall promptly advise such Participant of any such service of process.

(4) **Confidentiality.** Each Participant, as a condition to such Participant's participation in this Plan, agrees to keep confidential the existence of, and any information concerning, a dispute, controversy or claim described in this Section 10(d), except that a Participant may disclose information concerning such dispute, controversy or claim to the arbitrator or court that is considering such dispute, controversy or claim or to such Participant's legal counsel (provided that such counsel agrees not to disclose any such information other than as necessary to the prosecution or defense of the dispute, controversy or claim). Notwithstanding anything to the contrary in this Plan or otherwise, pursuant to the Bank's policy on Procedures for Treatment of Complaints and Whistleblower Protection, nothing shall limit a Participant's rights under applicable law to provide truthful information to any governmental entity or to file a charge or bring a whistleblower claim with, or participate in an investigation conducted by, any governmental entity or interfere with an employee's right to receive an award for any information provided to such governmental entity.

(e) **Dispute Resolution.** Subject to the provisions of Section 10(d), any dispute, controversy or claim between the Company and a Participant, arising out of or relating to or concerning this Plan or any Award shall be finally settled by binding arbitration in San Francisco, California before, and in accordance with the rules then obtaining of the

American Arbitration Association (the "**AAA**") in accordance with the commercial arbitration rules of the AAA. Prior to arbitration, all claims maintained by a Participant must first be submitted to the Committee in accordance with claims procedures determined by the Committee.

(f) **Governing Law.** All rights and obligations under this Plan shall be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflict of laws.

(g) **Tax Withholding.** In connection with any payments to a Participant or other event under this Plan that gives rise to a federal, state, local or other tax withholding obligation relating to this Plan (including, without limitation, FICA tax), (i) the Company may deduct or withhold (or cause to be deducted or withheld) from any payment or distribution to such Participant whether or not pursuant to this Plan or (ii) the Committee shall be entitled to require that such Participant remit cash (through payroll deduction or otherwise), in each case in an amount sufficient in the opinion of the Company to satisfy the amount required by law to be withheld.

(h) **Severability; Conflicts.** If any of the provisions of this Plan is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions shall not be affected thereby. Notwithstanding anything in this Plan or an Award to the contrary, if and to the extent any term of this Plan or an Award conflicts with any term of an employment agreement with a Participant entered into before the date of this Plan's adoption by the Board (as such employment agreement may be amended from time to time), then the terms of such employment agreement will prevail.

(i) **No Third Party Beneficiaries.** This Plan shall not confer on any person other than the Company and any Participant any rights or remedies hereunder.

(j) **Successors and Assigns.** The terms of this Plan shall be binding upon and inure to the benefit of the Company and its successors and assigns and each permitted successor or assign of each Participant as provided in Section 10(b).

(k) **Plan Headings.** The headings in this Plan are for the purpose of convenience only and are not intended to define or limit the construction of the provisions hereof.

(l) **Construction.** In the construction of this Plan, the singular shall include the plural, and vice versa, in all cases where such meanings would be appropriate.

(m) **Section 409A of the Code.** The Company intends that Bonus payments under this Plan shall be exempt from Section 409A of the Code as short-term deferrals and shall not constitute 'deferred compensation' within the meaning of Section 409A of the Code (absent a valid deferral election under the terms of another plan or arrangement maintained by the Company). This Plan shall be interpreted, construed and administered in accordance with the foregoing intent, so as to avoid the imposition of taxes and penalties on Participants pursuant to Section 409A of the Code. The Company shall have no liability to any Participant or otherwise if this Plan or any Bonus paid or payable hereunder is subject to the additional tax and penalties under Section 409A of the Code.

(n) **No Funding.** The Company shall be under no obligation to fund or set aside amounts to pay obligations under this Plan. Participants shall have no rights to any amounts under this Plan other than as a general unsecured creditor of the Company.

(o) **No Rights to Other Payments; No Limitation on Other Payments.** The provisions of this Plan provide no right or eligibility to a Participant to any other payouts from the Company under any other alternative plans, schemes, arrangements or contracts the Company may have with any employees or group of employees of the Company. Nothing in this Plan shall preclude or limit the ability of the Company to pay any compensation to a Participant under any other plan or compensatory arrangement whether or not in effect on the date this Plan was adopted.

(p) **No Effect on Benefits.** Grants and payments under this Plan shall constitute special discretionary incentive payments to the Participants and shall not be required to be taken into account in computing the amount of salary or compensation of the Participants for the purpose of determining any contributions to or any benefits under any pension, retirement, profit-sharing, bonus, life insurance, severance or other benefit plan of the Company or under any agreement with a Participant, unless the Company or such other arrangement specifically provides otherwise.

(q) **Term of Plan.** This Plan shall continue until suspended, discontinued or terminated by the Board or the Committee in its sole discretion.

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: May 7, 2021

/s/ James H. Herbert, II
Name: James H. Herbert, II
Title: Chairman and 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: May 7, 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 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 March 31, 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: May 7, 2021

/s/ James H. Herbert, II

Name: James H. Herbert, II
Title: Chairman and 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 March 31, 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: May 7, 2021

/s/ Michael J. Roffler

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