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, 2015

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**

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

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

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The number of shares outstanding of the Bank's common stock, par value $0.01 per share, as of April 30, 2015 was 142,246,037.

FIRST REPUBLIC BANK
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SIGNATURES

FIRST REPUBLIC BANK
BALANCE SHEETS
(Unaudited)

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

(in thousands, except share amounts)	March 31, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$ 1,644,534	$ 817,150
Securities purchased under agreements to resell	100	100
Investment securities available-for-sale	1,428,898	1,393,357
Investment securities held-to-maturity (fair value of $6,421,858 and $5,575,717 at March 31, 2015 and December 31, 2014, respectively)	6,064,700	5,244,707
Loans	39,006,758	37,808,369
Less: Allowance for loan losses	(219,216)	(207,342)
Loans, net	38,787,542	37,601,027
Loans held for sale	63,824	271,448
Investments in life insurance	1,022,466	1,014,734
Tax credit investments	844,213	828,640
Prepaid expenses and other assets	786,488	747,763
Premises, equipment and leasehold improvements, net	162,051	165,703
Goodwill	106,549	106,549
Other intangible assets	104,846	110,001
Mortgage servicing rights	50,249	49,023
Total Assets	$ 51,066,460	$ 48,350,202
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking accounts	$ 14,523,454	$ 12,542,881
Interest-bearing checking accounts	9,261,476	8,809,590
Money Market (MM) checking accounts	5,261,424	5,216,253
MM savings and passbooks	7,062,013	6,795,189
Certificates of deposit	3,830,823	3,767,016
Total Deposits	39,939,190	37,130,929
Long-term FHLB advances	4,925,000	5,275,000
Senior notes	396,576	396,384
Debt related to variable interest entities	32,800	36,039
Other liabilities	697,897	733,383
Total Liabilities	45,991,463	43,571,735
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 889,525 shares issued and outstanding at March 31, 2015 and December 31, 2014	889,525	889,525
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 142,104,619 and 138,268,849 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	1,421	1,383
Additional paid-in capital	2,522,159	2,313,592
Retained earnings	1,653,338	1,570,871
Accumulated other comprehensive income	8,554	3,096
Total Shareholders' Equity	5,074,997	4,778,467
Total Liabilities and Shareholders' Equity	$ 51,066,460	$ 48,350,202

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

($ in thousands, except per share amounts)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Interest income:		
Loans	$ 321,875	$ 307,687
Investments	61,923	48,844
Cash and cash equivalents	1,105	780
Total interest income	384,903	357,311
Interest expense:		
Deposits	13,988	15,231
Borrowings	22,896	21,377
Total interest expense	36,884	36,608
Net interest income	348,019	320,703
Provision for loan losses	11,887	7,095
Net interest income after provision for loan losses	336,132	313,608
Noninterest income:		
Investment advisory fees	41,211	33,308
Brokerage and investment fees	3,699	3,005
Trust fees	2,385	2,419
Foreign exchange fee income	5,148	3,507
Deposit fees	4,629	4,544
Gain on sale of loans	1,812	2,845
Loan servicing fees, net	3,230	1,996
Loan and related fees	2,721	1,908
Income from investments in life insurance	9,179	6,975
Gain (loss) on investment securities, net	300	(91)
Other income	605	596
Total noninterest income	74,919	61,012
Noninterest expense:		
Salaries and employee benefits	139,948	120,585
Occupancy	25,572	24,105
Information systems	25,852	21,421
Professional fees	19,513	7,216
FDIC and other deposit assessments	8,350	7,444
Advertising and marketing	5,214	6,014
Amortization of intangibles	5,155	6,004
Other expenses	26,069	24,702
Total noninterest expense	255,673	217,491
Income before provision for income taxes	155,378	157,129
Provision for income taxes	39,466	42,425
Net income	115,912	114,704
Dividends on preferred stock	13,889	13,889
Net income available to common shareholders	$ 102,023	$ 100,815
Net income	$ 115,912	$ 114,704
Other comprehensive income, net of tax:		
Net unrealized gain on securities available-for-sale	5,612	1,207
Reclassification of (gain) loss on securities available-for-sale to net income	(173)	52
Reclassification of loss on cash flow hedges to net income	19	139
Other comprehensive income	5,458	1,398
Comprehensive income	$ 121,370	$ 116,102
Basic earnings per common share	$ 0.73	$ 0.76
Diluted earnings per common share	$ 0.71	$ 0.73
Dividends per common share	$ 0.14	$ 0.12

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(in thousands, except share amounts)	Common Stock Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance at December 31, 2013	**132,768,437**	**$ 889,525**	**$ 1,328**	**$ 2,042,027**	**$ 1,213,896**	**$ 13,271**	**$ 4,160,047**
Net income	—	—	—	—	114,704	—	114,704
Other comprehensive income	—	—	—	—	—	1,398	1,398
Issuance of common stock, net	4,600,000	—	46	239,971	—	—	240,017
Stock compensation expense	—	—	—	7,651	—	—	7,651
Net issuance of common stock under stock plans	152,294	—	1	(2,948)	—	—	(2,947)
Excess tax benefits on stock compensation	—	—	—	3,098	—	—	3,098
Dividends on preferred stock	—	—	—	—	(13,889)	—	(13,889)
Dividends on common stock	—	—	—	—	(16,044)	—	(16,044)
Balance at March 31, 2014	**137,520,731**	**$ 889,525**	**$ 1,375**	**$ 2,289,799**	**$ 1,298,667**	**$ 14,669**	**$ 4,494,035**
Balance at December 31, 2014	**138,268,849**	**$ 889,525**	**$ 1,383**	**$ 2,313,592**	**$ 1,570,871**	**$ 3,096**	**$ 4,778,467**
Net income	—	—	—	—	115,912	—	115,912
Other comprehensive income	—	—	—	—	—	5,458	5,458
Issuance of common stock, net	3,500,000	—	35	203,260	—	—	203,295
Stock compensation expense	—	—	—	6,878	—	—	6,878
Net issuance of common stock under stock plans	335,770	—	3	(11,523)	—	—	(11,520)
Excess tax benefits on stock compensation	—	—	—	9,952	—	—	9,952
Dividends on preferred stock	—	—	—	—	(13,889)	—	(13,889)
Dividends on common stock	—	—	—	—	(19,556)	—	(19,556)
Balance at March 31, 2015	**142,104,619**	**$ 889,525**	**$ 1,421**	**$ 2,522,159**	**$ 1,653,338**	**$ 8,554**	**$ 5,074,997**

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Operating Activities:		
Net income	$ 115,912	$ 114,704
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	11,887	7,095
Accretion of loan discounts	(12,122)	(17,615)
Depreciation and amortization	13,757	12,779
Amortization of mortgage servicing rights	2,917	1,872
Loans originated for sale	(123,825)	(111,406)
Proceeds from sales and principal repayments of loans held for sale	134,803	101,358
Deferred income taxes	38,029	23,951
Gain on sale of loans	(1,812)	(2,845)
Gain (loss) on investment securities, net	(300)	91
Noncash cost of stock plans	6,878	7,651
Excess tax benefits on stock compensation	(9,952)	(3,098)
(Increase) decrease in other assets	(62,956)	3,331
Decrease in other liabilities	(45,485)	(120,475)
Net Cash Provided by Operating Activities	67,731	17,393
Investing Activities:		
Loan originations, net of principal collections	(1,427,227)	(1,266,626)
Loans purchased	(43,456)	—
Loans sold	442,627	256,473
Purchases of securities available-for-sale	(569,682)	(201,019)
Proceeds from sales of securities available-for-sale	541,967	123,805
Proceeds from maturities and paydowns of securities available-for-sale	38,293	8,800
Purchases of securities held-to-maturity	(887,556)	(87,510)
Proceeds from sales, maturities and paydowns of securities held-to-maturity	68,749	4,380
Purchases of FHLB stock	—	(23,500)
Proceeds from redemptions of FHLB stock	4,700	—
Net change in securities purchased under agreements to resell	—	(28,789)
Net change in tax credit investments	(39,268)	(37,949)
Additions to premises, equipment and leasehold improvements, net	(7,805)	(8,118)
Net Cash Used for Investing Activities	(1,878,658)	(1,260,053)
Financing Activities:		
Net increase in deposits	2,809,775	1,484,210
Proceeds from long-term FHLB advances	—	500,000
Repayment of long-term FHLB advances	(350,000)	—
Decrease in debt related to variable interest entities	(3,239)	(1,389)
Net proceeds from issuance of common stock	203,295	240,017
Proceeds from issuance of common stock under employee stock purchase plan	1,808	957
Proceeds from stock options exercised	165	37
Excess tax benefits on stock compensation	9,952	3,098
Dividends on preferred stock	(13,889)	(13,889)
Dividends on common stock	(19,556)	(16,044)
Net Cash Provided by Financing Activities	2,638,311	2,196,997
Increase in Cash and Cash Equivalents	827,384	954,337
Cash and Cash Equivalents at the Beginning of Period	817,150	807,885
Cash and Cash Equivalents at the End of Period	$ 1,644,534	$ 1,762,222
Supplemental Disclosure of Cash Flow Items		
Cash paid during period:		
Interest	$ 35,153	$ 38,754
Income taxes	$ 51,893	$ 37,583
Transfer of loans to held for sale	$ 248,354	$ 692,712
Transfer of loans to securities available-for-sale	$ 36,866	$ —

See accompanying notes to 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 Federal Deposit Insurance Corporation ("FDIC"). First Republic has operated for 29 years and the current legal entity has been operating since July 1, 2010.

Our consolidated financial statements include the accounts of First Republic and its wholly-owned subsidiaries: First Republic Investment Management, Inc. ("FRIM"), First Republic Securities Company, LLC ("FRSC"), First Republic Trust Company of Delaware LLC ("FRTC Delaware") and First Republic Lending Corporation ("FRLC"). All significant intercompany balances and transactions have been eliminated. In addition, our consolidated financial statements include certain real estate mortgage investment conduits ("REMICs") that were formed in 2000 through 2002, which are variable interest entities ("VIEs") that the Bank consolidates as the primary beneficiary.

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 accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to 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, 2014, included in the Bank's Annual Report on Form 10-K filed with the FDIC (the "2014 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

The Bank and its subsidiaries specialize in providing personalized, relationship-based services, including private banking, private business banking, real estate lending and wealth management services, including trust and custody services. The Bank provides its services through preferred banking, lending and wealth management offices primarily in the following areas: San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach, San Diego, Portland (Oregon), Boston, Palm Beach (Florida), Greenwich and New York City.

First Republic originates real estate secured loans and other loans for retention in its loan portfolio. Real estate secured loans are secured by single family residences, multifamily buildings and commercial real estate properties and 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 in the San Francisco Bay Area, the Los Angeles area, San Diego, Boston or the New York City area. 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.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates subject to change include, but are not limited to: the allowance for loan losses; valuation of investment securities; mortgage servicing rights; goodwill; identifiable intangible assets; and deferred income taxes.

Reclassifications

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

Accounting Standards Adopted in 2015

During the quarter ended March 31, 2015, the Bank adopted the following accounting pronouncements:

- In January 2014, the Financial Accounting Standards Board ("FASB") issued amendments to Accounting Standards Codification ("ASC") 310-40, "Receivables—Troubled Debt Restructurings by Creditors," which clarifies when a creditor should reclassify a foreclosed residential mortgage loan as real estate owned. Under the amendments, real estate owned should be recorded once the creditor obtains legal title to the property or has completed a deed in lieu of foreclosure or similar legal agreement. In addition, the amendments require disclosure of the amount of residential real estate owned and residential mortgage loans in the process of foreclosure. The amendments are effective for interim and annual periods beginning after December 15, 2014 and the Bank has applied this guidance prospectively. The adoption of this guidance did not have an impact on the Bank's financial condition, results of operations or cash flows. See Note 3, "Loans and Allowance for Loan Losses—Residential Real Estate Owned and Residential Mortgage Loans in the Process of Foreclosure" for additional disclosures required under these amendments.

- In April 2015, the FASB issued amendments to ASC 835-30, "Interest—Imputation of Interest," which requires debt issuance costs to be presented on the balance sheet as a reduction of the debt's carrying amount. Previously, debt issuance costs were included in other assets. The amendments are effective for interim and annual periods beginning after December 15, 2015 and are applied retrospectively, with early adoption permitted. The Bank adopted this new guidance during the quarter ended March 31, 2015 and adjusted prior period balance sheets to reflect the change. The adoption of this new guidance did not impact the Bank's results of operations or cash flows. The impact on the Bank's balance sheet for all prior periods impacted by the change is presented in the table below. For each of the periods below, debt issuance costs of approximately $3 million for the Bank's senior notes were reclassified. The senior notes were issued in June 2014.

$ in thousands	**December 31, 2014**	**September 30, 2014**	**June 30, 2014**
<u>**Balance Sheet**</u>			
Prepaid expenses and other assets			
As previously reported	$ 750,891	$ 749,551	$ 708,327
As reported under new guidance	747,763	746,259	705,122
Total assets			
As previously reported	48,353,330	46,680,920	46,229,343
As reported under new guidance	48,350,202	46,677,628	46,226,138
Senior notes			
As previously reported	399,512	399,486	399,460
As reported under new guidance	396,384	396,194	396,255
Total liabilities			
As previously reported	43,574,863	41,995,245	41,639,284
As reported under new guidance	$ 43,571,735	$ 41,991,953	$ 41,636,079

Recent Accounting Pronouncements

The following pronouncements have been issued by the FASB, but are not yet effective:

- In May 2014, the FASB issued ASC 606, "Revenue from Contracts with Customers," which replaces existing revenue recognition guidance for contracts to provide goods or services to customers and amends existing guidance related to recognition of gains and losses on the sale of certain nonfinancial assets such as real estate. ASC 606 establishes a principles-based approach to recognizing revenue that applies to all contracts other than those covered by other authoritative GAAP guidance. Quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows are also required. ASC 606 is effective for public companies for interim and annual periods beginning after December 15, 2016 and is applied on either a modified retrospective or full retrospective basis. Early adoption is not permitted. The Bank is currently evaluating the impact of the adoption of this guidance on its financial condition, results of operations and cash flows. In April 2015, the FASB issued a proposal to defer the effective date of this guidance for an additional year. If the proposal is approved by the FASB, this guidance would become effective for public companies for interim and annual periods beginning after December 15, 2017, with early adoption permitted for interim and annual periods beginning after December 15, 2016.

- In August 2014, the FASB issued ASC 205-40, "Presentation of Financial Statements—Going Concern," which requires management to assess whether there is substantial doubt of an entity's ability to continue as a going concern within one year after the date financial statements are issued. If substantial doubt exists, disclosures are required of management's plans and whether these plans alleviate substantial doubt or not. The amendments are effective for interim and annual periods ending after December 15, 2016. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Bank's financial condition, results of operations or cash flows.

- In February 2015, the FASB issued amendments to ASC 810, "Consolidation," which revises existing consolidation guidance and requires all entities to be re-evaluated under this new model. The new consolidation model revises the conditions required for consolidation, including what is considered a variable interest, the criteria that a limited partnership or similar entity must meet to be considered a variable interest entity, and the criteria for determination of the primary beneficiary. The amendments are effective for interim and annual periods beginning after December 15, 2015, and are applied on a modified retrospective or full retrospective basis. Early adoption is permitted. The Bank is currently evaluating the impact of the adoption of this guidance on its financial condition, results of operations and cash flows.

- In April 2015, the FASB issued amendments to ASC 350-40, "Internal-Use Software—Customer's Accounting for Fees Paid in a Cloud Computing Arrangement," which establishes criteria for determining whether a cloud computing service (hosting arrangement) contains a software license. If a software license exists, fees related to the license are capitalized and amortized over the estimated useful life of the software. If a software license does not exist, the fees are expensed over the service period. The amendments are effective for interim and annual periods beginning after December 15, 2015 and are applied either prospectively or retrospectively. Early adoption is permitted. The Bank is currently evaluating the impact of the adoption of this guidance on its financial condition, results of operations and cash flows.

Note 2. Investment Securities

The following tables present information related to available-for-sale and held-to-maturity securities:

	March 31, 2015			
($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury and other U.S. Government agency securities	$ 298,859	$ 1,492	$ (3)	$ 300,348
Agency residential mortgage-backed securities (“MBS”)	356,885	7,332	(315)	363,902
Other residential MBS	11,941	—	(109)	11,832
Agency commercial MBS	698,624	6,179	(258)	704,545
Securities of U.S. states and political subdivisions—taxable	47,233	198	—	47,431
Marketable equity securities	480	360	—	840
Total	$ 1,414,022	$ 15,561	$ (685)	$ 1,428,898
Held-to-maturity:				
U.S. Government-sponsored agency securities	$ 908,658	$ 4,398	$ (447)	$ 912,609
Agency residential MBS	1,305,876	17,161	(82)	1,322,955
Other residential MBS	3,002	78	—	3,080
Agency commercial MBS	115,720	2,224	—	117,944
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	3,518,969	317,960	(2,151)	3,834,778
Tax-exempt nonprofit debentures	159,350	4,502	—	163,852
Taxable municipal securities	53,125	13,515	—	66,640
Total	$ 6,064,700	$ 359,838	$ (2,680)	$ 6,421,858

	December 31, 2014			
($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury and other U.S. Government agency securities	$ 554,892	$ 1,345	$ (66)	$ 556,171
Agency residential MBS	383,956	3,758	(623)	387,091
Other residential MBS	12,127	—	(323)	11,804
Agency commercial MBS	389,254	454	(69)	389,639
Securities of U.S. states and political subdivisions—taxable	47,231	290	—	47,521
Marketable equity securities	480	651	—	1,131
Total	$ 1,387,940	$ 6,498	$ (1,081)	$ 1,393,357
Held-to-maturity:				
U.S. Government-sponsored agency securities	$ 582,083	$ 3,195	$ (38)	$ 585,240
Agency residential MBS	1,052,867	10,827	(162)	1,063,532
Other residential MBS	1,316	52	(2)	1,366
Agency commercial MBS	116,085	—	(147)	115,938
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	3,277,636	300,896	(701)	3,577,831
Tax-exempt nonprofit debentures	161,583	4,492	—	166,075
Taxable municipal securities	53,137	12,598	—	65,735
Total	$ 5,244,707	$ 332,060	$ (1,050)	$ 5,575,717

The Bank pledges investment securities at the Federal Reserve Bank of San Francisco to maintain the ability to borrow at the discount window, the Federal Home Loan Bank of San Francisco (the “FHLB”) to secure borrowings, or at a correspondent bank as collateral to secure trust funds and public deposits. At March 31, 2015 and December 31, 2014, the carrying value of investment securities pledged was $3.3 billion and $3.2 billion, respectively.

The following tables present gross unrealized losses and fair value of available-for-sale and held-to-maturity securities by length of time that individual securities in each category had been in a continuous loss position:

	March 31, 2015					
	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
Available-for-sale:						
U.S. Treasury and other U.S. government agency securities	$ (3)	$ 99,988	$ —	$ —	$ (3)	$ 99,988
Agency residential MBS	(9)	4,638	(306)	9,347	(315)	13,985
Other residential MBS	(109)	11,832	—	—	(109)	11,832
Agency commercial MBS	(258)	106,513	—	—	(258)	106,513
Total	$ (379)	$ 222,971	$ (306)	$ 9,347	$ (685)	$ 232,318
Held-to-maturity:						
U.S. Government-sponsored agency securities	$ (447)	$ 167,925	$ —	$ —	$ (447)	$ 167,925
Agency residential MBS	(82)	50,620	—	—	(82)	50,620
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	(2,058)	156,036	(93)	1,864	(2,151)	157,900
Total	$ (2,587)	$ 374,581	$ (93)	$ 1,864	$ (2,680)	$ 376,445

	December 31, 2014					
	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
Available-for-sale:						
U.S. Treasury and other U.S. government agency securities	$ (66)	$ 349,553	$ —	$ —	$ (66)	$ 349,553
Agency residential MBS	(217)	73,351	(406)	9,311	(623)	82,662
Other residential MBS	(323)	11,804	—	—	(323)	11,804
Agency commercial MBS	(69)	159,062	—	—	(69)	159,062
Total	$ (675)	$ 593,770	$ (406)	$ 9,311	$ (1,081)	$ 603,081
Held-to-maturity:						
U.S. Government-sponsored agency securities	$ (38)	$ 55,412	$ —	$ —	$ (38)	$ 55,412
Agency residential MBS	(162)	78,589	—	—	(162)	78,589
Other residential MBS	(2)	480	—	—	(2)	480
Agency commercial MBS	(147)	115,938	—	—	(147)	115,938
Securities of U.S. states and political subdivisions:						
Tax-exempt municipal securities	(43)	6,810	(658)	72,004	(701)	78,814
Total	$ (392)	$ 257,229	$ (658)	$ 72,004	$ (1,050)	$ 329,233

The Bank conducts a regular assessment of its investment securities portfolio to determine whether securities are other-than-temporarily impaired considering, among other factors, the nature of the securities, credit ratings or financial condition of the issuer, the extent and duration of the unrealized loss, expected cash flows, market conditions and the Bank's ability to hold the securities through the anticipated recovery period.

The Bank does not intend to sell the available-for-sale or held-to-maturity investment securities included in the tables above and has concluded that it is more likely than not that it will not be required to sell any of the investments prior to recovery of the amortized cost basis.

Agency Residential MBS and Agency Commercial MBS. At March 31, 2015, the unrealized losses on the Bank's investments in agency residential MBS and agency commercial MBS are primarily due to the increase in intermediate and longer-term market interest rates since the securities were purchased and are not due to credit losses, given the explicit or implicit guarantees provided by the U.S. Government or agencies of the U.S. Government. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

U.S. Government-Sponsored Agency Securities. At March 31, 2015, the unrealized losses on the Bank's investments in U.S. Government-sponsored agency securities are primarily due to the increase in longer-term market interest rates since the securities were purchased and are not due to credit losses, given the explicit or implicit guarantees provided by agencies of the U.S. Government. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

Tax-Exempt Municipal Securities. At March 31, 2015, the unrealized losses on the Bank's investments in tax-exempt municipal securities are primarily due to the increases in longer-term interest rates since the securities were purchased and are not due to the credit quality of the securities. The Bank monitors these securities regularly to determine if any changes in ratings have occurred and conducts its internal credit analysis to determine if the issuer has experienced any change in financial condition that may result in a potential loss of the contractual principal and interest payments. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

There were no other-than-temporary impairment charges on securities during the quarter ended March 31, 2015 or 2014.

The fair values of the investment securities could decline in the future if the general economy deteriorates, credit ratings decline, the financial condition of the issuer deteriorates, interest rates increase or the liquidity for securities is limited. As a result, other-than-temporary impairments may occur in the future.

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

	Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Available-for-sale:		
Sales proceeds	$ 541,967	$ 123,805

The following table presents gains and losses realized on investment securities:

	Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Available-for-sale:		
Gross realized gains on sales	$ 702	$ 4
Gross realized losses on sales	(402)	(95)
Total gain (loss) on investment securities, net	$ 300	$ (91)

The following table presents interest and dividend income on investments:

($ in thousands)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Interest income on tax-exempt securities	$ 36,191	$ 33,579
Interest income on taxable securities	21,168	11,196
Dividend income on FHLB stock	4,564	4,069
Total	$ 61,923	$ 48,844

The following table presents 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 obligations, with or without penalties, prior to contractual maturity.

	March 31, 2015		December 31, 2014	
($ in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Available-for-sale:				
Due in one year or less	$ 249,993	$ 249,990	$ 235,997	$ 235,974
Due after one year through five years	2,274	2,291	271,718	271,920
Due after five years through ten years	114,103	114,598	39,894	40,331
Due after ten years	1,047,172	1,061,179	839,851	844,001
Total debt securities	$ 1,413,542	$ 1,428,058	$ 1,387,460	$ 1,392,226
Held-to-maturity:				
Due in one year or less	$ 38,805	$ 41,274	$ 45,332	$ 48,056
Due after one year through five years	45,496	49,048	29,019	31,355
Due after five years through ten years	833,809	840,025	613,568	618,382
Due after ten years	5,146,590	5,491,511	4,556,788	4,877,924
Total debt securities	$ 6,064,700	$ 6,421,858	$ 5,244,707	$ 5,575,717

Note 3. Loans and Allowance for Loan Losses

Loan Profile

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 March 31, 2015, approximately 55% of the total loan portfolio was secured by California real estate, compared to 56% at December 31, 2014. Future economic, political, natural disasters or other developments in California could adversely affect the value of real estate secured mortgage loans. At March 31, 2015, approximately 69% of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years, compared to 68% at December 31, 2014.

The following tables present the major categories of the Bank's loans outstanding, including the contractual balances, net unaccreted purchase accounting discounts and net deferred fees and costs:

	March 31, 2015			
($ in thousands)	Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Types of Loans:				
Single family (1-4 units)	$ 21,167,697	$ (85,691)	$ 54,671	$ 21,136,677
Home equity lines of credit	2,121,713	(8,316)	11,386	2,124,783
Multifamily (5+ units)	4,851,874	(10,496)	(9,199)	4,832,179
Commercial real estate	4,021,575	(27,970)	(8,685)	3,984,920
Single family construction	399,814	(280)	(2,692)	396,842
Multifamily/commercial construction	494,539	(60)	(4,527)	489,952
Total real estate mortgages	33,057,212	(132,813)	40,954	32,965,353
Commercial business	5,059,337	(7,273)	(8,272)	5,043,792
Other secured	444,690	(240)	215	444,665
Stock secured	306,793	(1)	613	307,405
Unsecured loans and lines of credit	245,942	(312)	(87)	245,543
Total other loans	6,056,762	(7,826)	(7,531)	6,041,405
Total loans	$ 39,113,974	$ (140,639)	$ 33,423	$ 39,006,758
Less:				
Allowance for loan losses				(219,216)
Loans, net				38,787,542
Single family loans held for sale				63,824
Total				$ 38,851,366

	December 31, 2014			
($ in thousands)	Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Types of Loans:				
Single family (1-4 units)	$ 20,494,402	$ (91,395)	$ 51,461	$ 20,454,468
Home equity lines of credit	2,211,621	(9,130)	11,031	2,213,522
Multifamily (5+ units)	4,689,692	(11,110)	(9,249)	4,669,333
Commercial real estate	3,824,835	(31,112)	(8,758)	3,784,965
Single family construction	428,358	(423)	(2,805)	425,130
Multifamily/commercial construction	453,732	(60)	(4,331)	449,341
Total real estate mortgages	32,102,640	(143,230)	37,349	31,996,759
Commercial business	4,873,580	(8,754)	(6,982)	4,857,844
Other secured	436,918	(355)	265	436,828
Stock secured	285,240	(2)	551	285,789
Unsecured loans and lines of credit	231,552	(423)	20	231,149
Total other loans	5,827,290	(9,534)	(6,146)	5,811,610
Total loans	$ 37,929,930	$ (152,764)	$ 31,203	$ 37,808,369
Less:				
Allowance for loan losses				(207,342)
Loans, net				37,601,027
Single family loans held for sale				271,448
Total				$ 37,872,475

The Bank had pledged \$22.7 billion and \$21.9 billion of loans to secure borrowings from the FHLB as of March 31, 2015 and December 31, 2014, respectively, although only approximately \$5.6 billion and \$5.9 billion, respectively, were required in connection with the outstanding FHLB advances.

Purchased Credit-Impaired Loans

At March 31, 2015 and December 31, 2014, purchased credit-impaired loans subject to ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality," had an unpaid principal balance of $91.5 million and $94.8 million, respectively, and a carrying value of $82.7 million and $85.7 million, respectively.

The Bank recorded no reductions to the nonaccretable difference for charge-offs of loan balances during the quarter ended March 31, 2015. The Bank recorded reductions to the nonaccretable difference for charge-offs of loan balances of $39,000 for the quarter ended March 31, 2014.

The change in accretable yield and allowance for loan losses related to purchased credit-impaired loans is presented in the following tables:

	At or for the Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Accretable yield:		
Balance at beginning of period	$ 8,073	$ 10,220
Accretion	(1,374)	(3,524)
Reclassification from nonaccretable difference for loans with improving cash flows	310	476
Increase in expected cash flows	66	2,368
Resolutions/payments in full	(143)	(153)
Balance at end of period	$ 6,932	$ 9,387

	At or for the Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Allowance:		
Balance at beginning of period	$ 168	$ 473
Provision	—	417
Reversal of provision	(82)	(305)
Charge-offs	—	(484)
Recoveries	5	208
Balance at end of period	$ 91	$ 309

Credit Quality

A loan is considered past due if the required principal and interest payment has not been received as of the day after such payment was due. The following tables present an aging analysis of loans and loans on nonaccrual status, by class, as of March 31, 2015 and December 31, 2014. Of the loans on nonaccrual status, at March 31, 2015, $23.2 million were current, compared to $31.5 million at December 31, 2014. The majority of these loans were current in accordance with their modified payment terms.

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At March 31, 2015								
Single Family (1-4 units):								
Purchased non-impaired	$ 341	$ 995	$ 295	$ 1,631	$ 2,648,689	$ 2,650,320	$ —	$ 356
Purchased non-impaired that subsequently became impaired	—	—	6,685	6,685	19,168	25,853	—	17,217
Purchased credit-impaired	—	158	—	158	10,332	10,490	—	158
Originated post June 30, 2010 non-impaired	1,680	2,461	—	4,141	18,440,005	18,444,146	—	—
Originated post June 30, 2010 impaired	—	—	3,940	3,940	1,928	5,868	—	3,940
	2,021	3,614	10,920	16,555	21,120,122	21,136,677	—	21,671
Home Equity Lines of Credit:								
Purchased non-impaired	6,635	233	202	7,070	535,314	542,384	202	—
Purchased non-impaired that subsequently became impaired	—	—	1,905	1,905	8,417	10,322	—	8,515
Purchased credit-impaired	272	—	—	272	3,313	3,585	—	272
Originated post June 30, 2010 non-impaired	5,244	—	—	5,244	1,555,447	1,560,691	—	—
Originated post June 30, 2010 impaired	2,005	—	5,053	7,058	743	7,801	—	7,801
	14,156	233	7,160	21,549	2,103,234	2,124,783	202	16,588
Multifamily (5+ units):								
Purchased non-impaired	—	297	—	297	309,407	309,704	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	—	2,737	2,737	—	743
Purchased credit-impaired	—	—	—	—	20,163	20,163	—	434
Originated post June 30, 2010 non-impaired	—	9,985	—	9,985	4,488,470	4,498,455	—	—
Originated post June 30, 2010 impaired	—	1,120	—	1,120	—	1,120	—	398
	—	11,402	—	11,402	4,820,777	4,832,179	—	1,575
Commercial Real Estate:								
Purchased non-impaired	2,709	—	—	2,709	468,706	471,415	—	—
Purchased non-impaired that subsequently became impaired	—	5,766	—	5,766	746	6,512	—	5,766
Purchased credit-impaired	—	—	—	—	25,932	25,932	—	—
Originated post June 30, 2010 non-impaired	—	708	—	708	3,480,353	3,481,061	—	—
	2,709	6,474	—	9,183	3,975,737	3,984,920	—	5,766
Single Family Construction:								
Purchased non-impaired	—	—	—	—	3,904	3,904	—	—
Originated post June 30, 2010 non-impaired	2,877	—	—	2,877	390,061	392,938	—	—
	2,877	—	—	2,877	393,965	396,842	—	—

Loan Aging *(continued)*:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At March 31, 2015								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,091	1,091	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	488,861	488,861	—	—
	—	—	—	—	489,952	489,952	—	—
Commercial Business:								
Purchased non-impaired	1,803	—	—	1,803	250,340	252,143	—	769
Purchased credit-impaired	—	—	—	—	22,003	22,003	—	2,077
Originated post June 30, 2010 non-impaired	—	—	—	—	4,768,793	4,768,793	—	124
Originated post June 30, 2010 impaired	—	—	—	—	853	853	—	853
	1,803	—	—	1,803	5,041,989	5,043,792	—	3,823
Other Secured:								
Purchased non-impaired	—	—	—	—	31,249	31,249	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	413,416	413,416	—	—
	—	—	—	—	444,665	444,665	—	—
Stock Secured:								
Purchased non-impaired	—	—	—	—	5,467	5,467	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	301,938	301,938	—	—
	—	—	—	—	307,405	307,405	—	—
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	439	140	—	579	23,191	23,770	—	365
Purchased credit-impaired	42	—	—	42	533	575	—	42
Originated post June 30, 2010 non-impaired	500	1,000	—	1,500	219,698	221,198	—	—
	981	1,140	—	2,121	243,422	245,543	—	407
Total	$ 24,547	$ 22,863	$ 18,080	$ 65,490	$ 38,941,268	$ 39,006,758	$ 202	$ 49,830

Loan Aging:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2014								
Single Family (1-4 units):								
Purchased non-impaired	$ 923	$ 343	$ 1,503	$ 2,769	$ 2,789,268	$ 2,792,037	$ 1,503	$ 106
Purchased non-impaired that subsequently became impaired	—	1,014	7,086	8,100	15,322	23,422	—	18,736
Purchased credit-impaired	—	161	—	161	10,902	11,063	—	161
Originated post June 30, 2010 non-impaired	3,941	—	2,760	6,701	17,620,682	17,627,383	2,285	475
Originated post June 30, 2010 impaired	—	—	—	—	563	563	—	—
	4,864	1,518	11,349	17,731	20,436,737	20,454,468	3,788	19,478
Home Equity Lines of Credit:								
Purchased non-impaired	854	1,726	592	3,172	608,673	611,845	592	—
Purchased non-impaired that subsequently became impaired	179	—	185	364	7,710	8,074	—	7,051
Purchased credit-impaired	272	—	—	272	3,997	4,269	—	273
Originated post June 30, 2010 non-impaired	238	—	—	238	1,581,294	1,581,532	—	—
Originated post June 30, 2010 impaired	—	5,065	—	5,065	2,737	7,802	—	7,802
	1,543	6,791	777	9,111	2,204,411	2,213,522	592	15,126
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	317,202	317,202	—	—
Purchased credit-impaired	—	—	—	—	20,188	20,188	—	453
Originated post June 30, 2010 non-impaired	—	—	—	—	4,330,823	4,330,823	—	—
Originated post June 30, 2010 impaired	—	—	—	—	1,120	1,120	—	398
	—	—	—	—	4,669,333	4,669,333	—	851
Commercial Real Estate:								
Purchased non-impaired	2,729	—	—	2,729	525,948	528,677	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	—	5,791	5,791	—	5,791
Purchased credit-impaired	—	—	—	—	26,148	26,148	—	—
Originated post June 30, 2010 non-impaired	349	—	—	349	3,224,000	3,224,349	—	—
	3,078	—	—	3,078	3,781,887	3,784,965	—	5,791
Single Family Construction:								
Purchased non-impaired	—	—	—	—	4,263	4,263	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	420,867	420,867	—	—
	—	—	—	—	425,130	425,130	—	—

Loan Aging *(continued)*:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2014								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,091	1,091	—	—
Originated post June 30, 2010 non-impaired	—	3,942	—	3,942	444,308	448,250	—	—
	—	3,942	—	3,942	445,399	449,341	—	—
Commercial Business:								
Purchased non-impaired	—	1,080	—	1,080	294,476	295,556	—	699
Purchased credit-impaired	—	—	—	—	23,432	23,432	—	2,196
Originated post June 30, 2010 non-impaired	—	—	—	—	4,537,963	4,537,963	—	513
Originated post June 30, 2010 impaired	—	—	—	—	893	893	—	893
	—	1,080	—	1,080	4,856,764	4,857,844	—	4,301
Other Secured:								
Purchased non-impaired	—	—	—	—	30,098	30,098	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	406,730	406,730	—	—
	—	—	—	—	436,828	436,828	—	—
Stock Secured:								
Purchased non-impaired	—	—	—	—	4,215	4,215	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	281,574	281,574	—	—
	—	—	—	—	285,789	285,789	—	—
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	2	17	—	19	25,139	25,158	—	372
Purchased credit-impaired	—	—	—	—	578	578	—	43
Originated post June 30, 2010 non-impaired	205	—	—	205	205,208	205,413	—	—
	207	17	—	224	230,925	231,149	—	415
Total	$ 9,692	$ 13,348	$ 12,126	$ 35,166	$ 37,773,203	$ 37,808,369	$ 4,380	$ 45,962

The interest income related to nonaccrual loans at each respective period end is presented in the following table:

	Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Actual interest income recognized	$ 19	$ 73
Interest income under original terms	$ 500	$ 567

In accordance with our procedures, we perform annual reviews of our larger multifamily, commercial real estate and commercial business loans. 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. 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 in 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 following tables present the recorded investment in loans, by credit quality indicator and by class, at March 31, 2015 and December 31, 2014:

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At March 31, 2015					
Single Family (1-4 units):					
Purchased non-impaired	$ 2,631,858	$ 2,090	$ 16,372	$ —	$ 2,650,320
Purchased non-impaired that subsequently became impaired	3,979	—	21,874	—	25,853
Purchased credit-impaired	9,873	—	617	—	10,490
Originated post June 30, 2010 non-impaired	18,433,468	4,420	6,258	—	18,444,146
Originated post June 30, 2010 impaired	1,366	—	4,502	—	5,868
	21,080,544	6,510	49,623	—	21,136,677
Home Equity Lines of Credit:					
Purchased non-impaired	532,906	5,514	3,964	—	542,384
Purchased non-impaired that subsequently became impaired	801	—	9,521	—	10,322
Purchased credit-impaired	3,314	—	271	—	3,585
Originated post June 30, 2010 non-impaired	1,559,822	—	869	—	1,560,691
Originated post June 30, 2010 impaired	—	—	7,801	—	7,801
	2,096,843	5,514	22,426	—	2,124,783
Multifamily (5+ units):					
Purchased non-impaired	306,786	2,470	448	—	309,704
Purchased non-impaired that subsequently became impaired	—	1,994	743	—	2,737
Purchased credit-impaired	11,136	7,144	1,883	—	20,163
Originated post June 30, 2010 non-impaired	4,488,470	—	9,985	—	4,498,455
Originated post June 30, 2010 impaired	—	—	1,120	—	1,120
	4,806,392	11,608	14,179	—	4,832,179
Commercial Real Estate:					
Purchased non-impaired	450,389	12,352	8,674	—	471,415
Purchased non-impaired that subsequently became impaired	—	—	6,512	—	6,512
Purchased credit-impaired	14,265	—	11,667	—	25,932
Originated post June 30, 2010 non-impaired	3,456,610	13,798	10,653	—	3,481,061
	3,921,264	26,150	37,506	—	3,984,920
Single Family Construction:					
Purchased non-impaired	1,231	—	2,673	—	3,904
Originated post June 30, 2010 non-impaired	392,938	—	—	—	392,938
	394,169	—	2,673	—	396,842
Multifamily/Commercial Construction:					
Purchased non-impaired	—	—	1,091	—	1,091
Originated post June 30, 2010 non-impaired	479,861	9,000	—	—	488,861
	479,861	9,000	1,091	—	489,952
Commercial Business:					
Purchased non-impaired	231,720	6,786	12,869	768	252,143
Purchased credit-impaired	15,809	3,829	2,365	—	22,003
Originated post June 30, 2010 non-impaired	4,739,523	12,155	16,991	124	4,768,793
Originated post June 30, 2010 impaired	—	—	853	—	853
	4,987,052	22,770	33,078	892	5,043,792
Other Secured:					
Purchased non-impaired	31,249	—	—	—	31,249
Originated post June 30, 2010 non-impaired	409,594	—	3,822	—	413,416
	440,843	—	3,822	—	444,665
Stock Secured:					
Purchased non-impaired	5,467	—	—	—	5,467
Originated post June 30, 2010 non-impaired	301,938	—	—	—	301,938
	307,405	—	—	—	307,405
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	22,951	—	452	367	23,770
Purchased credit-impaired	534	—	41	—	575
Originated post June 30, 2010 non-impaired	220,022	—	1,176	—	221,198
	243,507	—	1,669	367	245,543
Total	$ 38,757,880	$ 81,552	$ 166,067	$ 1,259	$ 39,006,758

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At December 31, 2014					
Single Family (1-4 units):					
Purchased non-impaired	$ 2,771,950	$ 2,109	$ 17,978	$ —	$ 2,792,037
Purchased non-impaired that subsequently became impaired	—	—	23,422	—	23,422
Purchased credit-impaired	10,443	—	620	—	11,063
Originated post June 30, 2010 non-impaired	17,616,218	4,420	6,745	—	17,627,383
Originated post June 30, 2010 impaired	—	563	—	—	563
	20,398,611	7,092	48,765	—	20,454,468
Home Equity Lines of Credit:					
Purchased non-impaired	599,985	5,532	6,328	—	611,845
Purchased non-impaired that subsequently became impaired	—	—	8,074	—	8,074
Purchased credit-impaired	3,997	—	272	—	4,269
Originated post June 30, 2010 non-impaired	1,580,663	—	869	—	1,581,532
Originated post June 30, 2010 impaired	—	—	7,802	—	7,802
	2,184,645	5,532	23,345	—	2,213,522
Multifamily (5+ units):					
Purchased non-impaired	312,536	3,466	1,200	—	317,202
Purchased credit-impaired	11,111	7,185	1,892	—	20,188
Originated post June 30, 2010 non-impaired	4,320,840	—	9,983	—	4,330,823
Originated post June 30, 2010 impaired	—	—	1,120	—	1,120
	4,644,487	10,651	14,195	—	4,669,333
Commercial Real Estate:					
Purchased non-impaired	493,188	26,020	9,469	—	528,677
Purchased non-impaired that subsequently became impaired	—	—	5,791	—	5,791
Purchased credit-impaired	13,775	—	12,373	—	26,148
Originated post June 30, 2010 non-impaired	3,210,599	9,490	4,260	—	3,224,349
	3,717,562	35,510	31,893	—	3,784,965
Single Family Construction:					
Purchased non-impaired	1,713	—	2,550	—	4,263
Originated post June 30, 2010 non-impaired	420,178	689	—	—	420,867
	421,891	689	2,550	—	425,130
Multifamily/Commercial Construction:					
Purchased non-impaired	—	—	1,091	—	1,091
Originated post June 30, 2010 non-impaired	436,285	11,965	—	—	448,250
	436,285	11,965	1,091	—	449,341
Commercial Business:					
Purchased non-impaired	278,457	3,959	12,441	699	295,556
Purchased credit-impaired	16,683	3,843	2,906	—	23,432
Originated post June 30, 2010 non-impaired	4,508,960	11,011	17,965	27	4,537,963
Originated post June 30, 2010 impaired	—	—	893	—	893
	4,804,100	18,813	34,205	726	4,857,844
Other Secured:					
Purchased non-impaired	30,098	—	—	—	30,098
Originated post June 30, 2010 non-impaired	406,730	—	—	—	406,730
	436,828	—	—	—	436,828
Stock Secured:					
Purchased non-impaired	4,215	—	—	—	4,215
Originated post June 30, 2010 non-impaired	281,574	—	—	—	281,574
	285,789	—	—	—	285,789
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	24,195	—	591	372	25,158
Purchased credit-impaired	535	—	43	—	578
Originated post June 30, 2010 non-impaired	204,236	—	1,177	—	205,413
	228,966	—	1,811	372	231,149
Total	$ 37,559,164	$ 90,252	$ 157,855	$ 1,098	$ 37,808,369

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

As of March 31, 2015 and December 31, 2014, the Bank did not have any residential real estate owned (acquired through foreclosure). The carrying amount of residential mortgage loans in the process of foreclosure was $5.8 million and $7.9 million at March 31, 2015 and December 31, 2014, respectively.

Allowance for Loan Losses

The Bank's allowance for loan losses is evaluated based on five classes of loans: (1) purchased non-impaired; (2) purchased non-impaired that subsequently became impaired under ASC 310-10-35, "Receivables—Subsequent Measurement;" (3) purchased credit-impaired; (4) loans originated after June 30, 2010 that are not impaired; and (5) loans originated after June 30, 2010 that are impaired under ASC 310-10-35.

Purchased non-impaired loans are monitored to determine if these loans have experienced a deterioration in credit quality based upon their payment status and loan grade. If a deterioration in credit quality has occurred, the Bank evaluates the estimated loss content in the individual loan as compared to the loan's current carrying value, which includes any related purchase accounting discount. Any loans that subsequently became impaired are evaluated under ASC 310-10-35.

Purchased credit-impaired loans require a quarterly review of expected cash flows. These loans are generally evaluated quarterly by the Bank's Special Assets Committee, unless they have been upgraded to a pass loan. If there is further credit deterioration, an additional specific reserve will be recorded.

Loans originated after June 30, 2010 are collectively evaluated for estimated losses in accordance with ASC 450, "Contingencies," based on groups of loans with similar risk characteristics that align with the portfolio segments disclosed in the tables below. The Bank has maintained an allowance for loan loss model that computes loss factors for each segment based upon our historical losses and current portfolio trends.

Loans originated after June 30, 2010 that meet the Bank's definition of impairment are evaluated in accordance with ASC 310-10-35. If determined necessary, a specific reserve will be recorded for these loans.

The following tables present an analysis of the allowance for loan losses, segregated by impairment method and by portfolio:

Allowance Rollforward:

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Commercial Business	Other Secured	Stock Secured	Unsecured Loans and Lines of Credit	Unallocated	Total
At or for the Quarter Ended March 31, 2015												
Allowance for loan losses:												
Beginning balance	$ 24,855	$ 5,344	$ 21,800	$ 19,891	$ 618	$ 2,941	$ 71,805	$ 5,081	$ 984	$ 4,145	$ 49,878	$ 207,342
Provision (reversal of provision)	67	(394)	650	1,847	(38)	173	5,357	991	71	180	2,983	11,887
Charge-offs	—	(44)	—	—	—	—	—	—	—	(18)	—	(62)
Recoveries	—	—	—	—	—	—	13	—	—	36	—	49
Ending balance	$ 24,922	$ 4,906	$ 22,450	$ 21,738	$ 580	$ 3,114	$ 77,175	$ 6,072	$ 1,055	$ 4,343	$ 52,861	$ 219,216
Ending balance: purchased loans evaluated collectively for impairment	$ 1,252	$ 466	$ 127	$ 1,001	$ 105	$ —	$ 2,824	$ —	$ —	$ 478	$ —	$ 6,253
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 336	$ 447	$ 11	$ 11	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 805
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ —	$ —	$ —	$ 51	$ —	$ —	$ 40	$ —	$ —	$ —	$ —	$ 91
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 23,333	$ 3,993	$ 22,312	$ 20,675	$ 475	$ 3,114	$ 74,311	$ 6,072	$ 1,055	$ 3,865	$ 52,861	$ 212,066
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1
Loans:												
Ending balance	$ 21,136,677	$ 2,124,783	$ 4,832,179	$ 3,984,920	$ 396,842	$ 489,952	$ 5,043,792	$ 444,665	$ 307,405	$ 245,543		$ 39,006,758
Ending balance: purchased loans evaluated collectively for impairment	$ 2,650,320	$ 542,384	$ 309,704	$ 471,415	$ 3,904	$ 1,091	$ 252,143	$ 31,249	$ 5,467	$ 23,770		$ 4,291,447
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 25,853	$ 10,322	$ 2,737	$ 6,512	$ —	$ —	$ —	$ —	$ —	$ —		$ 45,424
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 10,490	$ 3,585	$ 20,163	$ 25,932	$ —	$ —	$ 22,003	$ —	$ —	$ 575		$ 82,748
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 18,444,146	$ 1,560,691	$ 4,498,455	$ 3,481,061	$ 392,938	$ 488,861	$ 4,768,793	$ 413,416	$ 301,938	$ 221,198		$ 34,571,497
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 5,868	$ 7,801	$ 1,120	$ —	$ —	$ —	$ 853	$ —	$ —	$ —		$ 15,642

Allowance Rollforward:

($ in thousands)	Single Family (1-4 units)	Home Equity Lines of Credit	Multifamily (5+ units)	Commercial Real Estate	Single Family Construction	Multifamily/ Commercial Construction	Commercial Business	Other Secured	Stock Secured	Unsecured Loans and Lines of Credit	Unallocated	Total
At or for the Quarter Ended March 31, 2014												
Allowance for loan losses:												
Beginning balance	$ 22,972	$ 5,513	$ 18,410	$ 16,314	$ 548	$ 1,617	$ 52,197	$ 4,511	$ 557	$ 2,681	$ 27,685	$ 153,005
Provision	541	1,654	1,183	971	164	201	779	378	130	111	983	7,095
Charge-offs	—	(171)	—	—	—	—	(574)	—	—	(6)	—	(751)
Recoveries	4	54	—	—	—	—	206	—	—	28	—	292
Ending balance	$ 23,517	$ 7,050	$ 19,593	$ 17,285	$ 712	$ 1,818	$ 52,608	$ 4,889	$ 687	$ 2,814	$ 28,668	$ 159,641
Ending balance: purchased loans evaluated collectively for impairment	$ 1,681	$ 926	$ 227	$ 1,255	$ 148	$ —	$ 2,145	$ —	$ —	$ 213	$ —	$ 6,595
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 1,088	$ 1,429	$ —	$ —	$ —	$ —	$ 17	$ —	$ —	$ —	$ —	$ 2,534
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ —	$ —	$ —	$ 211	$ —	$ —	$ 98	$ —	$ —	$ —	$ —	$ 309
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 20,302	$ 4,688	$ 19,366	$ 15,819	$ 393	$ 1,818	$ 50,348	$ 4,889	$ 687	$ 2,601	$ 28,668	$ 149,579
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 446	$ 7	$ —	$ —	$ 171	$ —	$ —	$ —	$ —	$ —	$ —	$ 624
Loans:												
Ending balance	$ 19,896,087	$ 1,977,224	$ 4,207,414	$ 3,472,982	$ 317,094	$ 318,420	$ 3,573,248	$ 427,409	$ 201,355	$ 204,846		$ 34,596,079
Ending balance: purchased loans evaluated collectively for impairment	$ 3,429,050	$ 701,062	$ 391,606	$ 721,842	$ 6,620	$ 1,084	$ 333,701	$ 37,920	$ 4,488	$ 34,470		$ 5,661,843
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 27,336	$ 10,814	$ 1,983	$ 6,488	$ —	$ —	$ 544	$ —	$ —	$ —		$ 47,165
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 10,918	$ 4,222	$ 24,970	$ 28,701	$ —	$ —	$ 27,930	$ —	$ —	$ 551		$ 97,292
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 16,428,337	$ 1,259,039	$ 3,788,855	$ 2,715,951	$ 307,026	$ 317,336	$ 3,211,073	$ 389,489	$ 196,867	$ 169,825		$ 28,783,798
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 446	$ 2,087	$ —	$ —	$ 3,448	$ —	$ —	$ —	$ —	$ —		$ 5,981

The Bank evaluates reserves on unfunded commitments for home equity lines of credit, single family construction, commercial real estate and multifamily lines of credit, multifamily/commercial construction, commercial business lines of credit and secured/unsecured lines of credit. In determining the level of reserve, the Bank determines the probability of funding for each portfolio segment using historical analysis regarding the amount of commitments that are typically outstanding over time. Construction commitments are assumed to be fully funded, since the construction projects are expected to be completed. Additionally, for unfunded commitments, the Bank applies a loss factor that is consistent with that applied against the funded balance for each portfolio segment. The reserve for unfunded commitments was $12.1 million and $12.0 million at March 31, 2015 and December 31, 2014, respectively.

The following table presents charge-off and allowance ratios:

	At or for the Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Average total loans for the period	$ 38,039,311	$ 33,920,418
Total loans at period end	$ 39,006,758	$ 34,596,079
Ratios:		
Net charge-offs to:		
Average total loans (annualized)	0.00%	0.01%
Allowance for loan losses to:		
Total loans	0.56%	0.46%
Nonaccrual loans	439.9%	306.4%

Impaired Loans

The following tables present information related to impaired loans, disaggregated by class. The loans included in the purchased credit-impaired segment of each class represent those loans that are considered impaired under ASC 310-30.

Impaired Loans:

	Quarter Ended March 31, 2015		At March 31, 2015						
			Total		With no related allowance recorded		With an allowance recorded		
($ in thousands)	Average Recorded Investment	Interest Income Recognized	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Single Family (1-4 units):									
Purchased credit-impaired	$ 10,924	$ 185	$ 10,490	$ 11,526	$ 10,490	$ 11,526	$ —	$ —	$ —
Purchased non-impaired that subsequently became impaired	25,990	116	25,853	26,552	18,194	18,663	7,659	7,889	336
Originated post June 30, 2010 impaired	3,558	17	5,868	5,845	4,502	4,484	1,366	1,361	1
	40,472	318	42,211	43,923	33,186	34,673	9,025	9,250	337
Home Equity Lines of Credit:									
Purchased credit-impaired	4,104	73	3,585	3,760	3,585	3,760	—	—	—
Purchased non-impaired that subsequently became impaired	9,009	19	10,322	10,448	7,612	7,697	2,710	2,751	447
Originated post June 30, 2010 impaired	7,798	—	7,801	7,792	7,801	7,792	—	—	—
	20,911	92	21,708	22,000	18,998	19,249	2,710	2,751	447
Multifamily (5+ units):									
Purchased credit-impaired	20,177	326	20,163	21,202	20,163	21,202	—	—	—
Purchased non-impaired that subsequently became impaired	684	12	2,737	2,804	—	—	2,737	2,804	11
Originated post June 30, 2010 impaired	1,120	7	1,120	1,123	1,120	1,123	—	—	—
	21,981	345	24,020	25,129	21,283	22,325	2,737	2,804	11
Commercial Real Estate:									
Purchased credit-impaired	26,042	470	25,932	29,981	23,388	27,207	2,544	2,774	51
Purchased non-impaired that subsequently became impaired	5,958	3	6,512	6,526	6,389	6,401	123	125	11
	32,000	473	32,444	36,507	29,777	33,608	2,667	2,899	62
Commercial Business:									
Purchased credit-impaired	22,334	296	22,003	24,291	16,558	17,955	5,445	6,336	40
Originated post June 30, 2010 impaired	873	—	853	853	853	853	—	—	—
	23,207	296	22,856	25,144	17,411	18,808	5,445	6,336	40
Unsecured Loans and Lines of Credit:									
Purchased credit-impaired	576	10	575	755	575	755	—	—	—
Total	$ 139,147	$ 1,534	$ 143,814	$ 153,458	$ 121,230	$ 129,418	$ 22,584	$ 24,040	$ 897

Impaired Loans:

	At December 31, 2014						
	Total		With no related allowance recorded		With an allowance recorded		
($ in thousands)	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Single Family (1-4 units):							
Purchased credit-impaired	$ 11,063	$ 12,179	$ 11,063	$ 12,179	$ —	$ —	$ —
Purchased non-impaired that subsequently became impaired	23,422	24,092	9,096	9,487	14,326	14,605	912
Originated post June 30, 2010 impaired	563	562	—	—	563	562	6
	35,048	36,833	20,159	21,666	14,889	15,167	918
Home Equity Lines of Credit:							
Purchased credit-impaired	4,269	4,472	4,269	4,472	—	—	—
Purchased non-impaired that subsequently became impaired	8,074	8,167	180	182	7,894	7,985	701
Originated post June 30, 2010 impaired	7,802	7,794	7,078	7,054	724	740	37
	20,145	20,433	11,527	11,708	8,618	8,725	738
Multifamily (5+ units):							
Purchased credit-impaired	20,188	21,271	20,188	21,271	—	—	—
Originated post June 30, 2010 impaired	1,120	1,123	1,120	1,123	—	—	—
	21,308	22,394	21,308	22,394	—	—	—
Commercial Real Estate:							
Purchased credit-impaired	26,148	30,274	15,218	17,075	10,930	13,199	98
Purchased non-impaired that subsequently became impaired	5,791	5,791	5,791	5,791	—	—	—
	31,939	36,065	21,009	22,866	10,930	13,199	98
Commercial Business:							
Purchased credit-impaired	23,432	25,811	19,391	21,590	4,041	4,221	70
Originated post June 30, 2010 impaired	893	894	893	894	—	—	—
	24,325	26,705	20,284	22,484	4,041	4,221	70
Unsecured Loans and Lines of Credit:							
Purchased credit-impaired	578	759	578	759	—	—	—
Total	$ 133,343	$ 143,189	$ 94,865	$ 101,877	$ 38,478	$ 41,312	$ 1,824

Impaired Loans:

	Quarter Ended March 31, 2014	
($ in thousands)	**Average Recorded Investment**	**Interest Income Recognized**
Single Family (1-4 units):		
Purchased credit-impaired	$ 12,736	$ 532
Purchased non-impaired that subsequently became impaired	26,234	52
Originated post June 30, 2010 impaired	446	—
	39,416	584
Home Equity Lines of Credit:		
Purchased credit-impaired	4,286	65
Purchased non-impaired that subsequently became impaired	9,861	40
Originated post June 30, 2010 impaired	2,099	—
	16,246	105
Multifamily (5+ units):		
Purchased credit-impaired	28,953	1,514
Purchased non-impaired that subsequently became impaired	1,999	—
	30,952	1,514
Commercial Real Estate:		
Purchased credit-impaired	28,781	608
Purchased non-impaired that subsequently became impaired	6,489	—
Originated post June 30, 2010 impaired	95	—
	35,365	608
Single Family Construction:		
Originated post June 30, 2010 impaired	3,448	—
Commercial Business:		
Purchased credit-impaired	30,584	821
Purchased non-impaired that subsequently became impaired	275	—
	30,859	821
Unsecured Loans and Lines of Credit:		
Purchased credit-impaired	603	17
Total	$ 156,889	$ 3,649

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 troubled debt restructurings 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 summarizes our loans modified by troubled debt restructurings, by portfolio segment and class:

Troubled Debt Restructurings:

	At March 31, 2015			At December 31, 2014		
($ in thousands)	Restructured - Nonaccrual	Restructured - Accruing	Total	Restructured - Nonaccrual	Restructured - Accruing	Total
Single Family (1-4 units):						
Purchased non-impaired	$ —	$ 341	$ 341	$ —	$ 5,745	$ 5,745
Purchased non-impaired that subsequently became impaired	10,766	3,979	14,745	12,278	—	12,278
Purchased credit-impaired	—	2,657	2,657	—	2,617	2,617
Originated post June 30, 2010 non-impaired	—	—	—	—	1,366	1,366
Originated post June 30, 2010 impaired	—	1,366	1,366	—	—	—
	10,766	8,343	19,109	12,278	9,728	22,006
Home Equity Lines of Credit:						
Purchased non-impaired	—	267	267	—	1,068	1,068
Purchased non-impaired that subsequently became impaired	5,565	1,807	7,372	5,806	1,023	6,829
Purchased credit-impaired	—	145	145	—	149	149
Originated post June 30, 2010 impaired	2,748	—	2,748	2,737	—	2,737
	8,313	2,219	10,532	8,543	2,240	10,783
Multifamily (5+ units):						
Purchased non-impaired	—	—	—	—	1,990	1,990
Purchased non-impaired that subsequently became impaired	743	1,994	2,737	—	—	—
Purchased credit-impaired	434	1,449	1,883	453	1,439	1,892
Originated post June 30, 2010 impaired	398	—	398	398	—	398
	1,575	3,443	5,018	851	3,429	4,280
Commercial Real Estate:						
Purchased non-impaired	—	228	228	—	855	855
Purchased non-impaired that subsequently became impaired	5,766	622	6,388	5,791	—	5,791
	5,766	850	6,616	5,791	855	6,646
Commercial Business:						
Purchased credit-impaired	2,077	—	2,077	2,196	—	2,196
Originated post June 30, 2010 impaired	490	—	490	527	—	527
	2,567	—	2,567	2,723	—	2,723
Total	$ 28,987	$ 14,855	$ 43,842	$ 30,186	$ 16,252	$ 46,438

During the quarter ended March 31, 2015, troubled debt restructurings were modified by reductions in interest rate. There were no loans modified that were considered troubled debt restructurings during the quarter ended March 31, 2014. The following table summarizes the recorded investment in loans modified in troubled debt restructurings, by portfolio segment and class, for modifications during the periods indicated:

Troubled Debt Restructurings:

($ in thousands)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Multifamily (5+ units):		
Purchased non-impaired	$ 747	$ —

The majority of the Bank's restructured loans are considered impaired and are evaluated individually for impairment under ASC 310-10-35. The resulting impairment, if any, would have an impact on the allowance for loan losses as a specific reserve and be measured under the same criteria as all other impaired loans. For those restructured loans that are purchased credit-impaired, any required allowance is evaluated based upon ASC 310-30. Certain restructured accruing loans may be deemed non-impaired and would therefore be evaluated for estimated losses under ASC 450. No loans defaulted during the quarter ended March 31, 2015 or 2014 that were modified in the previous 12 months.

Note 4. Mortgage Banking Activities

The recorded value of mortgage servicing rights ("MSRs") is amortized in proportion to, and over the period of, estimated net servicing income. The Bank values MSRs by stratifying loans sold each year by property type, loan index for adjustable-rate mortgages ("ARMs") and interest rate for loans fixed for more than three years.

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

($ in thousands)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Loans originated	$ 4,249,030	$ 3,221,498
Single family loans originated	$ 1,698,443	$ 1,446,212
Loans sold:		
Flow sales	$ 127,653	$ 91,138
Bulk sales	447,019	255,062
Total loans sold	$ 574,672	$ 346,200
Gain on sale of loans:		
Amount	$ 1,812	$ 2,845
Gain as a percentage of loans sold	0.32%	0.82%

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

($ in thousands)	At or for the Quarter Ended March 31, 2015	2014
Loans serviced for others:		
Beginning balance	$ 9,590,361	$ 6,000,277
Loans sold	574,672	346,200
Repayments	(319,011)	(148,074)
Loans repurchased	(5,820)	—
Ending balance	$ 9,840,202	$ 6,198,403
MSRs:		
Beginning balance	$ 49,023	$ 29,781
Additions due to new loans sold	4,181	2,419
Amortization expense	(2,917)	(1,872)
Reversal of valuation allowance	—	5
Reductions due to repurchases	(38)	—
Ending balance	$ 50,249	$ 30,333
Estimated fair value of MSRs	$ 70,102	$ 44,710
MSRs as a percent of loans serviced	0.51%	0.49%
Weighted average servicing fee collected for the period (annualized)	0.25%	0.25%
MSRs as a multiple of weighted average servicing fee	2.02x	1.93x

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

($ in thousands)	At or for the Quarter Ended March 31, 2015	2014
Valuation allowance:		
Beginning balance	$ —	$ 9
Reversal to income due to increase in fair value	—	(5)
Write-down due to permanent impairment	—	(4)
Ending balance	$ —	$ —

The following table presents servicing fees:

($ in thousands)	Quarter Ended March 31, 2015	2014
Contractually specified servicing fees	$ 6,147	$ 3,863
Late charges and ancillary fees, net of costs	$ 786	$ 142

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, 2015	December 31, 2014
Fair value of MSRs	$ 70,102	$ 69,258
Weighted average prepayment speed (CPR)	12.7%	11.5%
Impact on fair value of 10% adverse change	$ (3,719)	$ (3,531)
Impact on fair value of 20% adverse change	$ (7,090)	$ (6,672)
Weighted average discount rate	12.4%	12.5%
Impact on fair value of 10% adverse change	$ (2,312)	$ (2,260)
Impact on fair value of 20% adverse change	$ (4,477)	$ (4,379)

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.

Note 5. Variable Interest Entities

The Bank's involvement with VIEs includes its interests purchased in securitizations and tax credit investments.

The Bank has variable interests in several VIEs related to First Republic REMICs that were formed in 2000 through 2002. The Bank has purchased various tranches of these securitizations. As of March 31, 2015 and December 31, 2014, the Bank consolidated four of the REMICs for which it is the primary beneficiary and also held variable interests of less significance in one other REMIC sponsored by the Bank, which is not consolidated.

The Bank also 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.

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

	March 31, 2015		
($ in thousands)	VIEs that we do not consolidate	VIEs that we consolidate	Total
Assets:			
Investment securities held-to-maturity	$ 3,002	$ —	$ 3,002
Loans	—	60,473	60,473
Tax credit investments	844,213	—	844,213
Total Assets	847,215	60,473	907,688
Liabilities:			
Unfunded commitments—tax credit investments	402,511	—	402,511
Debt	—	32,800	32,800
Total Liabilities	402,511	32,800	435,311
Net Assets	$ 444,704	$ 27,673	$ 472,377

($ in thousands)	December 31, 2014 VIEs that we do not consolidate	VIEs that we consolidate	Total
Assets:			
Investment securities held-to-maturity	$ 1,316	$ —	$ 1,316
Loans	—	62,683	62,683
Tax credit investments	828,640	—	828,640
Total Assets	829,956	62,683	892,639
Liabilities:			
Unfunded commitments—tax credit investments	405,945	—	405,945
Debt	—	36,039	36,039
Total Liabilities	405,945	36,039	441,984
Net Assets	$ 424,011	$ 26,644	$ 450,655

The Bank's exposure to loss with respect to the consolidated VIEs is limited to the investment in the securities purchased of approximately $27.7 million at March 31, 2015 and $26.6 million at December 31, 2014. The debt holders of the REMICs have no recourse to the Bank. The Bank's exposure to loss with respect to VIEs that are not consolidated would be equal to the Bank's investment in these assets of $847.2 million at March 31, 2015 and $830.0 million at December 31, 2014.

Note 6. Goodwill and Other Intangible Assets

The following table presents the gross carrying value of intangible assets and accumulated amortization:

($ in thousands)	March 31, 2015 Gross Carrying Value	March 31, 2015 Accumulated Amortization	December 31, 2014 Gross Carrying Value	December 31, 2014 Accumulated Amortization
Amortized intangible assets:				
MSRs, before valuation allowance	$ 81,943	$ (31,694)	$ 77,803	$ (28,780)
Core deposit intangibles	87,550	(63,239)	87,550	(60,887)
Customer relationship intangibles	83,940	(46,305)	83,940	(43,502)
Total amortized intangibles	$ 253,433	$ (141,238)	$ 249,293	$ (133,169)
Goodwill	$ 106,549		$ 106,549	
Trade name	$ 42,900		$ 42,900	

The following table presents goodwill by business segment:

($ in thousands)	Commercial Banking	Wealth Management	Total
Balance as of December 31, 2013 and 2014 and March 31, 2015	$ 24,604	$ 81,945	$ 106,549

The following table presents the estimated future amortization for amortizable intangible assets as of March 31, 2015. The projections of amortization expense are based on existing asset balances as of March 31, 2015. Future amortization expense may vary from these projections.

($ in thousands)	MSRs	Core deposit intangibles	Customer relationship intangibles
April 1 - December 31, 2015	$ 8,142	$ 6,403	$ 7,785
2016	8,421	7,018	8,923
2017	6,737	5,282	7,258
2018	5,389	3,545	5,593
2019	4,312	1,809	3,928
2020	$ 3,449	$ 253	$ 2,344

Note 7. Short-Term Borrowings and Long-Term Debt

The Bank has historically used FHLB advances primarily as a source for long-term borrowings, and, in certain cases, for short-term borrowings. Other sources of funding include federal funds purchased and senior notes. The following table presents the carrying values and interest expense on short-term borrowings and long-term debt:

	Carrying Values		Interest Expense Quarter Ended March 31,	
($ in thousands)	March 31, 2015	December 31, 2014	2015	2014
Short-term borrowings	$ —	$ —	$ —	$ —
Long-term debt:				
FHLB advances	4,925,000	5,275,000	20,190	21,185
Senior notes [(1)]	396,576	396,384	2,568	—
Total	5,321,576	5,671,384	22,758	21,185
Other long-term debt:				
Debt related to VIEs	32,800	36,039	138	192
Total borrowings	$ 5,354,376	$ 5,707,423	$ 22,896	$ 21,377

(1) The Bank adopted the amendments to ASC 835-30 during the quarter ended March 31, 2015, which requires offering costs to be presented as a reduction to the carrying amount of senior notes. The Bank has retrospectively adjusted the prior period senior notes carrying amount to reflect this change.

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $243.2 million and $247.9 million at March 31, 2015 and December 31, 2014, respectively.

The Bank issued $400 million of unsecured senior notes on June 17, 2014. The senior notes bear a contractual fixed interest rate of 2.375% and mature on June 17, 2019. The carrying value of the senior notes is net of unamortized issuance discounts and deferred issuance costs. The issuance discounts and deferred issuance costs are amortized into interest expense over the contractual life of the senior notes using a level yield methodology.

Note 8. Derivative Financial Instruments

In accordance with ASC 815, "Derivatives and Hedging," the Bank recognizes all derivatives on the balance sheet at fair value. The Bank accounts for changes in the fair value of a derivative depending on the intended use of the derivative and its resulting designation under specified criteria.

The Bank has derivative assets and liabilities consisting of foreign exchange contracts executed with customers; the Bank offsets the customer 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 amounts presented in the table below include the foreign exchange contracts with both the customers and the financial institution counterparties.

The Bank also creates derivative instruments when it enters into interest rate lock commitments for single family mortgage loans that will be sold to investors. 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, 2015			December 31, 2014		
		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]
Derivatives not designated as hedging instruments:						
Foreign exchange contracts	$ 1,615,616	$ 35,696	$ 35,769	$ 1,446,775	$ 29,290	$ 28,994
Interest rate contracts with borrowers	$ 127,215	321	—	$ 35,880	29	31
Forward loan sale commitments	$ 190,829	—	321	$ 306,418	104	102
Total		$ 36,017	$ 36,090		$ 29,423	$ 29,127

[1] Included in prepaid expenses and other assets on the balance sheet.

[2] Included in other liabilities on the balance sheet.

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 risk 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. Management does not currently anticipate non-performance by any of the counterparties.

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

($ in thousands)	Total: Gross Amounts Recognized	Contracts Not Subject to Master Netting Arrangements: Gross Amounts Recognized	Contracts Subject to Master Netting Arrangements: Gross Amounts Recognized	Gross Amounts Offset on the Balance Sheet	Net Amounts Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet: Derivative Amount	Cash Collateral [(1)]	Net Amount
March 31, 2015								
Derivative assets:								
Foreign exchange contracts	$ 35,696	$ 16,873	$ 18,823	$ —	$ 18,823	$ 17,739	$ 1,084	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 35,769	$ 18,030	$ 17,739	$ —	$ 17,739	$ 17,739	$ —	$ —
December 31, 2014								
Derivative assets:								
Foreign exchange contracts	$ 29,290	$ 10,540	$ 18,750	$ —	$ 18,750	$ 11,116	$ 6,610	$ 1,024
Derivative liabilities:								
Foreign exchange contracts	$ 28,994	$ 17,878	$ 11,116	$ —	$ 11,116	$ 11,116	$ —	$ —

(1) Cash 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.

As a result of the discontinuation of certain cash flow hedges used to hedge exposure to the variability of future cash flows for certain deposit accounts, the Bank reclassified unrealized losses from accumulated other comprehensive income into earnings over the remaining life of the original hedging relationships, as the hedged transactions continued to be probable of occurring. The following table presents the net losses on the interest rate swaps reclassified into earnings:

($ in thousands)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Losses (pre-tax) reclassified from accumulated other comprehensive income into interest expense on deposits (effective portion)	$ (31)	$ (242)

As of March 31, 2015, all unrealized losses from terminated hedges have been reclassified from accumulated other comprehensive income into interest expense.

Note 9. 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. Securities available-for-sale 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, such as loans held for sale, loans held for investment, MSRs and other real estate owned. These nonrecurring fair value adjustments typically involve application of the lower-of-cost-or-market accounting or write-downs of individual assets.

Fair Value Hierarchy

Under ASC 820, "Fair Value Measurement," 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.

Under ASC 820, the Bank bases its fair values on 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. 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.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value. 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 Bank has not adjusted fair values to reflect changes in market conditions subsequent to March 31, 2015 and December 31, 2014; therefore, estimates presented herein are not necessarily indicative of amounts that could be realized in a current transaction.

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.

The Bank uses the following methods and assumptions to estimate the fair value of each major classification of financial instruments:

Cash and cash equivalents: The current carrying amount approximates estimated fair value.

Securities purchased under agreements to resell: Securities purchased under agreements to resell represent overnight investments purchased in conjunction with our customer cash management services. The carrying value approximates fair market value due to the short time between the purchase of the instrument and its expected maturity.

Investment securities: The Bank's U.S. Treasury securities and marketable equity securities are valued using quoted market prices from the active exchange on which the securities are traded. For most other investment securities, the Bank uses quoted prices obtained through third-party valuation sources. Management reviews the valuation techniques and assumptions used by the providers and determines that widely accepted valuation techniques based on observable market inputs appropriate for the type of security being measured are utilized. In some instances, prices are obtained from dealer quotes. The fair value of tax-exempt nonprofit debentures and certain municipal securities are determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

Loans: The carrying amount of loans is net of unamortized deferred loan fees or costs, unamortized premiums or discounts and the allowance for loan losses. To estimate fair value of the Bank's loans, which are primarily adjustable-rate and intermediate-fixed rate real estate secured mortgages, the Bank segments each loan collateral type into categories based on fixed or adjustable interest rate terms (index, margin, current rate and time to next adjustment), maturity and estimated credit risk.

The Bank bases the fair value of single family loans on market prices adjusted for estimated credit risk. The fair value of multifamily and commercial real estate mortgages is primarily based upon prices of loans with similar terms obtained by or quoted to the Bank and adjusted for estimated credit risk. The Bank estimates the fair value of other loans using a discounted cash flow model based on the current interest rates at which similar loans would be made to borrowers with similar credit characteristics in the Bank's lending activities. Assumptions regarding liquidity risk and credit risk are judgmentally determined using available internal and market information.

For the fair value of nonaccrual loans and certain other loans, the Bank considers the individual characteristics of the loans, including delinquency status and the results of the Bank's internal loan grading process.

Loans held for sale: The carrying amount of loans held for sale reflects the lower of cost or market, including net deferred loan fees and costs. The fair value of loans held for sale is derived from quoted market prices of loans with similar terms or actual prices at which loans were committed for sale.

Investments in life insurance: The carrying amount of investments in life insurance reflects the total cash surrender value of each policy, which approximates fair 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. Other real estate owned is adjusted to fair value less costs to sell upon transfer of the loans to foreclosed assets. Subsequently, other real estate owned is carried at the lower of carrying value or fair value less costs to sell. Fair value is generally based upon independent market prices or appraised values of the collateral.

FHLB stock: FHLB stock has no trading market, is required as part of membership and is redeemable at par; therefore, its fair value is presented at cost.

Deposits: The fair value of deposits with no stated maturity, such as demand deposit accounts, money market accounts and passbook accounts, approximates the carrying amount reported on the balance sheet. The intangible value of long-term relationships with depositors is not taken into account in estimating the fair values disclosed. Management believes that the Bank's non-term accounts, as a continuing source of less costly funds, provide significant additional value to the Bank that is not reflected in the assigned value. The fair value of certificates of deposit, which have a stated maturity, is based on the present value of contractual cash flows discounted by the replacement rates for deposits with similar remaining maturities.

Long-term FHLB advances: The estimated fair value of long-term FHLB advances represents the present value of cash flows discounted using the FHLB's fixed-rate cost of funds curve for advances of the same type and with the same characteristics.

Senior notes: The fair value is based on the most recent quoted market price for this issue.

Debt related to VIEs: The fair value is based on the most recent quoted market price for these issues.

Derivative financial instruments: 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.

Recurring Fair Value Measurements

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements on a Recurring Basis March 31, 2015			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities available-for-sale:				
U.S. Treasury and other U.S. Government agency securities	$ 249,990	$ 50,358	$ —	$ 300,348
Agency residential MBS	—	363,902	—	363,902
Other residential MBS	—	11,832	—	11,832
Agency commercial MBS	—	704,545	—	704,545
Securities of U.S. states and political subdivisions—taxable	—	—	47,431	47,431
Marketable equity securities	840	—	—	840
Derivative assets	—	36,017	—	36,017
Total	$ 250,830	$ 1,166,654	$ 47,431	$ 1,464,915
Liabilities:				
Derivative liabilities	$ —	$ 36,090	$ —	$ 36,090

	Fair Value Measurements on a Recurring Basis December 31, 2014			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities available-for-sale:				
U.S. Treasury and other U.S. Government agency securities	$ 505,047	$ 51,124	$ —	$ 556,171
Agency residential MBS	—	387,091	—	387,091
Other residential MBS	—	11,804	—	11,804
Agency commercial MBS	—	389,639	—	389,639
Securities of U.S. states and political subdivisions—taxable	—	—	47,521	47,521
Marketable equity securities	1,131	—	—	1,131
Derivative assets	—	29,423	—	29,423
Total	$ 506,178	$ 869,081	$ 47,521	$ 1,422,780
Liabilities:				
Derivative liabilities	$ —	$ 29,127	$ —	$ 29,127

There were no transfers in or out of Levels 1 and 2 in the quarter ended March 31, 2015 or 2014.

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

($ in thousands)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Available-for-sale securities of U.S. states and political subdivisions—taxable:		
Balance at beginning of period	$ 47,521	$ 47,455
Unrealized losses included in other comprehensive income	(92)	(1)
Accretion included in interest income	2	1
Balance at end of period	$ 47,431	$ 47,455

There were no transfers in or out of Level 3 assets measured on a recurring basis during the quarter ended March 31, 2015 and 2014.

Nonrecurring Fair Value Measurements

The Bank may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. Nonrecurring fair value adjustments of MSRs and other real estate owned result from the application of lower-of-cost-or-market accounting. Nonrecurring fair value adjustments of real estate secured mortgages represent a write-down 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. For assets measured at fair value on a nonrecurring basis that were held on the balance sheet at March 31, 2015 and December 31, 2014, the following tables provide the fair value hierarchy levels and the carrying values of the related individual assets or portfolios:

	Fair Value Measurements on a Nonrecurring Basis March 31, 2015			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Real estate secured mortgages	$ —	$ —	$ 5,053	$ 5,053

	Fair Value Measurements on a Nonrecurring Basis December 31, 2014			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
MSRs	$ —	$ —	$ 164	$ 164

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.

($ in thousands)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Assets:		
Real estate secured mortgages	$ (12)	$ (50)
MSRs	—	5
Total	$ (12)	$ (45)

Level 3 Inputs

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

	March 31, 2015			
($ in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Weighted Average**
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,431	Discounted cash flow	Liquidity risk yield premium	50 bps

	December 31, 2014			
($ in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Weighted Average**
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,521	Discounted cash flow	Liquidity risk yield premium	50 bps
MSRs	$ 164	Present value of estimated future servicing income	Estimated prepayment rate	21.0%
			Discount rate	12.0%

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.

The Bank calculates the fair value of MSRs on a quarterly basis. The Bank's management reviews the analysis and considers historical trends in conjunction with the inputs listed above. For further discussion of the sensitivity analysis and interrelationship of the unobservable inputs used in the valuation, refer to Note 4, "Mortgage Banking Activities."

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, 2015			
	Carrying Amount	Fair Value		
($ in thousands)		**Level 1**	**Level 2**	**Level 3**
Assets:				
Cash and cash equivalents	$ 1,644,534	$ 1,644,534	$ —	$ —
Securities purchased under agreements to resell	100	100	—	—
Investment securities held-to-maturity:				
U.S. Government-sponsored agency securities	908,658	—	912,609	—
Agency residential MBS	1,305,876	—	1,322,955	—
Other residential MBS	3,002	—	3,080	—
Agency commercial MBS	115,720	—	117,944	—
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	3,518,969	—	3,703,174	131,604
Tax-exempt nonprofit debentures	159,350	—	—	163,852
Taxable municipal securities	53,125	—	66,640	—
Loans, net:				
Real estate secured mortgages	32,862,782	—	21,202,917	11,440,861
Other loans	5,924,760	—	—	5,562,484
Loans held for sale	63,824	—	64,231	—
Investments in life insurance	1,022,466	—	—	1,022,466
MSRs	50,249	—	—	70,102
FHLB stock	243,225	—	—	243,225
Liabilities:				
Deposits:				
Deposits with no maturity	36,108,367	—	36,108,367	—
Certificates of deposit	3,830,823	—	—	3,859,253
Long-term FHLB advances	4,925,000	—	4,984,904	—
Senior notes	396,576	—	403,052	—
Debt related to VIEs	$ 32,800	$ —	$ 31,068	$ —

($ in thousands)	December 31, 2014 Carrying Amount	Fair Value Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 817,150	$ 817,150	$ —	$ —
Securities purchased under agreements to resell	100	100	—	—
Investment securities held-to-maturity:				
U.S. Government-sponsored agency securities	582,083	—	585,240	—
Agency residential MBS	1,052,867	—	1,063,532	—
Other residential MBS	1,316	—	1,366	—
Agency commercial MBS	116,085	—	115,938	—
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	3,277,636	—	3,444,826	133,005
Tax-exempt nonprofit debentures	161,583	—	—	166,075
Taxable municipal securities	53,137	—	65,735	—
Loans, net:				
Real estate secured mortgages	31,897,819	—	20,462,173	11,146,634
Other loans	5,703,208	—	—	5,334,811
Loans held for sale	271,448	—	271,621	—
Investments in life insurance	1,014,734	—	—	1,014,734
MSRs	49,023	—	—	69,258
FHLB stock	247,925	—	—	247,925
Liabilities:				
Deposits:				
Deposits with no maturity	33,363,913	—	33,363,913	—
Certificates of deposit	3,767,016	—	—	3,793,719
Long-term FHLB advances	5,275,000	—	5,314,537	—
Senior notes	396,384	—	401,308	—
Debt related to VIEs	$ 36,039	$ —	$ 34,100	$ —

Note 10. Preferred Stock

At March 31, 2015, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 889,525 shares were issued and outstanding. Each share of preferred stock has a liquidation preference of $1,000. The following table presents the issued and outstanding shares for each series of the Bank's preferred stock:

(in thousands, except share amounts)	March 31, 2015	December 31, 2014
6.70% Noncumulative Perpetual Series A Preferred Stock—199,525 shares authorized, issued and outstanding at March 31, 2015 and December 31, 2014	$ 199,525	$ 199,525
6.20% Noncumulative Perpetual Series B Preferred Stock—150,000 shares authorized, issued and outstanding at March 31, 2015 and December 31, 2014	150,000	150,000
5.625% Noncumulative Perpetual Series C Preferred Stock—172,500 shares authorized; 150,000 shares issued and outstanding at March 31, 2015 and December 31, 2014	150,000	150,000
5.50% Noncumulative Perpetual Series D Preferred Stock—200,000 shares authorized; 190,000 shares issued and outstanding at March 31, 2015 and December 31, 2014	190,000	190,000
7.00% Noncumulative Perpetual Series E Preferred Stock—200,000 shares authorized, issued and outstanding at March 31, 2015 and December 31, 2014	200,000	200,000
Total	$ 889,525	$ 889,525

The following table presents dividends on preferred stock:

($ in thousands)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
6.70% Noncumulative Perpetual Series A Preferred Stock	$ 3,342	$ 3,342
6.20% Noncumulative Perpetual Series B Preferred Stock	2,325	2,325
5.625% Noncumulative Perpetual Series C Preferred Stock	2,109	2,109
5.50% Noncumulative Perpetual Series D Preferred Stock	2,613	2,613
7.00% Noncumulative Perpetual Series E Preferred Stock	3,500	3,500
Total	$ 13,889	$ 13,889

Note 11. Accumulated Other Comprehensive Income

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

($ in thousands)	Securities Available-For-Sale	Cash Flow Hedges	Total	Statement of Income Line Item for Reclassified Items
Balance at December 31, 2013	**$ 13,546**	**$ (275)**	**$ 13,271**	
Net unrealized gain on securities available-for-sale	2,098	—	2,098	
Related tax effect	(891)	—	(891)	
Reclassification of loss on securities available-for-sale to net income	91	—	91	Gain (loss) on investment securities, net
Related tax effect	(39)	—	(39)	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	242	242	Interest on deposits
Related tax effect	—	(103)	(103)	Provision for income taxes
Other comprehensive income	1,259	139	1,398	
Balance at March 31, 2014	**$ 14,805**	**$ (136)**	**$ 14,669**	
Balance at December 31, 2014	**$ 3,115**	**$ (19)**	**$ 3,096**	
Net unrealized gain on securities available-for-sale	9,759	—	9,759	
Related tax effect	(4,147)	—	(4,147)	
Reclassification of gain on securities available-for-sale to net income	(300)	—	(300)	Gain (loss) on investment securities, net
Related tax effect	127	—	127	Provision for income taxes
Reclassification of loss on cash flow hedges to net income	—	31	31	Interest on deposits
Related tax effect	—	(12)	(12)	Provision for income taxes
Other comprehensive income	5,439	19	5,458	
Balance at March 31, 2015	**$ 8,554**	**$ —**	**$ 8,554**	

Note 12. Earnings Per Common Share ("EPS")

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

	Quarter Ended March 31,	
(in thousands, except per share amounts)	2015	2014
Basic EPS:		
Net income	$ 115,912	$ 114,704
Less: Dividends on preferred stock	13,889	13,889
Net income available to common shareholders	$ 102,023	$ 100,815
Weighted average common shares outstanding	138,839	132,880
Net income per common share—basic	$ 0.73	$ 0.76
Diluted EPS:		
Net income available to common shareholders	$ 102,023	$ 100,815
Weighted average shares:		
Common shares outstanding	138,839	132,880
Dilutive effect of stock options	3,392	3,973
Dilutive effect of restricted stock awards, restricted stock units and performance share units	560	442
Weighted average diluted common shares outstanding	142,791	137,295
Net income per common share—diluted	$ 0.71	$ 0.73

Stock options, restricted stock awards, restricted stock units and performance share units that are anti-dilutive are not included in the calculation of diluted earnings per common share. For both the quarters ended March 31, 2015 and 2014, there were no outstanding stock awards that were anti-dilutive.

Note 13. 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 commercial banking segment represents most of the operations of the Bank, including real estate secured lending, retail deposit gathering, private banking activities, mortgage sales and servicing, and managing capital, liquidity and interest rate risk.

The wealth management segment consists of the investment management activities of FRIM, which manages assets for individuals and institutions in equities, fixed income, balanced and alternative investment accounts. The wealth management segment also includes First Republic Trust Company, a division of the Bank that offers personal trust and custody services; FRTC Delaware, a wholly-owned subsidiary of the Bank that provides trust and custody services; the Bank's mutual fund activities through third-party providers; the brokerage activities of FRSC; and the Bank's foreign exchange activities conducted on behalf of customers. In addition, the wealth management segment is allocated a portion of interest income that is earned on deposits gathered by wealth management professionals, including sweep deposit accounts.

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

The following tables present the operating results, goodwill and total assets of the Bank's two reportable segments, as well as any reconciling items:

($ in thousands)	At or for the Quarter Ended March 31, 2015 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 339,371	$ 8,648	$ —	$ 348,019
Provision for loan losses	11,887	—	—	11,887
Noninterest income	22,152	56,173	(3,406)	74,919
Amortization of intangibles	2,352	2,803	—	5,155
Other noninterest expense	206,054	47,870	(3,406)	250,518
Income before provision for income taxes	141,230	14,148	—	155,378
Provision for income taxes	33,491	5,975	—	39,466
Segment net income	$ 107,739	$ 8,173	$ —	$ 115,912
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 50,780,542	$ 432,781	$ (146,863)	$ 51,066,460

($ in thousands)	At or for the Quarter Ended March 31, 2014 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 309,361	$ 11,342	$ —	$ 320,703
Provision for loan losses	7,095	—	—	7,095
Noninterest income	18,431	44,941	(2,360)	61,012
Amortization of intangibles	2,785	3,219	—	6,004
Other noninterest expense	172,167	41,680	(2,360)	211,487
Income before provision for income taxes	145,745	11,384	—	157,129
Provision for income taxes	37,646	4,779	—	42,425
Segment net income	$ 108,099	$ 6,605	$ —	$ 114,704
Goodwill	$ 24,604	$ 81,945	$ —	$ 106,549
Total Assets	$ 44,137,219	$ 280,293	$ (71,615)	$ 44,345,897

The reconciling items for revenues include intercompany business referral fees, management fees related to the training and licensing of the Bank's licensed representatives, and fees for managing the Bank's investment portfolio. 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 14. Concentration of Deposits

At March 31, 2015, approximately 1% of our deposit relationships hold approximately 42% of total deposits, compared to 41% at December 31, 2014.

Note 15. Subsequent Events

The Bank evaluated the effects of subsequent events that have occurred subsequent to the quarter ended March 31, 2015. 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, 2015 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 that could cause actual results to differ materially from those expressed in them. Our actual results could differ materially from those 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, 2014 (the "2014 Form 10-K"). Forward-looking statements involving such risks and uncertainties include, but are not limited to, statements regarding:

- Significant competition to attract and retain banking and wealth management customers;
- Projections of loans, assets, deposits, liabilities, revenues, expenses, tax liabilities, net income, capital expenditures, liquidity, dividends, capital structure or other financial items;
- Expectations regarding the banking and wealth management industries;
- The possibility of earthquakes and other natural disasters affecting the markets in which we operate;
- Interest rate risk and credit risk;
- Descriptions of plans or objectives of management for future operations, products or services;
- Our ability to maintain and follow high underwriting standards;
- 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;
- Geographic concentration of our operations;
- Our opportunities for growth and our plans for expansion (including opening new offices);
- Expectations about the performance of any new offices;
- Demand for our products and services;
- Projections about loan premiums or discounts and about the amount of intangible assets, as well as related tax entries and amortization of recorded amounts;
- Future provisions for loan losses, changes in nonperforming assets, impairment of investments and our allowance for loan losses;
- Projections about future levels of loan originations or loan repayments;

- The regulatory environment in which we operate, our regulatory compliance and future regulatory requirements, including potential restrictions as a de novo institution and the requirements that become applicable to us when the four-quarter average of our total consolidated assets reaches $50 billion;

- Projections regarding increased compliance costs, including the impact on our core efficiency ratio, in response to enhanced regulatory requirements, including those requirements that become applicable to us when the four-quarter average of our total consolidated assets reaches $50 billion;

- The phase-in of the final capital rules regarding the Basel Committee's "Basel III" December 2010 framework, changes to the definitions and components of regulatory capital and a new approach for risk-weighted assets;

- Legislative and regulatory actions affecting us and the financial services industry, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), including increased compliance costs, limitations on activities and requirements to hold additional capital;

- Our ability to identify and achieve cost savings and improve efficiencies to reduce our operating expenses that are unrelated to regulatory compliance;

- The impact of new accounting standards;

- Future Federal Deposit Insurance Corporation ("FDIC") special assessments or changes to regular assessments; and

- Descriptions of assumptions underlying or relating to any of the foregoing.

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 and our 2014 Form 10-K. 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, 2015	At or for the Quarter Ended March 31, 2014
Selected Financial Data:		
Interest income	$ 384,903	$ 357,311
Interest expense	36,884	36,608
Net interest income	348,019	320,703
Provision for loan losses	11,887	7,095
Net interest income after provision for loan losses	336,132	313,608
Noninterest income	74,919	61,012
Noninterest expense	255,673	217,491
Net income	115,912	114,704
Dividends on preferred stock	13,889	13,889
Net income available to common shareholders	$ 102,023	$ 100,815
Selected Ratios:		
Basic earnings per common share ("EPS")	$ 0.73	$ 0.76
Diluted EPS	$ 0.71	$ 0.73
Core diluted EPS (non-GAAP) [(1)]	$ 0.68	$ 0.67
Net income to average assets [(2)]	0.94%	1.07%
Net income available to common shareholders to average common equity [(2)]	10.32%	12.11%
Average total equity to average total assets	9.82%	9.83%
Dividends per common share	$ 0.14	$ 0.12
Dividend payout ratio	19.6%	16.3%
Book value per common share	$ 29.45	$ 26.21
Tangible book value per common share	$ 27.97	$ 24.51
Net interest margin [(2)]	3.21%	3.37%
Core net interest margin (non-GAAP) [(1), (2)]	3.09%	3.17%
Efficiency ratio [(3)]	60.5%	57.0%
Core efficiency ratio (non-GAAP) [(1), (3)]	61.5%	58.9%
Selected Asset Quality Ratios:		
Nonperforming assets to total assets	0.10%	0.12%
Net loan charge-offs to average total loans [(2)]	0.00%	0.01%
Capital Ratios:		
Tier 1 leverage ratio [(4)]	9.90%	9.85%
Common Equity Tier 1 ratio [(4), (5)]	11.25%	n/a
Tier 1 common equity ratio [(5)]	n/a	11.12%
Tier 1 risk-based capital ratio [(4)]	13.73%	14.07%
Total risk-based capital ratio [(4)]	14.37%	14.64%

(1) For a reconciliation of each ratio to its equivalent ratio under Generally Accepted Accounting Principles ("GAAP"), see "—Use of Non-GAAP Financial Measures."

(2) Ratios are annualized.

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

(4) Ratios as of March 31, 2015 reflect the adoption of the Basel III Capital Rules in effect beginning January 1, 2015 and will be phased in through the end of 2018. See "—Capital Resources" for the fully phased-in ratios. Ratios for prior periods represent the previous capital rules under Basel I.

(5) As of March 31, 2015, Common Equity Tier 1 ratio is a new ratio requirement under the Basel III Capital Rules and represents common equity, less goodwill and intangible assets net of any associated deferred tax liabilities, divided by risk-weighted assets (subject to phase-in adjustments as indicated in footnote 4 above). In prior periods, the Tier 1 common equity ratio represents common equity, less goodwill and intangible assets, divided by risk-weighted assets.

Introduction

We derive our income from three 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 advisory, trust, brokerage, foreign exchange and other banking services; and (3) 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.

Key Factors Affecting Our Business and Financial Statements

Purchase Accounting Accretion and Amortization

As of July 1, 2010, we recorded discounts on loans of $763.3 million and premiums on certificates of deposit ("CDs") of $137.2 million, which are being accreted to net interest income over the lives of the related loans and deposits. The following table presents the remaining balances of the loans and deposits that were impacted by purchase accounting and the remaining purchase accounting amounts:

($ in thousands)	March 31, 2015	December 31, 2014	March 31, 2014
Assets:			
Acquired loans (unpaid principal balance)	$ 4,564,506	$ 4,890,530	$ 6,014,695
Purchase accounting discount	(140,337)	(152,441)	(202,087)
Total	$ 4,424,169	$ 4,738,089	$ 5,812,608
Liabilities:			
Acquired CDs	$ 125,062	$ 224,217	$ 402,047
Purchase accounting premium	278	1,006	5,435
Total	$ 125,340	$ 225,223	$ 407,482

The following table presents the impact of purchase accounting from the re-establishment of First Republic Bank ("First Republic" or the "Bank") as an independent institution included in our income statement:

	Quarter Ended March 31,	
($ in thousands)	2015	2014
Accretion/amortization to net interest income:		
Loans	$ 12,122	$ 17,615
Deposits	728	1,923
Total	$ 12,850	$ 19,538
Amortization to noninterest expense:		
Intangible assets	$ 3,489	$ 4,127

Loan discount accretion decreased for the quarter ended March 31, 2015 compared to the same period a year ago primarily due to a declining portfolio of loans with purchase accounting discounts.

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 further in our 2014 Form 10-K under "Item 1. Business—Supervision and Regulation—Overview," the Dodd-Frank Act significantly restructured the financial regulatory regime in the United States. Provisions of the Dodd-Frank Act and increased expectations of our banking regulators more generally that may have a material effect on our results of operations include, among others, the imposition of additional underwriting standards on mortgages and increased expenses due to heightened regulatory requirements and standards imposed on larger institutions, including: capital and liquidity stress testing, internal audit standards, enterprise risk management standards, and enhanced compliance and standards for internal controls relating to anti-money laundering ("AML"), the Bank Secrecy Act ("BSA") and other matters. In addition, financial institutions with at least $50 billion in total consolidated assets, based on the average of such assets as of the end of each of the previous four quarters, are generally subject to enhanced supervision, both formally and informally, including heightened standards relating to capital stress testing, liquidity stress testing and the establishment and maintenance of a formal resolution plan and an "enhanced" Volcker Rule compliance program.

We are not currently subject to the requirements and standards applicable to financial institutions with at least $50 billion in total consolidated assets, based on the average of such assets as of the end of each of the previous four quarters, as we have not yet reached that threshold. We currently anticipate that our four-quarter ending total consolidated assets will likely first average $50 billion, or more, at the quarter ended September 30, 2015. However, we do not deem it prudent to wait until we reach this threshold to establish additional enhancements needed. As discussed below under "—Impact of Regulatory and Supervisory Requirements on Costs," in response to the current operating environment, heightened expectations from regulators and planning for the imposition of more stringent regulatory obligations as our business continues to grow, we have incurred and expect to continue to incur increased costs in the form of additional personnel, professional fees associated with outside consultants and investments in our infrastructure.

Certain regulatory requirements and standards applicable to bank holding companies with at least $50 billion in total consolidated assets currently would not technically apply to us because we are a California-chartered, non-member bank without a bank holding company. Regardless of the legal applicability of these requirements and standards, we are nevertheless developing self-imposed, enhanced standards that are commensurate with our asset size, legal entity structure and our business model, and that are designed to conceptually conform to the intent and focus of such guidelines and ensure our continued safety and soundness. Adhering to these standards has resulted, and will continue to result, in increased costs similar to those described above.

New Capital Rules

As described further in our 2014 Form 10-K under "Item 1. Business—Supervision and Regulation—New Capital Rules," in July 2013, the FDIC, our primary federal regulator, approved a final rule (the "New Capital Rules" or "Basel III Capital Rules") that was issued jointly by the federal banking agencies, which establishes a new comprehensive capital framework for U.S. banking organizations. The New Capital Rules generally implement the Basel Committee's December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. The New Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including us, compared to the current U.S. risk-based capital rules. The New Capital Rules revise the definitions and the components of regulatory capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The New Capital Rules introduce a new capital measure called "Common Equity Tier 1" ("CET1") and related regulatory capital ratio of CET1 to risk-weighted assets. The New Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replace the existing general risk-weighting approach, which was derived from the "Basel I" capital accords, with a more risk-sensitive approach based, in part, on the "standardized approach" in the Basel Committee's 2004 "Basel II" capital accords. In addition, the New Capital Rules implement certain provisions of the Dodd-Frank Act, including the requirements of Section 939A to remove references to credit ratings from the federal banking agencies' rules. The New Capital Rules became effective for us as of January 1, 2015, subject to phase-in periods for certain of their components and other provisions through the end of 2018.

The New Capital Rules do not affect the FDIC's requirement that we maintain a Tier 1 leverage ratio of at least 8%, which is a higher ratio than that required by the New Capital Rules, for the seven years following our re-establishment as an independent bank and de novo institution, or until June 30, 2017. Refer to "— Capital Resources" for further discussion of capital ratios.

New Liquidity Rules

On September 3, 2014, the federal banking agencies finalized a rule (the "LCR Rule") that imposes standardized minimum liquidity requirements for large, internationally active banking organizations (those with at least $250 billion in total consolidated assets or at least $10 billion in on-balance sheet foreign exposure) as well as modified standardized minimum liquidity requirements for bank holding companies and savings and loan holding companies that have at least $50 billion in total consolidated assets, based on their average over the preceding four quarters, but are not internationally active banking organizations. For bank holding companies and savings and loan holding companies with at least $50 billion in total consolidated assets, based on their average over the preceding four quarters, that are not internationally active banking organizations, the LCR Rule requires that the liquidity coverage ratio be regularly calculated and also requires that these companies hold a significant amount of certain high-quality liquid assets ("HQLA").

Because we are a California-chartered, non-member bank without a bank holding company, we are not subject to the LCR Rule and will not become technically subject to the LCR Rule upon reaching $50 billion in total consolidated assets, based on their average over the preceding four quarters. Nevertheless, we are committed to enhancing our on-balance sheet liquidity and have increased and will continue to increase our portfolio of HQLA.

Impact of Regulatory and Supervisory Requirements on Costs

As a result of the current regulatory environment and our growth in recent years, we have made and expect to continue to make substantial investments in our regulatory, audit and compliance infrastructure, including additional personnel and initiatives to enhance systems and procedures in numerous areas such as BSA/AML compliance, enterprise risk management, capital and liquidity stress testing, qualified mortgage rules, resolution planning and other aspects of our enterprise-wide compliance program. As a result of the foregoing, our expenses have increased and will continue to increase in the near term, which will impact our results of operations.

We have undertaken a comprehensive review of continuing enhancements to regulatory compliance, including the heightened regulatory requirements, along with the investments we have made and we expect to make in our regulatory, audit and compliance infrastructure. We believe it is appropriate and prudent that we make these investments, and incur the related expenses, at this time. In connection with these investments, we are already incurring additional costs relating to hiring significant additional compliance personnel in several areas, professional fees associated with outside consultants and investments in technology systems and compliance infrastructure. For example, we currently have numerous active consulting work streams to both implement new regulatory requirements and further enhance existing processes. We currently anticipate that a significant portion of expenses relating to outside consultants will shift to spending on employee salaries and benefits as we continue to hire additional permanent personnel. The expected increase in expenses also includes certain additional costs that we expect to incur in connection with our commitment to continue investing in the general infrastructure of the franchise.

Cost Containment and Core Efficiency Ratio

During the third quarter of 2014, we formulated and began executing an enterprise-wide cost containment program focused on non-regulatory-related expenditures, including personnel. As a result of this program, we currently anticipate that a meaningful portion of the increased regulatory and infrastructure expenses described above will be offset by these cost containment efforts.

We currently anticipate that our core efficiency ratio for the remaining three quarters of 2015 will range between 57% and 61%. We expect that our core efficiency ratio will continue to remain elevated during 2015 as we continue to invest in and enhance our regulatory and compliance infrastructure. We currently anticipate that our quarterly core efficiency ratio should begin to improve in late 2015 or early 2016.

Financial Highlights

Our total assets were $51.1 billion at March 31, 2015, compared to $48.4 billion at December 31, 2014, a 6% increase.

At March 31, 2015, total investment securities were $7.5 billion, a 13% increase compared to $6.6 billion at December 31, 2014. Total investment securities represented 15% of total assets at March 31, 2015, compared to 14% at December 31, 2014. Investments that are qualified as HQLA from a regulatory perspective totaled $3.7 billion at March 31, 2015, compared to $3.1 billion at December 31, 2014.

At March 31, 2015, loans outstanding, including loans held for sale, were $39.2 billion, a 3% increase, compared to $38.2 billion at December 31, 2014. Our single family mortgage loans, including loans held for sale and home equity lines of credit ("HELOCs"), were $23.4 billion and represented 60% of total loans at March 31, 2015.

Loan origination volume was $4.2 billion for the first quarter of 2015, compared to $3.2 billion for the first quarter of 2014, an increase of 32%. Loan originations increased due to an increase in business lending and an increased level of home purchases and refinances due to continued low interest rates.

Total deposits were $39.9 billion at March 31, 2015, an increase of 8%, compared to $37.1 billion at December 31, 2014. Deposits increased as a result of expanding existing client relationships, referrals from existing clients, and new deposit clients, both business and consumer. Balances in business and personal checking accounts were $23.8 billion, or 60% of total deposits, as we continued to emphasize building banking relationships through checking and other transaction deposit accounts. Total checking and savings accounts were 90% of total deposits at both March 31, 2015 and December 31, 2014, compared to 89% at March 31, 2014. At March 31, 2015, business deposits were $19.4 billion and represented 49% of total deposits, compared to $17.6 billion, or 47% of total deposits, at December 31, 2014.

Under the Basel III Capital Rules, which became effective for us on January 1, 2015, our Tier 1 leverage, Common Equity Tier 1 and total risk-based capital ratios at March 31, 2015 were 9.90%, 11.25% and 14.37%, respectively. The Basel III Capital Rules are subject to a phase-in period through the end of 2018. If fully phased-in, our Tier 1 leverage, Common Equity Tier 1 and total risk-based capital ratios at March 31, 2015 would have been 9.78%, 11.07% and 14.19%, respectively. We continue to exceed regulatory guidelines for well-capitalized institutions and to satisfy our de novo institution capital requirements. Refer to "— Capital Resources" for further discussion of capital ratios.

Book value per common share was $29.45 at March 31, 2015, a 5% increase from December 31, 2014 and a 12% increase during the last twelve months. Tangible book value per common share was $27.97 at March 31, 2015, a 5% increase from December 31, 2014, and a 14% increase during the last twelve months.

During the first quarter of 2015, we sold 3.5 million new shares of common stock in an underwritten offering, which added approximately $203.3 million to common equity.

Cash dividends paid in the first quarter of 2015 were $0.14 per share of common stock to shareholders of record as of January 29, 2015, compared to $0.12 in the first quarter of 2014. On April 16, 2015, we announced an increase in our quarterly cash dividend to $0.15 per share of common stock. The first quarter dividend is payable on May 14, 2015 to shareholders of record as of April 30, 2015. Any future payment of dividends will be subject to ongoing regulatory oversight and board approval.

Wealth management assets under management or administration increased $3.0 billion, or 6%, to $56.4 billion at March 31, 2015, from $53.4 billion at December 31, 2014. The increase in assets under management was primarily due to net new assets from both existing and new clients.

Results of Operations—Quarter Ended March 31, 2015 Compared to Quarter Ended March 31, 2014

Overview

Net income was $115.9 million and $114.7 million for the first quarter of 2015 and 2014, respectively, an increase of $1.2 million, or 1%. Diluted EPS were $0.71, compared to $0.73 for the first quarter of 2014.

Net income excluding the impact of purchase accounting (core net income) was $110.5 million and $105.8 million for the first quarter of 2015 and 2014, respectively. On this non-GAAP basis, core diluted EPS were $0.68, compared to $0.67 for the first quarter of 2014. For a reconciliation of core net income and core diluted EPS to the equivalent amounts under GAAP, see "—Use of Non-GAAP Financial Measures."

Net income for the Commercial Banking segment was $107.7 million and $108.1 million for the first quarter of 2015 and 2014, respectively. The Wealth Management segment had net income of $8.2 million and $6.6 million for the first quarter of 2015 and 2014, respectively. For a discussion of segment results, see "—Business Segments."

Net Interest Income

Net interest income was $348.0 million for the first quarter of 2015, an increase of $27.3 million, or 9%, compared to $320.7 million for the first quarter of 2014. Included in net interest income were the effects of purchase accounting. The amount of net interest income resulting from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $12.9 million for the first quarter of 2015, compared to $19.5 million for the first quarter of 2014.

On an average basis, interest-earning assets and interest-bearing liabilities for the first quarter of 2015 each increased 15% from the first quarter of 2014.

Yields/Rates

The following table presents our yields/rates on interest-earning assets and interest-bearing liabilities and the reconciliation between the net interest margin excluding purchase accounting accretion/amortization (core net interest margin) to its equivalent GAAP ratio. Yields and rates are calculated on an annualized basis.

	Quarter Ended March 31,	
	2015	**2014**
Interest-earning assets	3.53 %	3.74 %
Interest-bearing liabilities	(0.34)%	(0.39)%
Net interest margin (GAAP)	3.21 %	3.37 %
Purchase accounting accretion/amortization	(0.12)%	(0.20)%
Core net interest margin	3.09 %	3.17 %

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. Nonaccrual loans are included in the calculation of the average loan balances, and interest on nonaccrual loans is included only to the extent recognized on a cash basis. The average yields on loans and CDs include accretion/amortization of purchase accounting discounts/premiums. In addition, the average yields on certain investment securities and loans have been adjusted to reflect income from tax-exempt securities and loans on a taxable-equivalent basis.

	Quarter Ended March 31,					
	2015			2014		
($ in thousands)	Average Balance	Interest	Yields/ Rates [1]	Average Balance	Interest	Yields/ Rates [1]
Assets:						
Cash and cash equivalents	$ 1,803,026	$ 1,105	0.25%	$ 1,245,562	$ 780	0.25%
Investment securities:						
U.S. Treasury and other U.S. Government agency securities	94,620	419	1.77%	83,474	162	0.78%
U.S. Government-sponsored agency securities	771,474	5,835	3.03%	—	—	—%
Mortgage-backed securities ("MBS"):						
Agency residential and commercial MBS	2,189,539	13,857	2.53%	184,399	1,106	2.40%
Other residential and commercial MBS	13,619	64	1.87%	607,876	5,795	3.81%
Municipal securities [2]	3,662,400	37,185	6.35%	3,332,624	34,575	6.48%
Collateralized loan obligations	—	—	—%	795,596	3,135	1.58%
Other investment securities [3]	248,513	4,563	7.35%	279,419	4,071	5.83%
Total investment securities	6,980,165	61,923	4.75%	5,283,388	48,844	5.17%
Loans:						
Residential real estate	23,002,307	175,120	3.05%	22,115,925	178,394	3.23%
Multifamily	4,730,561	43,678	3.69%	4,109,550	40,638	3.96%
Commercial real estate	3,856,855	45,004	4.67%	3,441,387	43,521	5.06%
Construction	868,870	10,632	4.89%	593,067	6,998	4.72%
Business loans [2]	4,846,814	40,743	4.08%	3,446,550	31,938	4.46%
Other loans	940,635	6,698	2.85%	773,320	6,198	3.21%
Total loans [4]	38,246,042	321,875	3.46%	34,479,799	307,687	3.65%
Total interest-earning assets	47,029,233	384,903	3.53%	41,008,749	357,311	3.74%
Noninterest-earning assets:						
Noninterest-earning cash	252,964			218,288		
Goodwill and other intangibles	213,900			236,210		
Other assets	2,401,077			1,904,425		
Total noninterest-earning assets	2,867,941			2,358,923		
Total Assets	$ 49,897,174			$ 43,367,672		
Liabilities and Equity:						
Deposits:						
Checking	$ 22,377,436	324	0.01%	$ 16,564,715	631	0.02%
Money market checking and savings	12,316,558	2,226	0.07%	12,670,094	4,875	0.16%
CDs [4]	3,796,301	11,438	1.22%	3,705,391	9,725	1.06%
Total deposits	38,490,295	13,988	0.15%	32,940,200	15,231	0.19%
Borrowings:						
Long-term Federal Home Loan Bank ("FHLB") advances	5,217,778	20,190	1.57%	5,517,778	21,185	1.56%
Senior notes [5]	396,482	2,568	2.59%	—	—	—%
Debt related to variable interest entities	34,460	138	1.61%	42,592	192	1.80%
Total borrowings	5,648,720	22,896	1.64%	5,560,370	21,377	1.56%
Total interest-bearing liabilities	44,139,015	36,884	0.34%	38,500,570	36,608	0.39%
Noninterest-bearing liabilities	858,821			602,576		
Preferred equity	889,525			889,525		
Common equity	4,009,813			3,375,001		
Total Liabilities and Equity	$ 49,897,174			$ 43,367,672		
Net interest spread [6]			3.19%			3.35%
Net interest income and net interest margin [7]		$ 348,019	3.21%		$ 320,703	3.37%
Net interest income (tax-equivalent basis)		$ 377,677			$ 346,556	
Non-GAAP net interest income (tax-equivalent basis) and core net interest margin [8]		$ 364,827	3.09%		$ 327,018	3.17%

(continued on following page)

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(1) Yields/rates are annualized.

(2) In order to calculate the yield on tax-exempt investment securities on a tax-equivalent basis, reported interest income was increased by $20.9 million for the first quarter of 2015 and $19.3 million for the first quarter of 2014. In order to calculate the yield on tax-exempt loans on a tax-equivalent basis, reported interest income was increased by $8.7 million for the first quarter of 2015 and $6.5 million for the first quarter of 2014.

(3) Includes FHLB stock and securities purchased under agreements to resell.

(4) Average balances are presented net of purchase accounting discounts or premiums. Interest income and interest expense include accretion/amortization of purchase accounting discounts/premiums.

(5) Average balances include unamortized issuance discounts and costs. Interest expense includes amortization of issuance discounts and costs.

(6) Net interest spread represents the average yield on interest-earning assets less the average rate on interest-bearing liabilities.

(7) Net interest margin is computed by dividing net interest income by total average interest-earning assets.

(8) For a reconciliation of these ratios to the equivalent GAAP ratios, see "—Use of Non-GAAP Financial Measures."

Interest Income

Loans

Interest income on loans increased $14.2 million, or 5%, to $321.9 million for the first quarter of 2015, from $307.7 million for the first quarter of 2014. Included in interest income on loans is loan discount accretion of $12.1 million for the first quarter of 2015, compared to $17.6 million for the first quarter of 2014. The decrease in discount accretion was primarily the result of a declining portfolio of loans with purchase accounting discounts.

Average loan balances were $38.2 billion for the first quarter of 2015, compared to $34.5 billion for the first quarter of 2014, an increase of 11%. The average yield on loans, including the accretion of loan discounts, was 3.46%, a decrease of 19 basis points from 3.65% for the first quarter of 2014. The average contractual yield earned on loans was 3.32%, a decrease of 10 basis points from 3.42% for the first quarter of 2014 due to continued low interest rates. For a reconciliation of the average contractual yield on loans to its equivalent GAAP ratio, see "—Use of Non-GAAP Financial Measures."

Interest income on loans included prepayment penalty fees of $4.2 million and $2.5 million for the first quarter of 2015 and 2014, respectively. The increase was primarily due to higher prepayments on single family, multifamily and commercial real estate 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 with higher fixed rates, the level of loans held for sale, portfolio mix and the level of nonaccrual loans. Our weighted average contractual loan rate was 3.16% at March 31, 2015, compared to 3.18% at December 31, 2014 and 3.29% at March 31, 2014. For adjustable-rate mortgages ("ARMs"), the yield is also affected by the timing of changes in the loan rates, which generally lag market rate changes. At March 31, 2015, approximately 37% of our total loans were adjustable-rate or mature within one year, compared to 35% at March 31, 2014. Loan yields are also affected by the proportion of single family loans in our loan portfolio, because single family loans generally earn interest rates that are lower than rates for other types of loans. For the first quarter of 2015 and 2014, the average balance of single family loans in our loan portfolio (excluding HELOCs) was 44% and 49%, respectively, of average interest-earning assets.

Investments

Interest income on investments includes income earned on short-term investments, investment securities and FHLB stock. Interest income on investments increased $13.1 million, or 27%, to $61.9 million for the first quarter of 2015, compared to $48.8 million for the first quarter of 2014. The increase was due to the purchases of new investments. The average balance was $7.0 billion, compared to $5.3 billion for the first quarter of 2014, an increase of 32%. The average yield on investment securities, calculated on a tax-equivalent basis, was 4.75%, compared to 5.17% for the first quarter of 2014, a decline of 0.42%. The yield decline is the result of a modest change in mix of the investment portfolio, as we have been increasing our holdings of U.S. Treasury and other U.S. Government agency securities, U.S. Government-sponsored agency securities and agency mortgage-backed securities, while the percentage of higher-yielding municipal securities that are part of the total portfolio decreased, compared to the first quarter of 2014.

Interest Expense

Total interest expense consists of interest expense on deposits, FHLB advances, senior notes and other borrowings. Total interest expense for the first quarter of 2015 increased 1% to $36.9 million, from $36.6 million for the first quarter of 2014. The increase was the result of an increase in average interest-bearing liabilities, which were $44.1 billion, compared to $38.5 billion for the first quarter of 2014, partially offset by a decline in the average cost of interest-bearing liabilities to 0.34% from 0.39% for the first quarter of 2014.

Interest expense is also impacted by the amortization of fair value adjustments established in purchase accounting. The amount of purchase accounting amortization included as a reduction of interest expense was $728,000 for the first quarter of 2015, compared to $1.9 million for the first quarter of 2014. The average contractual cost of total interest-bearing liabilities was 0.35%, decreasing from 0.41% for the first quarter of 2014.

Deposits

Interest expense on deposits was $14.0 million for the first quarter of 2015, a decrease of $1.2 million, or 8%, from $15.2 million for the first quarter of 2014. Interest expense on deposits for the first quarter of 2015 and 2014 was reduced by $728,000 and $1.9 million, respectively, for the amortization of premiums on CDs. The average cost of deposits, including purchase accounting amortization, decreased 4 basis points to 0.15% for the first quarter of 2015, from 0.19% for the first quarter of 2014. The average contractual cost of deposits decreased to 0.16% for the first quarter of 2015, from 0.21% for the first quarter of 2014. The average contractual cost of deposits is a non-GAAP financial measure. For a reconciliation of the average contractual cost of deposits to its equivalent GAAP ratio, see "—Use of Non-GAAP Financial Measures."

Average deposit balances were $38.5 billion for the first quarter of 2015, an increase of 17% from $32.9 billion for the first quarter of 2014. Average checking account balances comprised 58% of average total deposits for the first quarter of 2015, compared to 50% for the first quarter of 2014. Average money market checking and savings accounts were 32% of average total deposits for the first quarter of 2015, compared to 39% for the first quarter of 2014. Average CD balances were 10% of average total deposits for the first quarter of 2015, compared to 11% for the first quarter of 2014.

At March 31, 2015 and 2014, the weighted average contractual rate paid on total deposits was 0.15% and 0.20%, respectively. At March 31, 2015, our total deposits were $39.9 billion, compared to $37.1 billion at December 31, 2014, an increase of 8%. We will continue to emphasize 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 FHLB advances or unsecured term senior notes, which are generally higher in cost.

Borrowings

Interest expense on borrowings was $22.9 million for the first quarter of 2015, compared to $21.4 million for the first quarter of 2014, an increase of $1.5 million, or 7%.

At March 31, 2015, long-term FHLB advances outstanding were $4.9 billion, compared to $5.3 billion at December 31, 2014. Interest expense on long-term FHLB advances was $20.2 million, compared to $21.2 million for the first quarter of 2014, a decrease of $1.0 million, or 5%. The decrease was primarily due to a decrease in average long-term FHLB advances. Average long-term FHLB advances were $5.2 billion, compared to $5.5 billion for the first quarter of 2014, a decrease of 5%. The average cost of long-term FHLB advances increased slightly to 1.57%, from 1.56% for the first quarter of 2014. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 12% for the first quarter of 2015, compared to 14% for the first quarter of 2014.

At March 31, 2015, the carrying value of unsecured senior notes issued in June 2014 was $396.6 million, compared to $396.4 million at December 31, 2014. Interest expense on our fixed-rate senior notes for the first quarter of 2015 was $2.6 million and includes interest at a coupon rate of 2.375%, as well as amortization of issuance discounts and offering costs. The senior notes mature on June 17, 2019.

Provision for Loan Losses

The provision for loan losses was $11.9 million for the first quarter of 2015, compared to $7.1 million for the first quarter of 2014. The provision for loan losses is related primarily to loans that have been originated since July 1, 2010 and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and trends in the Bank's markets.

Noninterest Income

The following table presents noninterest income:

($ in thousands)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Noninterest income:		
Investment advisory fees	$ 41,211	$ 33,308
Brokerage and investment fees	3,699	3,005
Trust fees	2,385	2,419
Foreign exchange fee income	5,148	3,507
Deposit fees	4,629	4,544
Gain on sale of loans	1,812	2,845
Loan servicing fees, net	3,230	1,996
Loan and related fees	2,721	1,908
Income from investments in life insurance	9,179	6,975
Gain (loss) on investment securities, net	300	(91)
Other income	605	596
Total noninterest income	$ 74,919	$ 61,012

Noninterest income for the first quarter of 2015 was $74.9 million, an increase of $13.9 million, compared to $61.0 million for the first quarter of 2014. The increase in noninterest income was primarily due to increases in investment advisory fees, income from investments in life insurance, foreign exchange fee income and net loan servicing fees.

Investment advisory fees. Investment advisory fees were $41.2 million for the first quarter of 2015, a 24% increase from $33.3 million for the first quarter of 2014. The increase in investment advisory fees was primarily due to an increase in assets under management from the addition of assets from existing and new clients. Clients' assets came from the increased cross-selling of investment management services to bank clients, acquiring new clients, the successful marketing efforts of existing portfolio managers and the hiring of experienced portfolio managers who brought their clients with them. Investment advisory fees vary with the amount of assets managed by our investment advisory subsidiary and the type of investment chosen by the client. Generally, these investment advisors earn higher fees for managing equity securities than for managing a fixed income portfolio. The future level of these fees depends on the level and mix of assets under management, conditions in the equity markets and our ability to attract new clients.

Brokerage and investment fees. Brokerage and investment fees were $3.7 million for the first quarter of 2015, a 23% increase from $3.0 million for the first quarter of 2014. The increase was primarily due to increased trading volume and higher balances of assets under administration. The future level of these fees depends on the level and mix of assets under management, conditions in the equity markets and our ability to attract new clients.

Trust fees. Trust fees for the first quarters of both 2015 and 2014 were $2.4 million. Trust fees are primarily based on the level and mix of assets under custody or administration 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 customers. We earned $5.1 million on foreign exchange business for the first quarter of 2015, a 47% increase from $3.5 million for the first quarter of 2014. The increase in foreign exchange fees was primarily driven by volume of activity from both existing and new clients.

We execute trades with customers and then offset that foreign exchange trade with another financial institution counterparty, such as a major investment bank or a large commercial bank. We do not retain significant foreign exchange risk associated with these transactions, as the trades are matched between the customer and counterparty bank. We do retain credit risk, to both the customer and the counterparty institution, which is evaluated and managed by us in the normal course of our operations.

Deposit fees. We earn fees from our clients for deposit services. Deposit fees were $4.6 million for the first quarter of 2015, an increase of 2% from $4.5 million for the first quarter of 2014.

Gain on sale of loans. The gain on the sale of $574.7 million of loans was $1.8 million, or approximately 32 basis points on the loans sold for the first quarter of 2015, compared to net gains of $2.8 million on loan sales of $346.2 million, or 82 basis points on the loans sold for the first quarter of 2014. The lower level of gain on sales for the first quarter of 2015 was the result of lower margins, partially offset by a higher volume of loans sold. The net gain on sales of loans fluctuates with the amount of loans sold, the type of loans sold and market conditions such as the current interest rate environment. The amount of loans that we sell depends upon conditions in the mortgage origination, loan securitization and secondary loan sales markets.

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 mortgage servicing rights ("MSRs") and the amount of provisions for, or reversal of, the MSR valuation allowance. The following table presents net loan servicing fees:

	Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Contractually specified servicing fees	$ 6,147	$ 3,863
Amortization expense	(2,917)	(1,872)
Net reversal of impairment	—	5
Loan servicing fees, net	$ 3,230	$ 1,996

Contractual servicing fees increased to $6.1 million for the first quarter of 2015, compared to $3.9 million for the first quarter of 2014, primarily due to the growth in the servicing portfolio. At March 31, 2015, the servicing portfolio was $9.8 billion, compared to $6.2 billion a year ago, an increase of 59%. 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 2015 and 2014.

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 2015, the overall annualized repayment speed experienced on loans serviced was 12%, compared to 9% for the first quarter of 2014. If actual repayments of loans serviced are lower than our estimate of future repayments, we could reduce the amortization of MSRs and release any 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 a valuation allowance, thereby decreasing our expected level of current and future earnings.

Loan and related fees. Loan and related fee income was $2.7 million for the first quarter of 2015, compared to $1.9 million for the first quarter of 2014. Loan and related fee income includes: late charge income, which generally increases with growth in the average loan and servicing portfolios; loan-related processing fees that vary with market conditions and loan 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. We collected prepayment penalty fees on loans serviced for others of $1.0 million and $245,000 for the first quarter of 2015 and 2014, respectively.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $9.2 million for the first quarter of 2015, compared to $7.0 million for the first quarter of 2014. The increase was primarily due to additional purchases of bank-owned life insurance. The book value of this portfolio of tax-exempt investments was $1.0 billion at March 31, 2015, compared to $772.2 million at March 31, 2014.

Noninterest Expense

The following table presents noninterest expense:

	Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Noninterest expense:		
Salaries and employee benefits	$ 139,948	$ 120,585
Occupancy	25,572	24,105
Information systems	25,852	21,421
Professional fees	19,513	7,216
FDIC and other deposit assessments	8,350	7,444
Advertising and marketing	5,214	6,014
Amortization of intangibles	5,155	6,004
Other expenses	26,069	24,702
Total noninterest expense	$ 255,673	$ 217,491

Noninterest expense was $255.7 million for the first quarter of 2015, compared to $217.5 million for the first quarter of 2014, an increase of $38.2 million, or 18%. The increase in noninterest expense was primarily due to higher salaries and employee benefits, professional fees and information systems. The increase in these expenses was primarily attributable to our investments in infrastructure build-out to address enhanced regulatory standards.

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 Accounting Standards Codification ("ASC") 310-20, "Nonrefundable Fees and Other Costs." We capitalized loan origination costs of $16.6 million for the first quarter of 2015, compared to $14.3 million for the first quarter of 2014, an increase of $2.3 million, or 16%. 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. At March 31, 2015, net deferred loan costs were $33.4 million, compared to $24.3 million at March 31, 2014.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 60.5% for the first quarter of 2015, compared to 57.0% for the first quarter of 2014. The efficiency ratio was significantly affected by purchase accounting. Excluding the impact of purchase accounting, the core efficiency ratio was 61.5%, compared to 58.9% for the first quarter of 2014. For a reconciliation of these ratios to the equivalent GAAP ratios, see "—Use of Non-GAAP Financial Measures." For additional discussion of the Bank's outlook on compliance-related expenditures and its cost containment program, including those related to employee salaries, and the Bank's outlook on the core efficiency ratio, see "—Key Factors Affecting Our Business and Financial Statements—Regulatory and Supervisory Matters—Impact of Regulatory and Supervisory Requirements on Costs and —Cost Containment and Core Efficiency Ratio."

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 in each of the past several years as we hired additional personnel to support our growth. Salaries and employee benefit expenses were $139.9 million for the first quarter of 2015, a 16% increase from $120.6 million for the first quarter of 2014. The increase was primarily the result of the addition of new personnel to support higher levels of total assets, deposit growth, wealth management activities and higher incentive compensation related to the continued expansion of our franchise as well as the addition of personnel supporting regulatory compliance activities. At March 31, 2015, we had 2,574 full-time equivalent employees, including temporary employees and independent contractors, an 8% increase from 2,391 at March 31, 2014.

Occupancy. Occupancy costs were $25.6 million for the first quarter of 2015, a 6% increase from $24.1 million for the first quarter of 2014, primarily due to the opening of new Preferred Banking offices and expanding our office space in existing markets for new employees. We expect the level of occupancy costs to vary with the number of Preferred Banking offices and the number of employees.

Information systems. These expenses include payments to vendors that provide software and services on an outsourced basis, costs related to supporting and developing internet-based activities and the costs associated with telecommunications for ATMs, office activities and internal networks. Expenses for information systems were $25.9 million for the first quarter of 2015, a 21% increase from $21.4 million for the first quarter of 2014. The increase in information systems costs was primarily due to continued technology initiatives to upgrade our systems, enhance client service and support our growth, as well as to enhance our regulatory compliance infrastructure.

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 enhancing regulatory compliance activities. Such expenses were $19.5 million for the first quarter of 2015, compared to $7.2 million for the first quarter of 2014, an increase of $12.3 million. The increase in outside consultant fees was primarily due to regulatory compliance activities, including BSA/AML compliance, liquidity and capital stress testing and enterprise risk management.

FDIC and other deposit assessments. FDIC and other deposit assessments were $8.4 million for the first quarter of 2015, a 12% increase from $7.4 million for the first quarter of 2014. The increase was primarily due to the increase in our assessment base as a result of the growth in assets, partially offset by a decrease in our assessment rate.

Advertising and marketing. We advertise in various forms of media, including digital media, newspapers and radio, primarily to support deposit growth in our Preferred Banking offices. Advertising and marketing expenses were $5.2 million for the first quarter of 2015 and $6.0 million for the first quarter of 2014. These expenses vary based on the level of advertising costs and costs associated with holding client events to support our growth.

Amortization of intangibles. Amortization expense for the first quarter of 2015 and 2014 was $5.2 million and $6.0 million, respectively. Amortization expense decreased compared to the first quarter of 2014 due to the accelerated method of recording intangible amortization.

Other expenses. Other expenses were $26.1 million for the first quarter of 2015, compared to $24.7 million for the first quarter of 2014. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanded operations. Other operating expenses include postage, donations, cash management, custody and clearing and other miscellaneous expenses. Expenses in this category have increased primarily due to higher transaction volumes of loans, deposits and assets under management, as well as an increase in the number of locations and employees. The following table presents the main components of other expenses:

	Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Other expenses:		
Deposit client related costs	$ 5,074	$ 4,742
Loan related costs	2,689	2,130
Insurance expense	2,456	1,704
Travel and entertainment	2,320	2,733
Subscriptions	1,782	1,438
Recruiting fees	1,594	962
Provision on loan commitments	75	1,200
Other operating expenses	10,079	9,793
Total other expenses	$ 26,069	$ 24,702

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 effective tax rate for 2015 is expected to be 25.4%, compared to 27.3% for 2014. The decrease in the effective tax rate is the result of the steady increase in tax-exempt securities, bank-owned life insurance, tax credit investments and tax-exempt loans.

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 attracting funds from the general public, originating loans (primarily real estate secured mortgage loans) and investing in investment securities. The primary sources of revenue for this segment are: (1) interest earned on loans and investment securities, (2) gains on sales of loans, (3) fees earned in connection with loan and deposit services and (4) 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 loan losses.

Our Wealth Management segment consists of First Republic Investment Management, Inc. ("FRIM"), our money market mutual fund activities through third-party providers and the brokerage activities of First Republic Securities Company, LLC ("FRSC") (these two activities collectively, "Brokerage and Investment"), as well as the operations of First Republic Trust Company and First Republic Trust Company of Delaware LLC ("FRTC Delaware") (collectively, the "Trust Company") and our foreign exchange activities. The Wealth Management segment's primary sources of revenue are 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 and fees earned for assisting clients with foreign exchange transactions. In addition, Wealth Management earns fee income for managing the Bank's investment portfolio and a deposit earnings credit for deposit accounts that are maintained at the Bank, including sweep deposits. The Wealth Management segment's principal expenses are personnel-related costs and other general and administrative expenses. For complete segment information, see Note 13 to "Item 1. Financial Statements."

Commercial Banking

Net interest income for Commercial Banking was $339.4 million for the first quarter of 2015, an increase of 10% from $309.4 million for the first quarter of 2014. The increase in net interest income was primarily due to an increase in interest-earning assets, partially offset by a lower net interest margin.

The provision for loan losses for Commercial Banking was $11.9 million for the first quarter of 2015, compared to $7.1 million for the first quarter of 2014, an increase of 68%. The provision for loan losses is related primarily to loans that have been originated since July 1, 2010 and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and trends in the Bank's markets.

Noninterest income for Commercial Banking was $22.2 million for the first quarter of 2015, compared to $18.4 million for the first quarter of 2014, an increase of 20%. The increase was primarily due to higher income from investments in life insurance and net loan servicing fees.

Noninterest expense for Commercial Banking was $208.4 million for the first quarter of 2015, compared to $175.0 million for the first quarter of 2014, an increase of 19%. The increase was primarily due to increased salaries and employee benefits, professional fees, information systems expenses and occupancy costs.

Wealth Management

Net interest income for Wealth Management was $8.6 million for the first quarter of 2015, compared to $11.3 million for the first quarter of 2014. Net interest income is earned from Wealth Management client deposits with the Bank, for which Wealth Management earns a deposit earnings credit. These deposits totaled $3.2 billion and $3.4 billion at March 31, 2015 and 2014, respectively. The earnings crediting rate for certain Wealth Management deposit balances decreased compared to the first quarter of 2014 due to lower interest rates.

Noninterest income for Wealth Management was $56.2 million for the first quarter of 2015, compared to $44.9 million for the first quarter of 2014, an increase of 25%. Fees and other revenues increased as a result of an increase in assets under management primarily due to cross-selling to current Bank clients, the addition of new clients and the hiring of new personnel.

Noninterest expense for Wealth Management was $50.7 million for the first quarter of 2015, compared to $44.9 million for the first quarter of 2014, an increase of 13%. The increase was primarily due to higher incentive compensation levels due to growth in our business, along with the addition of wealth management professionals as we continued to expand our client base capabilities in all markets to grow this segment.

Assets under management or administration in the Wealth Management segment, in aggregate, were $56.4 billion at March 31, 2015, an increase of 25% compared to a year ago. The following table presents the assets under management or administration by the entities comprising our Wealth Management segment:

($ in millions)	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
First Republic Investment Management	$ 28,530	$ 27,453	$ 26,255	$ 25,132	$ 23,286
Brokerage and Investment:					
Brokerage	18,973	17,653	17,184	16,152	14,474
Money Market Mutual Funds	2,100	2,025	1,796	1,092	1,224
Total Brokerage and Investment	21,073	19,678	18,980	17,244	15,698
Trust Company:					
Trust	3,149	3,057	3,044	3,149	3,173
Custody	3,617	3,189	3,103	3,143	2,985
Total Trust Company	6,766	6,246	6,147	6,292	6,158
Total Wealth Management Assets	$ 56,369	$ 53,377	$ 51,382	$ 48,668	$ 45,142

The following table provides an estimate of the change in assets under management or administration 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 or depreciation.

	Quarter Ended				
($ in millions)	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Assets under management:					
Beginning balance	$ 53,377	$ 51,382	$ 48,668	$ 45,142	$ 41,578
Net client flow	2,368	1,906	3,023	2,155	3,244
Market appreciation (depreciation)	624	89	(309)	1,371	320
Ending balance	$ 56,369	$ 53,377	$ 51,382	$ 48,668	$ 45,142

Investment Advisory Services. We provide traditional portfolio management and customized client portfolios through FRIM. We earn fee income from the management of equity and fixed income, balanced and alternative investments for our clients. In addition, we employ experienced investment advisors to work with our relationship managers to generate new assets under management using an open architecture platform. Total investment advisory fees earned were $41.2 million for the first quarter of 2015, compared to $33.3 million for the first quarter of 2014, an increase of 24%. The increase was the result of cross-selling to current bank clients, the addition of new clients, hiring of new personnel and market appreciation. Assets under management were $28.5 billion at March 31, 2015, compared to $23.3 billion at March 31, 2014, an increase of 23%.

Brokerage and Investment Activities. We perform brokerage and investment activities for clients. We employ portfolio managers to acquire treasury securities, municipal bonds, money market mutual funds and other shorter-term liquid investments at the request of clients or their financial advisors. These portfolio managers can also execute transactions for a full array of longer-term equity and fixed income securities. Total fees earned for these services were $3.7 million for the first quarter of 2015, compared to $3.0 million for the first quarter of 2014, an increase of 23%. The increase was primarily due to increased trading volume and higher balances of assets under administration. At March 31, 2015, we held $21.1 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $15.7 billion at March 31, 2014, an increase of 34%.

Trust. The Trust Company specializes in personal trusts and custody services and operates in California, Oregon, Washington, New York, Massachusetts, Delaware and Florida. The Trust Company draws new trust clients from our Preferred Banking and wealth management client base, as well as from outside of our organization. Total trust fees earned were $2.4 million for both the first quarter of 2015 and 2014. At March 31, 2015, assets under custody or administration were $6.8 billion, compared to $6.2 billion at March 31, 2014, an increase of 10%.

The following table presents fee income as an annualized percentage of average assets under management for our wealth management businesses:

	Quarter Ended				
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
First Republic Investment Management	0.59%	0.59%	0.60%	0.60%	0.59%
Brokerage and Investment:					
Brokerage	0.08%	0.10%	0.09%	0.09%	0.09%
Money Market Mutual Funds	0.01%	0.02%	0.02%	0.03%	0.02%
Total Brokerage and Investment	0.07%	0.09%	0.08%	0.08%	0.08%
Trust Company:					
Trust	0.20%	0.22%	0.22%	0.24%	0.22%
Custody	0.10%	0.11%	0.12%	0.12%	0.10%
Total Trust Company	0.15%	0.17%	0.17%	0.18%	0.16%
Total Wealth Management	0.34%	0.36%	0.36%	0.36%	0.36%

Balance Sheet Analysis

Investments

The following table presents the investment portfolio:

($ in thousands)	March 31, 2015	December 31, 2014	March 31, 2014
Available-for-sale:			
U.S. Treasury and other U.S. Government agency securities	$ 300,348	$ 556,171	$ 99,852
Agency residential MBS	363,902	387,091	188,789
Other residential MBS	11,832	11,804	14,134
Agency commercial MBS	704,545	389,639	16,017
Other commercial MBS	—	—	587,590
Securities of U.S. states and political subdivisions—taxable	47,431	47,521	47,455
Collateralized loan obligations	—	—	683,620
Marketable equity securities	840	1,131	2,303
Total	$ 1,428,898	$ 1,393,357	$ 1,639,760
Held-to-maturity:			
U.S. Government-sponsored agency securities	$ 908,658	$ 582,083	$ —
Agency residential MBS	1,305,876	1,052,867	—
Other residential MBS	3,002	1,316	1,510
Agency commercial MBS	115,720	116,085	—
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	3,518,969	3,277,636	3,113,246
Tax-exempt nonprofit debentures	159,350	161,583	169,593
Taxable municipal securities	53,125	53,137	53,169
Total	$ 6,064,700	$ 5,244,707	$ 3,337,518

The total combined investment securities portfolio represented 15% of total assets at March 31, 2015, compared to 14% at December 31, 2014 and 11% at March 31, 2014. During the first quarter of 2015, we continued to purchase securities considered to be HQLA from a regulatory perspective, including U.S. Government-sponsored agency securities, agency residential MBS and agency commercial MBS, which further enhanced our on-balance sheet liquidity.

At March 31, 2015, 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 $6.1 million. The tax-exempt nonprofit debentures are securities issued through a state agency where we have a banking relationship with the nonprofit entity. The debentures are reviewed, approved and monitored by our business banking group, similar to business loans.

Loan Portfolio

The following table presents our loan portfolio and loans held for sale by category:

($ in millions)	March 31, 2015	December 31, 2014	March 31, 2014
Unpaid principal balance:			
Single family (1-4 units)	$ 21,168	$ 20,495	$ 19,967
Home equity lines of credit	2,122	2,212	1,979
Multifamily (5+ units)	4,852	4,690	4,232
Commercial real estate	4,022	3,825	3,526
Single family construction	399	429	320
Multifamily/commercial construction	494	454	322
Total real estate mortgages	33,057	32,105	30,346
Commercial business	5,059	4,874	3,593
Other secured	445	436	428
Stock secured	307	285	201
Unsecured loans and lines of credit	246	231	206
Total other loans	6,057	5,826	4,428
Total unpaid principal balance	39,114	37,931	34,774
Net unaccreted discount	(141)	(153)	(202)
Net deferred fees and costs	33	31	24
Carrying value	39,006	37,809	34,596
Allowance for loan losses	(219)	(207)	(160)
Loans, net	38,787	37,602	34,436
Single family loans held for sale	64	271	506
Total	$ 38,851	$ 37,873	$ 34,942

The following table separates our loan portfolio as of March 31, 2015 between loans acquired on July 1, 2010 and loans originated since July 1, 2010:

($ in millions)	Composition of Loan Portfolio: Loans acquired on July 1, 2010	Loans originated since July 1, 2010	Total loans at March 31, 2015
Single family (1-4 units)	$ 2,775	$ 18,393	$ 21,168
Home equity lines of credit	565	1,557	2,122
Multifamily (5+ units)	344	4,508	4,852
Commercial real estate	533	3,489	4,022
Single family construction	4	395	399
Multifamily/commercial construction	1	493	494
Commercial business loans	282	4,777	5,059
Other secured	31	414	445
Stock secured	5	302	307
Unsecured loans and lines of credit	25	221	246
Total unpaid principal balance	4,565	34,549	39,114
Net unaccreted discount	(141)	—	(141)
Net deferred fees and costs	(5)	38	33
Allowance for loan losses	(7)	(212)	(219)
Loans, net	$ 4,412	$ 34,375	$ 38,787

The following table presents an analysis of the unpaid principal balance of our loan portfolio at March 31, 2015, including single family loans held for sale, by property type and 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	%
Single family (1-4 units)	$ 9,606	$ 4,852	$ 2,973	$ 1,601	$ 538	$ 75	$ 1,587	$ 21,232	54%
Home equity lines of credit	855	437	377	224	68	4	157	2,122	6%
Multifamily (5+ units)	2,618	694	519	143	461	46	371	4,852	12%
Commercial real estate	2,006	726	590	109	129	100	362	4,022	10%
Commercial business	2,117	833	944	481	203	65	416	5,059	13%
Construction	319	105	305	18	35	5	106	893	2%
Stock and other secured	184	173	81	99	12	5	198	752	2%
Unsecured	69	68	40	36	2	3	28	246	1%
Total	$ 17,774	$ 7,888	$ 5,829	$ 2,711	$ 1,448	$ 303	$ 3,225	$ 39,178	100%
% by location	45%	20%	15%	7%	4%	1%	8%	100%	

At March 31, 2015 and December 31, 2014, approximately 55% and 56%, respectively, of total loans (based on unpaid principal balance) were secured by real estate properties located in California. Future economic, political, natural disasters or other developments in California could adversely affect the value of the loans secured by real estate.

Single Family. We originate single family 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 have required 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. At March 31, 2015, approximately $14.6 billion, or 69%, of the unpaid principal balance of our single family loan portfolio, including loans held for sale, fully and evenly amortize until maturity following an initial interest-only period of generally ten years. Such loans were $14.1 billion, or 68%, of our single family loan portfolio, at December 31, 2014. At March 31, 2015, loans of this type had a weighted average loan-to-value ("LTV") of approximately 59%, based on appraised value at the time of origination and had credit scores averaging 758 at origination. Less than 1% of such home loans had an LTV at origination of more than 80%.

The following table presents additional LTV information at origination for all single family loans, including loans held for sale, as of March 31, 2015:

($ in thousands)	March 31, 2015 Unpaid principal balance	March 31, 2015 % of unpaid principal balance of portfolio
LTV at Origination		
Less than or equal to 60%	$ 9,657,348	45.5%
Greater than 60% to 70%	6,656,333	31.4%
Greater than 70% to 80%	4,817,427	22.7%
Greater than 80%	78,313	0.3%
Nonaccrual	22,100	0.1%
Total	$ 21,231,521	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 764, and all of our home loans were underwritten using full documentation.

HELOCs. 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 combined basis ("CLTV"), including the total HELOC commitment and any balance on a first residential mortgage. As of March 31, 2015, approximately 37% of HELOCs are in first lien position, and approximately 51% 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, including both the unpaid principal balance and total commitment as of March 31, 2015:

($ in thousands)	March 31, 2015 Unpaid principal balance	March 31, 2015 Total commitment	March 31, 2015 % of unpaid principal balance of portfolio
CLTV at Origination			
Less than or equal to 60%	$ 1,147,913	$ 3,074,603	54.1%
Greater than 60% to 70%	663,320	1,580,769	31.3%
Greater than 70% to 80%	290,894	656,555	13.7%
Greater than 80%	2,898	10,662	0.1%
Nonaccrual	16,688	21,685	0.8%
Total	$ 2,121,713	$ 5,344,274	100.0%

Multifamily. At March 31, 2015 and December 31, 2014, the unpaid principal balance of multifamily loans was $4.9 billion and $4.7 billion, respectively. At March 31, 2015 and December 31, 2014, included in this portfolio were $1.3 billion and $1.2 billion, respectively, of loans 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. At March 31, 2015, for multifamily loans that allow for interest-only payments, the weighted average LTV was 55% based on the appraised value at the time of origination. Additionally, at March 31, 2015 and December 31, 2014, we had committed to lend $175.4 million and $138.4 million, respectively, under lines of credit secured by the equity in multifamily real estate. The unpaid principal balance under such commitments at March 31, 2015 and December 31, 2014 was $70.1 million and $58.1 million, respectively, representing 1.4% and 1.2% of the portfolio at March 31, 2015 and December 31, 2014, respectively; these lines of credit also allow for interest-only payments for an initial period.

Commercial Real Estate. At March 31, 2015 and December 31, 2014, the unpaid principal balance of commercial real estate loans was $4.0 billion and $3.8 billion, respectively. At March 31, 2015 and December 31, 2014, included in this portfolio were $1.0 billion and $807.0 million, respectively, of loans 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. At March 31, 2015, for commercial real estate loans that allow for interest-only payments, the weighted average LTV was 45% based on the appraised value at the time of origination. Additionally, at March 31, 2015 and December 31, 2014, we had committed to lend $188.3 million and $170.1 million, respectively, under lines of credit secured by the equity in commercial real estate. The unpaid principal balance under such commitments at March 31, 2015 and December 31, 2014 was $54.3 million and $53.0 million, respectively, representing 1.3% and 1.4% of the portfolio at March 31, 2015 and December 31, 2014, respectively; these lines of credit also allow for interest-only payments for an initial period.

Commercial Business. At March 31, 2015 and December 31, 2014, the unpaid principal balance of commercial business loans was $5.1 billion and $4.9 billion, respectively. The following table presents the unpaid principal balance and total commitment for commercial business loans by type:

	March 31, 2015		December 31, 2014	
($ in thousands)	Unpaid principal balance	Total commitment	Unpaid principal balance	Total commitment
Private Equity/Venture Capital Funds	$ 1,217,535	$ 3,307,243	$ 1,134,536	$ 3,045,824
Schools/Non-profit Organizations	2,049,355	2,651,427	1,949,358	2,628,255
Investment Firms	299,549	699,253	285,202	676,717
Entertainment Industry	289,326	601,409	285,113	571,509
Real Estate Related Entities	245,502	490,027	259,765	490,884
Professional Service Firms	197,932	382,832	203,521	388,256
Aviation/Marine	226,125	230,008	215,877	220,490
Clubs and Membership Organizations	163,149	221,681	147,829	188,405
Vineyards/Wine	126,658	168,841	122,831	158,122
Other	244,206	488,379	269,548	504,952
Total	$ 5,059,337	$ 9,241,100	$ 4,873,580	$ 8,873,414

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, primarily for our existing clients. At March 31, 2015, approximately 37% of our total loans were adjustable-rate or mature within one year. 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, 2015, we have originated approximately $129 billion of loans, of which approximately $25 billion have been sold to investors.

Total loan originations were $4.2 billion for the first quarter of 2015, compared to $3.2 billion for the first quarter of 2014, an increase of 32%, due to an increase in business lending and an increased level of home purchases and refinances due to continued low interest rates. The volume and type of loan originations depends on the level of interest rates, the demand for home loans in our markets and other economic conditions.

We focus on originating a limited number of loans by market, property type and location. The majority of our mortgage loans are secured by properties located in close proximity to one of our offices. The following table presents loan originations, by product type, for each of the past five quarters:

($ in thousands)	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Single family (1-4 units)	$ 1,698,443	$ 1,885,418	$ 2,251,341	$ 2,349,203	$ 1,446,212
Home equity lines of credit	258,992	339,001	378,374	414,356	326,717
Multifamily (5+ units)	333,968	339,505	374,816	342,038	386,998
Commercial real estate	378,626	272,211	312,668	187,233	226,588
Construction	237,059	210,312	256,992	276,200	151,282
Commercial business	1,133,879	1,044,474	1,016,432	914,805	469,953
Other loans	208,063	197,654	155,306	212,364	213,748
Total loans originated	$ 4,249,030	$ 4,288,575	$ 4,745,929	$ 4,696,199	$ 3,221,498

The following table presents the weighted average LTVs for new loans secured by real estate originated during each of the quarterly 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.

	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Single family (1-4 units)	57%	58%	60%	61%	61%
Home equity lines of credit (1)	52%	52%	56%	55%	53%
Multifamily (5+ units)	49%	55%	57%	55%	50%
Commercial real estate	47%	50%	53%	44%	52%
Construction	53%	59%	56%	55%	58%

(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 last five quarters 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 quarterly periods indicated. The single family loan category also includes loans originated and subsequently sold to investors.

	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Single family (1-4 units)	763	764	761	762	762
Home equity lines of credit	769	765	761	767	762

The following table presents purchase loans and refinance loans as a percentage of total single family mortgage originations for each of the past five quarters:

	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Purchase loans	50%	52%	61%	65%	60%
Refinance loans	50%	48%	39%	35%	40%
Total	100%	100%	100%	100%	100%

We have approved a limited group of third-party appraisers to appraise all of the properties on which we make loans and 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, including 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:

	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Single family (1-4 units) [(1)]	59%	59%	60%	60%	60%
Home equity lines of credit [(2)]	55%	55%	55%	55%	55%
Multifamily (5+ units)	56%	57%	57%	57%	57%
Commercial real estate	51%	52%	53%	53%	53%
Construction	56%	56%	56%	55%	55%

[(1)] Including 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. If interest rates rise, payments on ARMs increase, which may be financially burdensome to some borrowers. 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 policy, 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 significant interest rate concessions are placed on nonaccrual status until collectibility improves and a satisfactory payment history is established, generally by the receipt of at least six consecutive payments.

Our collection policies are highly focused with respect to both our portfolio loans and loans serviced for others. We have policies requiring rapid notification of delinquency and the prompt initiation of collection actions. Our practice is to attempt to resolve problem assets quickly, including the aggressive pursuit of foreclosure or other workout procedures 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 and have not needed to suspend any of our foreclosure activities.

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

($ in thousands)	March 31, 2015	December 31, 2014	March 31, 2014
Nonaccrual loans:			
Single family (1-4 units)	$ 21,671	$ 19,478	$ 23,693
Home equity lines of credit	16,588	15,126	12,156
Multifamily (5+ units)	1,575	851	2,460
Commercial real estate	5,766	5,791	6,488
Single family construction	—	—	3,448
Commercial business	3,823	4,301	3,604
Other	407	415	260
Total nonaccrual loans	49,830	45,962	52,109
Other real estate owned	—	—	3,200
Total nonperforming assets	$ 49,830	$ 45,962	$ 55,309
Nonperforming assets to total assets	0.10%	0.10%	0.12%
Restructured accruing loans	$ 14,855	$ 16,252	$ 18,278
Accruing loans 90 days or more past due	$ 202	$ 4,380	$ —

See Note 3 to "Item 1. Financial Statements" for information related to interest income on nonaccrual loans for the quarter ended March 31, 2015 and 2014.

Of the loans on nonaccrual status, at March 31, 2015, approximately $23.2 million were current, compared to $31.5 million at December 31, 2014. The majority of these loans were current in accordance with their modified payment terms.

The future level of nonperforming assets depends upon the performance of borrowers under loan terms and the timing of the sale of future other real estate owned properties and general economic conditions.

Allowance for Loan Losses

We establish an allowance for loan losses for the inherent risk of probable losses, based upon established criteria, including the type of loan, loan characteristics, our and the industry's historical loss experience, and economic trends. Our allowance for loan losses is adjusted quarterly to maintain a level estimated by management to be appropriate to provide for losses that can be reasonably anticipated based upon specific conditions at the time. Our allowance for loan losses methodology, including allocation to specific loans and between the loan portfolio categories, requires management's consideration of a number of factors. These factors include past loss experience, our underwriting process, the results of our ongoing loan review and grading process, the amount of past due and nonperforming loans, legal requirements, recommendations or requirements of regulatory authorities, current and expected economic conditions and other factors. Many of these factors are subjective and cannot be reduced to a mathematical formula. The allowance reflects management's best estimate of the losses that are inherent in the loan portfolio at the balance sheet date. Actual losses in any year may exceed allowance amounts.

We evaluate any allowance for loan losses that would be required on acquired loans, which were recorded at fair value on the acquisition date, by evaluating whether the loans had experienced a deterioration in credit such as a decline in the fair value of the underlying collateral, the worsening of a borrower's financial condition, or a delinquency in payment. If the loan had experienced a credit deterioration, we provide an allowance by comparing any reserve required to the basis in the loans, including the remaining loan discounts. In addition, we provide for any loan losses associated with new loan originations based upon our assessment of credit losses inherent in the portfolio.

The following table presents an analysis of our allowance for loan losses, including provisions for loan losses, charge-offs and recoveries:

($ in thousands)	At or for the Quarter Ended March 31, 2015	At or for the Quarter Ended March 31, 2014
Allowance for loan losses:		
Balance at beginning of period	$ 207,342	$ 153,005
Provision	11,887	7,095
Charge-offs:		
Home equity lines of credit	(44)	(171)
Commercial business	—	(574)
Unsecured	(18)	(6)
Total charge-offs	(62)	(751)
Recoveries:		
Single family (1-4 units)	—	4
Home equity lines of credit	—	54
Commercial business	13	206
Unsecured	36	28
Total recoveries	49	292
Net loan charge-offs	(13)	(459)
Balance at end of period	$ 219,216	$ 159,641
Average total loans for the period	$ 38,039,311	$ 33,920,418
Total loans at period end	$ 39,006,758	$ 34,596,079
Total nonaccrual loans	$ 49,830	$ 52,109
Ratios:		
Net charge-offs to:		
Average total loans (annualized)	0.00%	0.01%
Allowance for loan losses to:		
Total loans	0.56%	0.46%
Nonaccrual loans	439.9%	306.4%

At March 31, 2015, the allowance for loan losses was 0.56% of our total loan portfolio, compared to 0.55% at December 31, 2014.

At March 31, 2015, $212.1 million of the allowance for loan losses relates to loans outstanding that were originated since July 1, 2010, and represented 0.61% of such loans outstanding at March 31, 2015, compared to 0.60% at December 31, 2014. At March 31, 2015, the allowance for loan losses on single family loans and home equity lines of credit that were originated since July 1, 2010 represented 0.14% of such loans outstanding. The allowance for loan losses on all other types of lending originated since July 1, 2010, including the unallocated allowance, was 1.27% of such loans outstanding.

Also, for loans with purchase accounting discounts, we reduce loan discounts for charge-offs of contractual amounts outstanding, which are not included in the allowance for loan losses rollforward above. The following table summarizes net loan charge-offs recorded both against the allowance for loan losses and against loan discounts, as well as the related percentage of net loan charge-offs to average loans:

	Quarter Ended March 31,			
	2015		2014	
($ in thousands)	Ratio [1]	Amount	Ratio [1]	Amount
Net loan charge-offs to:				
Allowance for loan losses	0.00%	$ 13	0.01%	$ 459
Loan discounts	0.00%	3	0.00%	52
Total	0.00%	$ 16	0.01%	$ 511

[1] Represents net charge-offs to average loans during the period (annualized).

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. In addition, from 2000 to 2002, we periodically sold loans in underwritten, agency-rated securitizations.

The amount of loans sold depends upon conditions in both the mortgage origination and secondary loan sales markets as well as our asset/liability management strategy. The following table presents information on single family loans originated, loans sold and gain on sale of loans:

	Quarter Ended March 31,	
($ in thousands)	2015	2014
Single family loans originated	$ 1,698,443	$ 1,446,212
Loans sold:		
Agency	$ 36,595	$ 30,565
Non-agency	538,077	315,635
Total loans sold	$ 574,672	$ 346,200
Gain on sale of loans:		
Amount	$ 1,812	$ 2,845
Gain as a percentage of loans sold	0.32%	0.82%

The lower level of gain on sales of loans for the first quarter of 2015 compared to the same period in 2014 was the result of lower margins, partially offset by a higher volume of loans sold. The level of future loan originations, loan sales and loan repayments depends 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. The amount of gain or loss on the sale of loans is primarily driven by market conditions and changes in interest rates, as well as our pricing and asset/liability management strategies.

In connection with loan sales, we retain substantially all the loan servicing in order to maintain the primary contact with our clients and to generate recurring fee income. We retain MSRs on substantially all loans that we sell to institutional investors and governmental agencies. We do not provide any financial or performance guarantees to the investors who purchase our loans and do not have any recourse obligations 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; however, we have not been required to make any significant loan repurchases or incur any other significant costs subsequent to the sale of loans under such representations and warranties.

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)	**2015**	**2014**
Loans serviced for others	$ 9,840,202	$ 6,198,403
Loan servicing fees, net	$ 3,230	$ 1,996

Mortgage loans serviced for investors increased to $9.8 billion at March 31, 2015, from $6.2 billion at March 31, 2014, due to increased loan sales exceeding repayments in the servicing portfolio over the past twelve months. MSRs are recognized as separate assets on our balance sheet and are recorded at amortized cost. At March 31, 2015, MSRs were $50.2 million (51 basis points of loans serviced), compared to $30.3 million (49 basis points of loans serviced) at March 31, 2014.

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, 2015 and December 31, 2014, our total deposits were $39.9 billion and $37.1 billion, respectively.

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 $36.6 billion and $33.9 billion at March 31, 2015 and December 31, 2014, respectively, and represented 92% and 91% of total deposits at March 31, 2015 and December 31, 2014, respectively.

On January 5, 2015, the FDIC issued additional guidance regarding the identification, acceptance and reporting of "brokered deposits." Pending any further guidance from the FDIC, we reported approximately $2.0 billion of brokered deposits on our most recent Report of Condition and Income (also known as a "Call Report"). These deposits result primarily from cash balances which are periodically swept from our client's brokerage accounts at First Republic Securities Company (our wholly-owned, broker-dealer subsidiary) into the Bank's deposit accounts. This sweep arrangement has been in place since May 2009. As of March 31, 2015, the average and median size of such accounts was $112,000 and $9,000, respectively, compared to $113,000 and $9,000, respectively, at December 31, 2014. As of March 31, 2015 and December 31, 2014, these sweep balances represented 5% of our total deposits.

Deposits increased 8% at March 31, 2015 compared to December 31, 2014 as the Bank continued to expand relationships with existing clients and acquire new deposit clients, both business and consumer. The following table presents deposits by region in which the accounts are serviced. Our retail locations that gather deposits are designated as "Preferred Banking Offices."

($ in thousands)	March 31, 2015	December 31, 2014	March 31, 2014
Preferred Banking Offices			
Northern California	$ 8,234,868	$ 8,085,340	$ 7,342,064
Metropolitan New York	2,764,576	2,461,455	1,969,478
Southern California	1,861,544	1,783,959	1,571,105
Boston	857,015	770,914	588,356
Subtotal	13,718,003	13,101,668	11,471,003
Preferred Banking			
Northern California	9,704,353	8,612,043	7,933,042
Metropolitan New York	5,988,607	5,315,945	4,559,525
Southern California	3,200,350	3,237,663	2,696,086
Boston	3,531,734	3,110,325	2,944,051
Wealth management	870,885	947,401	1,015,148
Subtotal	23,295,929	21,223,377	19,147,852
Wealth management sweep	2,331,579	2,236,120	2,351,211
Other	593,679	569,764	597,872
Total deposits	$ 39,939,190	$ 37,130,929	$ 33,567,938

Overall, deposits in our Preferred Banking Offices grew 20% since March 31, 2014. Checking and savings deposits in our Preferred Banking Offices increased 22% since March 31, 2014. This increase has resulted from growth of existing client relationships, client referrals, our general marketing initiatives, cross-selling to existing clients and the service skills of individual employees. Deposit growth has been primarily in personal and business checking accounts.

Preferred Banking deposits grew 22% since March 31, 2014. Generally, Preferred Banking deposits are placed by clients who are introduced to us through lending activities or wealth management activities or who entered into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional.

Wealth management sweep deposits consist primarily of balances swept from a client's brokerage or other investment account into a deposit account at the Bank. Other deposits consisted primarily of institutional and operational deposits not attributable to any specific deposit location.

The following table presents consumer and business deposits:

($ in thousands)	March 31, 2015	December 31, 2014	March 31, 2014
Consumer deposits:			
Negotiable order of withdrawal ("NOW") checking	$ 8,724,946	$ 8,296,862	$ 7,039,832
Money Market ("MM") checking	2,832,734	2,778,035	2,597,606
Passbook	1,524,028	1,548,919	1,696,473
MM savings	3,646,700	3,178,500	3,146,020
CDs	3,830,823	3,767,016	3,614,355
	20,559,231	19,569,332	18,094,286
Business deposits:			
Business checking	15,059,984	13,055,609	10,101,432
Business MM checking	2,428,690	2,438,218	2,597,025
Business savings	1,891,285	2,067,770	2,775,195
	19,379,959	17,561,597	15,473,652
Total	$ 39,939,190	$ 37,130,929	$ 33,567,938

We fund a portion of our assets with CDs that have balances of $100,000 or more and that have maturities generally in excess of six months. At March 31, 2015 and December 31, 2014, our CDs having balances of $100,000 or more totaled $2.9 billion and $2.8 billion, respectively.

At March 31, 2015 and December 31, 2014, the weighted average contractual rate paid on CDs was 1.29% and 1.33%, respectively. At March 31, 2015, the contractual maturities and weighted average contractual rate of our CDs were as follows:

	March 31, 2015	
($ in thousands)	Amount	Weighted Average Contractual Rate
Certificates of deposit maturing in:		
April 1 - December 31, 2015	$ 1,402,485	0.94%
2016	1,276,081	1.18%
2017	330,276	1.26%
2018	170,518	1.63%
2019	434,894	2.18%
2020 and thereafter	216,291	2.25%
Subtotal	3,830,545	1.29%
Purchase accounting premium	278	
Total	$ 3,830,823	

Other Funding

Other sources of funding include federal funds purchased, short-term and long-term FHLB advances and, beginning in the second quarter of 2014, unsecured, term, fixed-rate senior 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 FHLB advances and senior notes have an original maturity in excess of one year. We had no short-term borrowings at March 31, 2015 and December 31, 2014. At March 31, 2015 and December 31, 2014, we had long-term, laddered maturity, fixed-rate FHLB advances of $4.9 billion and $5.3 billion, respectively. The weighted average remaining maturity of long-term FHLB advances was 2.3 years at March 31, 2015.

The following table presents the contractual maturities and weighted average contractual rate of our FHLB advances at March 31, 2015:

	March 31, 2015	
($ in thousands)	**Amount**	**Weighted Average Contractual Rate**
FHLB advances maturing in:		
April 1 - December 31, 2015	$ 425,000	1.89%
2016	1,250,000	1.40%
2017	1,350,000	1.55%
2018	1,525,000	1.59%
2019	375,000	1.95%
Total	$ 4,925,000	1.58%

Available Borrowing Capacity

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at March 31, 2015 was $15.1 billion and $3.4 billion, respectively. This available borrowing capacity is supported by already pledged securities and loans. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" for additional information regarding our funding practices.

Unsecured, Term, Fixed-Rate Senior Notes

As of March 31, 2015, the Bank had unsecured, term, fixed-rate senior notes with a carrying value of $396.6 million, which were issued in June 2014. The senior notes bear a contractual interest rate of 2.375% and mature on June 17, 2019.

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. At March 31, 2015, our investment securities portfolio of $7.5 billion and cash and cash equivalents of $1.6 billion comprised 18% of total assets. At March 31, 2015, we increased our holdings of assets that are considered to be HQLA from a regulatory perspective, including eligible cash, to $4.6 billion compared to $3.2 billion at December 31, 2014.

At March 31, 2015, we had $15.1 billion of available borrowing capacity at the FHLB supported by already pledged loans and securities. In addition, we had $3.4 billion of available borrowing capacity at the Federal Reserve Bank discount window collateralized by already pledged securities. Unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window equaled 36% of total assets.

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 our capital, funding, asset-liability management or other needs as market conditions warrant and subject to any required regulatory approvals. Management believes that the sources of available liquidity are adequate to meet all reasonably foreseeable short-term and intermediate-term demands.

During the first quarter of 2015, our loan originations, net of repayments, were $1.4 billion and our investment purchases, net of sales, maturities and paydowns, were $808.2 million. These activities were funded by a net increase in deposits of $2.8 billion and the sale of $574.7 million of loans. In addition, during the first quarter of 2015, we sold 3.5 million shares of new common stock, which added approximately $203.3 million to common equity.

Our net purchases of investments during the first quarter of 2015 included $571.1 million in assets considered to be HQLA from a regulatory perspective.

We had no short-term borrowings at March 31, 2015. We primarily use short-term borrowings 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 changes.

We sell single family mortgage loans in the secondary market directly to a variety of investors and, in the past, have sold single family mortgage loans in underwritten loan securitizations. 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.

Capital Resources

At March 31, 2015, our total equity was $5.1 billion, which included $4.2 billion of common shareholders' equity and $889.5 million of the Bank's noncumulative perpetual preferred stock. At December 31, 2014, our total equity was $4.8 billion, which included $3.9 billion of common shareholders' equity and $889.5 million of the Bank's noncumulative perpetual preferred stock. At March 31, 2015 and December 31, 2014, the Bank's noncumulative perpetual preferred stock was 18% and 20% of Tier 1 capital, respectively.

At March 31, 2015, our Tier 2 capital included the allowance for loan losses of $219.2 million and the reserve for unfunded commitments of $12.1 million. At December 31, 2014, our Tier 2 capital included the allowance for loan losses of $207.3 million and the reserve for unfunded commitments of $12.0 million.

On March 18, 2015, we completed a public offering of 3.5 million shares of new common stock, which added approximately $203.3 million to common equity.

As discussed in "—Regulatory and Supervisory Matters —New Capital Rules," the New Capital Rules under the Basel III framework became effective for the Bank on January 1, 2015. The New Capital Rules introduce a new capital measure referred to as Common Equity Tier 1 and a new regulatory capital ratio of CET1 to risk-weighted assets. The New Capital Rules also revise the definitions and components of required capital, and establish a new approach for risk-weighting assets.

Our capital ratios exceeded all applicable regulatory requirements at March 31, 2015 for well-capitalized institutions. As a condition of being a de novo institution, we are required to maintain a Tier 1 leverage ratio of at least 8% through our first seven years until June 30, 2017. The following table presents our capital ratios at March 31, 2015 and December 31, 2014, and the standards for both well-capitalized depository institutions and minimum capital requirements:

	Basel III		Basel I		
	Actual (Transitional) (1)	Fully Phased-in (2)	Actual (1)	Basel III	
($ in thousands)	March 31, 2015		December 31, 2014	Well-Capitalized Ratio	Minimum Capital Ratio
Capital Ratios:					
Tier 1 leverage ratio (Tier 1 capital to average assets)	9.90%	9.78%	9.43%	5.00%	4.00%
Common Equity Tier 1 capital to risk-weighted assets (3)	11.25%	11.07%	n/a	6.50%	4.50%
Tier 1 common equity capital to risk-weighted assets (3)	n/a	n/a	10.90%	n/a	n/a
Tier 1 capital to risk-weighted assets	13.73%	13.55%	13.55%	8.00%	6.00%
Total capital to risk-weighted assets	14.37%	14.19%	14.20%	10.00%	8.00%
Regulatory Capital:					
Common Equity Tier 1 capital (3)	$ 4,033,913	$ 3,971,402	n/a		
Tier 1 capital (4)	$ 4,923,438	$ 4,860,927	$ 4,558,821		
Total capital (4)	$ 5,154,891	$ 5,092,379	$ 4,778,456		
Assets:					
Average assets (4)	$ 49,742,045	$ 49,679,534	$ 48,338,248		
Risk-weighted assets	$ 35,870,062	$ 35,882,923	$ 33,650,567		

(1) Ratios and amounts as of March 31, 2015 reflect the adoption of the Basel III Capital Rules in effect beginning January 1, 2015. Ratios and amounts for prior periods represent the previous capital rules under Basel I.

(2) Certain adjustments required under the Basel III Capital Rules will be phased in through the end of 2018. The ratios and amounts shown in this column are calculated assuming a fully phased-in basis of all such adjustments as if they were effective as of March 31, 2015.

(3) As of March 31, 2015, Common Equity Tier 1 ratio is a new ratio requirement under the Basel III Capital Rules and represents common equity, less goodwill and intangible assets net of any associated deferred tax liabilities, divided by risk-weighted assets (subject to phase-in adjustments as indicated in footnote 2 above). In prior periods, the Tier 1 common equity ratio represents common equity, less goodwill and intangible assets, divided by risk-weighted assets.

(4) Tier 1 capital, total capital and average assets exclude goodwill and intangible assets.

Current Accounting Developments

The following pronouncements have been issued by the Financial Accounting Standards Board ("FASB"), but are not yet effective:

- In May 2014, the FASB issued ASC 606, "Revenue from Contracts with Customers," which replaces existing revenue recognition guidance for contracts to provide goods or services to customers and amends existing guidance related to recognition of gains and losses on the sale of certain nonfinancial assets such as real estate. ASC 606 establishes a principles-based approach to recognizing revenue that applies to all contracts other than those covered by other authoritative GAAP guidance. Quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows are also required. ASC 606 is effective for public companies for interim and annual periods beginning after December 15, 2016 and is applied on either a modified retrospective or full retrospective basis. Early adoption is not permitted. We are currently evaluating the impact of the adoption of this guidance on our financial condition, results of operations and cash flows. In April 2015, the FASB issued a proposal to defer the effective date of this guidance for an additional year. If the proposal is approved by the FASB, this guidance would become effective for public companies for interim and annual periods beginning after

December 15, 2017, with early adoption permitted for interim and annual periods beginning after December 15, 2016.

- In August 2014, the FASB issued ASC 205-40, "Presentation of Financial Statements—Going Concern," which requires management to assess whether there is substantial doubt of an entity's ability to continue as a going concern within one year after the date financial statements are issued. If substantial doubt exists, disclosures are required of management's plans and whether these plans alleviate substantial doubt or not. The amendments are effective for interim and annual periods ending after December 15, 2016. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on our financial condition, results of operations or cash flows.

- In February 2015, the FASB issued amendments to ASC 810, "Consolidation," which revises existing consolidation guidance and requires all entities to be re-evaluated under this new model. The new consolidation model revises the conditions required for consolidation, including what is considered a variable interest, the criteria that a limited partnership or similar entity must meet to be considered a variable interest entity, and the criteria for determination of the primary beneficiary. The amendments are effective for interim and annual periods beginning after December 15, 2015, and are applied on a modified retrospective or full retrospective basis. Early adoption is permitted. We are currently evaluating the impact of the adoption of this guidance on our financial condition, results of operations and cash flows.

- In April 2015, the FASB issued amendments to ASC 350-40, "Internal-Use Software—Customer's Accounting for Fees Paid in a Cloud Computing Arrangement," which establishes criteria for determining whether a cloud computing service (hosting arrangement) contains a software license. If a software license exists, fees related to the license are capitalized and amortized over the estimated useful life of the software. If a software license does not exist, the fees are expensed over the service period. The amendments are effective for interim and annual periods beginning after December 15, 2015 and are applied either prospectively or retrospectively. Early adoption is permitted. We are currently evaluating the impact of the adoption of this guidance on our financial condition, results of operations and cash flows.

Use of Non-GAAP Financial Measures

Our accounting and reporting policies conform to GAAP in the United States and the prevailing practices in the banking industry. However, due to the application of purchase accounting from the Bank's re-establishment as an independent institution, management uses certain non-GAAP measures and ratios that exclude the impact of these items to evaluate our performance, including net income, earnings per share, yield on average loans, cost of average deposits, net interest margin and the efficiency ratio.

Our net income, earnings per share, yield on average loans, cost of average deposits, net interest margin and efficiency ratio were significantly impacted by accretion and amortization of the fair value adjustments recorded in purchase accounting from the Bank's re-establishment as an independent institution. The accretion and amortization affect our net income, earnings per share and certain operating ratios as we accrete loan discounts to interest income; recognize discounts established in purchase accounting on the sale of loans, which increase gain on sale of loans; amortize premiums on CDs to interest expense; and amortize intangible assets to noninterest expense.

In the tables below, we have provided a reconciliation of, where applicable, the most comparable GAAP financial measures and ratios to the non-GAAP financial measures and ratios, or a reconciliation of the non-GAAP calculation of the financial measure:

	Quarter Ended March 31,	
(in thousands, except per share amounts)	**2015**	**2014**
Non-GAAP earnings		
Net income	$ 115,912	$ 114,704
Accretion/amortization added to net interest income	(12,850)	(19,538)
Amortization of intangible assets	3,489	4,127
Add back tax impact of the above items	3,978	6,550
Non-GAAP net income	110,529	105,843
Dividends on preferred stock	(13,889)	(13,889)
Non-GAAP net income available to common shareholders	$ 96,640	$ 91,954
GAAP earnings per common share—diluted	$ 0.71	$ 0.73
Impact of purchase accounting, net of tax	(0.03)	(0.06)
Non-GAAP earnings per common share—diluted	$ 0.68	$ 0.67
Weighted average diluted common shares outstanding	142,791	137,295

	Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Yield on average loans		
Interest income on loans	$ 321,875	$ 307,687
Add: Tax-equivalent adjustment on loans	8,728	6,519
Interest income on loans (tax-equivalent basis)	330,603	314,206
Less: Accretion	(12,122)	(17,615)
Non-GAAP interest income on loans (tax-equivalent basis)	$ 318,481	$ 296,591
Average loans	$ 38,246,042	$ 34,479,799
Add: Average unaccreted loan discounts	148,595	214,055
Average loans (non-GAAP)	$ 38,394,637	$ 34,693,854
Yield on average loans—reported [(1)]	3.46%	3.65%
Contractual yield on average loans (non-GAAP) [(1)]	3.32%	3.42%

[(1)] Yield is calculated on a tax-equivalent basis.

	Quarter Ended March 31,	
($ in thousands)	**2015**	**2014**
Cost of average deposits		
Interest expense on deposits	$ 13,988	$ 15,231
Add: Amortization of CD premiums	728	1,923
Non-GAAP interest expense on deposits	$ 14,716	$ 17,154
Average deposits	$ 38,490,295	$ 32,940,200
Less: Average unamortized CD premiums	(602)	(6,371)
Average deposits (non-GAAP)	$ 38,489,693	$ 32,933,829
Cost of average deposits—reported	0.15%	0.19%
Contractual cost of average deposits (non-GAAP)	0.16%	0.21%

	Quarter Ended March 31,	
($ in thousands)	2015	2014
Net interest margin		
Net interest income	$ 348,019	$ 320,703
Add: Tax-equivalent adjustment	29,658	25,853
Net interest income (tax-equivalent basis)	377,677	346,556
Less: Accretion/amortization	(12,850)	(19,538)
Non-GAAP net interest income (tax-equivalent basis)	$ 364,827	$ 327,018
Average interest-earning assets	$ 47,029,233	$ 41,008,749
Add: Average unaccreted loan discounts	148,595	214,055
Average interest-earning assets (non-GAAP)	$ 47,177,828	$ 41,222,804
Net interest margin—reported	3.21%	3.37%
Core net interest margin (non-GAAP)	3.09%	3.17%

	Quarter Ended March 31,	
($ in thousands)	2015	2014
Efficiency ratio		
Net interest income	$ 348,019	$ 320,703
Less: Accretion/amortization	(12,850)	(19,538)
Net interest income (non-GAAP)	$ 335,169	$ 301,165
Noninterest income	$ 74,919	$ 61,012
Total revenue	$ 422,938	$ 381,715
Total revenue (non-GAAP)	$ 410,088	$ 362,177
Noninterest expense	$ 255,673	$ 217,491
Less: Intangible amortization	(3,489)	(4,127)
Noninterest expense (non-GAAP)	$ 252,184	$ 213,364
Efficiency ratio	60.5%	57.0%
Core efficiency ratio (non-GAAP)	61.5%	58.9%

We believe these non-GAAP measures and ratios, when taken together with the corresponding GAAP measures and ratios, provide meaningful supplemental information regarding our performance. Our management uses, and believes that investors benefit from referring to, these non-GAAP measures and ratios in assessing our operating results and related trends. However, these non-GAAP measures and ratios should be considered in addition to, and not as a substitute for or preferable to, ratios prepared in accordance with GAAP.

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 allowance for loan losses, estimated loan lives, interest rate risk, investments, goodwill, identifiable intangible assets, income taxes, contingencies, litigation and other operational risks. 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. Actual results may differ from these estimates under different assumptions or conditions.

For a discussion of our accounting policies related to the allowance for loan losses, life of loans and repayment speed, and accounting for business combinations, goodwill and other intangible assets, refer to "—Critical Accounting Policies and the Impact of Accounting Estimates" in Item 7 of our 2014 Form 10-K.

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 occurs when interest-earning assets and interest-bearing liabilities mature or reprice at different times, on a different basis or in unequal amounts. The board of directors approves policies and limits governing the management of interest rate risk, also known as asset/liability management ("ALM"), at least annually. Our Asset/Liability Committee ("ALCO") and Investment Committee further establish risk management guidelines and procedures within the broader policies and limits established by the board of directors. Compliance with these policies and limits is reported to the board of directors on an ongoing basis and decisions relating to the management of interest rate risk are made as needed. We utilize a variety of interest rate risk management tools, including repricing gap analysis and net interest income simulation.

We manage interest rate risk primarily by originating and retaining adjustable-rate loans and hybrid ARM loans with initial short or intermediate-term fixed rates and match funding these assets with checking and savings accounts, short and intermediate-term CDs, long-term, laddered maturity, fixed-rate FHLB advances and unsecured, term, fixed-rate senior notes. We have also utilized 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 changes. As an active and ongoing part of our ALM strategy, we have regularly sold long-term, fixed-rate single family mortgage loan originations and a portion of our single family hybrid ARM loan originations into the secondary market through ongoing, or "flow," transactions. We have also sold a portion of our single family hybrid ARM and fixed-rate loan originations in bulk loan transactions or securitizations. We sold $574.7 million of intermediate and longer-term, fixed-rate loans during the quarter ended March 31, 2015. As of March 31, 2015, we had committed to sell an additional $63.8 million of similar loans, which we expect to deliver to investors in the second quarter of 2015.

Our net interest income and net interest margin are also affected by the mix of earning assets and interest-bearing liabilities. Loans and investment securities with remaining fixed-rate terms greater than one year comprised 64% of total earning assets at March 31, 2015, compared to 65% at December 31, 2014. Among remaining earning assets with reset periods of less than one year, those that reprice at least quarterly to market rate indices, such as Prime or the London Interbank Offered Rate ("LIBOR"), totaled 25% of earning assets at March 31, 2015 and 24% of earning assets at December 31, 2014. Those earning assets with lagging indices, such as the Eleventh District Cost of Funds Index ("COFI") and the 12-month Treasury Average ("MTA") totaled 11% of earning assets at March 31, 2015 and December 31, 2014. Together, earning assets with reset periods of less than one year totaled 36% and 35% at March 31, 2015 and December 31, 2014, respectively.

The rates paid on money market savings, money market checking and passbook deposit accounts generally move with changes in short-term market rates and may be subject to competitive pricing pressure. Money market savings, money market checking and passbook deposit accounts together comprised 30% and 32% of total deposits at March 31, 2015 and December 31, 2014, respectively. Total checking deposits include both noninterest-bearing accounts and interest-bearing accounts, which bear only a nominal interest rate that has tended not to fluctuate much with changes in interest rates historically. Total checking deposits comprised 60% and 58% of total deposits at March 31, 2015 and December 31, 2014, respectively. CDs comprised 10% of total deposits at March 31, 2015 and December 31, 2014, and had a weighted average remaining maturity of 19.4 months and 18.9 months at the same respective period ends.

We may also from time to time enter into various types of interest rate exchange agreements such as interest rate swaps, caps or floors to better match or hedge the interest rate sensitivity of assets and liabilities so that changes in interest rates do not have a significant negative impact on net income, net interest margin and cash flows. At March 31, 2015, we did not have any active interest rate exchange agreements for hedging purposes.

In addition to the mix and pricing of earning assets and interest-bearing liabilities, our net interest income and net interest margin are also affected by factors such as competition, conditions in loan markets, levels of loan sales and repayment rates, general interest rate trends, including movements in interest rates and the steepness of the yield curve, the level and cost of FHLB advances, prevailing market rates of new capital or debt offerings and the level of our nonaccrual loans. Our net interest margin is also affected by our overall business model, in which we offer single family home mortgages as our primary loan product, which generally carry lower coupon rates or margins.

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, fixed-rate loans in the servicing portfolio tend to repay more rapidly, which reduces current and future servicing income and generally reduces the value of MSRs. In an increasing interest rate environment, repayments tend to decrease, which increases expected future servicing income and enhances the fair value of MSRs.

Evaluation of Current Interest Rate Risk

We utilize repricing and maturity gap analysis and earnings simulations to measure and evaluate our potential exposure to changes in interest rates. Based on the results of such analyses, we may decide to make changes in our asset/liability mix, to draw down longer-term advances with the FHLB, to issue long-term senior notes, to sell loans, to enter into interest rate exchange agreements or to otherwise better protect ourselves against potential adverse effects from changes in interest rates.

Gap Analysis. Management measures and evaluates the potential effects of interest rate movements on earnings through an interest rate sensitivity "gap" analysis. The repricing and maturity gap measures the extent to which our assets and liabilities reprice or mature at different times. The gap analysis reflects contractual repricings and maturities of principal cash flows, adjusted for items such as estimated prepayments on loans and investments, the estimated impact of adjustable-rate loans at or beneath their contractual floors, and repricing sensitivity and potential flows of deposits. The board of directors has established limits on the permitted amount of cumulative gap expressed as a percentage of total assets.

The following table summarizes the interest rate gap analysis of our assets and liabilities at March 31, 2015:

($ in millions)	12 Months or Less	>1 to 2 Years	>2 to 5 Years	>5 Years or Not Rate Sensitive	Total
Repricing and Maturing Term					
Assets:					
Cash and investments	$ 1,930	$ 139	$ 1,912	$ 5,157	$ 9,138
Loans, net [1], [2]	16,443	4,471	10,808	7,129	38,851
Other assets	258	—	1,023	1,796	3,077
Total assets	18,631	4,610	13,743	14,082	$ 51,066
Liabilities and Equity:					
Checking [3]	$ 10,684	$ —	$ —	$ 13,100	$ 23,784
Money market checking and savings deposits [3]	7,680	—	—	4,643	12,323
CDs	1,793	1,045	877	116	3,831
Long-term FHLB advances	625	1,350	2,950	—	4,925
Senior notes	—	—	400	(3)	397
Other liabilities	47	—	1	683	731
Equity	—	—	—	5,075	5,075
Total liabilities and equity	20,829	2,395	4,228	23,614	$ 51,066
Repricing gap—positive (negative)	$ (2,198)	$ 2,215	$ 9,515	$ (9,532)	
Cumulative repricing gap:					
Dollar amount	$ (2,198)	$ 17	$ 9,532		
Percent of total assets	(4.3)%	0.0%	18.7%		

(1) Adjustable-rate loans consist principally of real estate secured loans with a maximum term of 30 years. Such loans are generally adjustable monthly, semiannually, or annually based upon changes in the LIBOR, Prime rate, COFI, MTA, or the Constant Maturity Treasury, subject generally to a maximum increase of 5% to 9% over the lifetime of the loan.

(2) Includes loans held for sale.

(3) Checking, money market checking and savings deposits are contractually subject to immediate adjustment or withdrawal, although a portion of such deposits has proven to be stable and not rate sensitive historically. Periodically, we evaluate deposit account characteristics, such as trends in average account balance, in making certain assumptions in our interest rate risk analyses about the degree to which such deposits may adjust or migrate to adjustable-rate liabilities if interest rates were to change significantly. We assume that approximately 40% to 50% of checking balances may migrate to adjustable-rate liabilities if interest rates were to change significantly. These assumptions are based on average account balances, changes in client type, and economic conditions affecting our clients. Also, we assume approximately 60% to 65% of money market checking and savings deposits may be sensitive to changes in interest rates.

Although we believe we are effectively managing our current exposure to changes in interest rates, 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.

The gap results presented could vary substantially if different assumptions were to be used or if actual experience were to differ from the assumptions used in the preparation of the gap analysis. Furthermore, the gap analysis provides a static view of interest rate risk exposure at a specific point in time and offers only an approximate estimate of the relative sensitivity of assets and liabilities to changes in market rates, the impact of certain optionalities embedded in our balance sheet such as contractual caps and floors, and growth trends in assets and liabilities. Accordingly, we combine the use of gap analysis with the use of a net interest income simulation model that provides a dynamic assessment of interest rate sensitivity.

Net Interest Income Simulation. We use a simulation model to measure and evaluate potential changes in our contractual net interest income, which excludes the impact of purchase accounting. 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 of changes in interest rates, (2) shifts or rotations in the yield curve, (3) repricing characteristics for market rate sensitive instruments on and off the balance sheet, (4) differing sensitivities of financial instruments due to differing underlying rate indices, (5) varying loan prepayment speeds for different interest rate scenarios, (6) the effect of interest rate floors, periodic loan caps and life time loan caps, and (7) 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 forecast of the actual effect of a change in market interest rates on our results but rather as a means to better plan and execute appropriate ALM strategies.

Potential changes to our contractual net interest income in hypothetical rising and declining rate scenarios, measured over a two-year period beginning March 31, 2015, are presented in the following table. The projections assume both (a) parallel shifts upward of 100, 200, 300 and 400 basis points and parallel shifts downward of the yield curve of 100 and 200 basis points occurring immediately ("Shock") and (b) parallel shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates held constant thereafter ("Ramp"). In the current interest rate environment, a downward shift of 300 and 400 basis points does not provide meaningful results that can be utilized by management. In addition, in a downward parallel shift of the yield curve, interest rates at the short-end of the yield curve are not modeled to decline any further than 0%.

	Estimated Increase (Decrease) in Net Interest Income	
	Twelve Months Ending March 31, 2016	**Twelve Months Ending March 31, 2017**
Change in Market Interest Rates		
Shock:		
+400 basis points immediately	14.3 %	24.8 %
+300 basis points immediately	11.0 %	19.4 %
+200 basis points immediately	7.4 %	13.3 %
+100 basis points immediately	3.6 %	6.6 %
-100 basis points immediately	(4.2)%	(9.3)%
-200 basis points immediately	(5.8)%	(12.9)%
Ramp:		
+400 basis points over the next 12 months	7.6 %	18.6 %
+300 basis points over the next 12 months	5.7 %	14.5 %
+200 basis points over next 12 months	3.8 %	9.9 %
+100 basis points over next 12 months	1.8 %	4.8 %
-100 basis points over next 12 months	(2.4)%	(8.4)%
-200 basis points over next 12 months	(3.9)%	(12.1)%

As of March 31, 2015, the Bank is slightly asset sensitive, indicating that it would generally benefit from increases in interest rates, particularly when viewed over a two-year horizon. This assertion is supported by: (a) the aforementioned positive two-year cumulative gap of $17 million and (b) the positive variances in net interest income observed when we compare two-year earnings simulation results in rising rate scenarios to a scenario in which rates remain unchanged. In a hypothetical rising rate environment, we benefit from certain adjustable-rate loans, currently at or beneath their contractual floors, which would begin to reprice upward given an increase in interest rates, projected new loan volume modeled with increasing contractual interest rates and modeled trends in deposit balances and mix. In a hypothetical declining rate environment in which interest rates drop even lower than where they are currently, we experience a reduction in net interest income as variable funding sources, such as money market savings and checking deposits, reach natural floors while average yields on interest-earning assets continue to decline. In addition, if the current interest rates, particularly medium and longer-term rates, remain low for a prolonged period of time, we may experience further compression in our net interest margin as our weighted average loan yield continues to decline and deposit costs remain near their natural floors. Generally, simulation results depict the effect of changes in interest rates more rapidly in scenarios of immediate rate changes than in scenarios in which rates change over an extended period due primarily to differences in assumptions such as repayment speeds and yields on projected new loan volume.

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 that projected, our net interest income might vary significantly. Non-parallel yield curve shifts, such as a flattening or steepening of the yield curve or changes in interest rate spreads, would also cause our net interest income to be different from that depicted. An increasing interest rate environment could reduce projected net interest income if deposits and other short-term liabilities reprice faster than expected or faster than our assets reprice. Actual results could differ from those projected if we grow assets and liabilities faster or slower than estimated, if we experience a net outflow of deposit liabilities or if our mix of assets and liabilities otherwise changes. Actual results could also differ from those projected if we experience substantially different repayment speeds in our loan portfolio than those assumed in the simulation model. Furthermore, the results do not take into account the impact of changes in loan prepayment rates on loan discount accretion. If prepayment rates were to increase on loans with discounts, we would recognize any remaining loan discounts into interest income at a faster rate. This would result in a current period offset to declining net interest income caused by higher coupon loans prepaying.

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.

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 Securities 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, the chief executive officer and the chief financial officer concluded that our disclosure controls and procedures, as of March 31, 2015, were effective for providing reasonable assurance that information required to be disclosed by us in such reports was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no significant change in our internal control over financial reporting during the quarter ended March 31, 2015 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, other than ordinary routine litigation incidental to our business, to which we or any of our subsidiaries is a party or to which any of our property is subject, and 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 2014 Form 10-K. Any of the risks described in our 2014 Form 10-K or in this Quarterly Report on Form 10-Q could, by itself or together with one or more other factors, 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 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 2015, we sold 37,346 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $1,808,000. 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 2015, we granted 2,312 restricted stock units that are time vesting. In addition, we granted 4,930 restricted stock units that vest over time, provided certain performance criteria are achieved. The aggregate grant date fair value of these awards was $376,500. We did not receive any cash consideration in connection with these grants. These grants were exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the grants involved securities issued by a bank.

On March 18, 2015, we issued and sold 3,500,000 shares of common stock for aggregate cash consideration of approximately $204.6 million before underwriting discounts of $980,000 and expenses of approximately $300,000. We used the proceeds for general corporate purposes, which included, among other things, funding loans and purchasing investment securities in our portfolio. The principal underwriters in the transaction were Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co. and J.P Morgan Securities LLC. 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.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

11	Statement of Computation of Earnings Per Common Share.
12	Statement of Computation of Ratios of: Earnings to Fixed Charges and Earnings to Fixed Charges and Preferred Stock Dividends.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.
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.

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 8, 2015	/s/ Michael J. Roffler
	Michael J. Roffler Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
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EXHIBIT 11

FIRST REPUBLIC BANK
STATEMENT OF COMPUTATION OF EARNINGS PER COMMON SHARE

(in thousands, except per share amounts)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014
Basic EPS:		
Net income	$ 115,912	$ 114,704
Less: Dividends on preferred stock	13,889	13,889
Net income available to common shareholders	$ 102,023	$ 100,815
Weighted average common shares outstanding	138,839	132,880
Net income per common share—basic	$ 0.73	$ 0.76
Diluted EPS:		
Net income available to common shareholders	$ 102,023	$ 100,815
Weighted average shares:		
Common shares outstanding	138,839	132,880
Dilutive effect of stock options	3,392	3,973
Dilutive effect of restricted stock awards, restricted stock units and performance share units	560	442
Weighted average diluted common shares outstanding	142,791	137,295
Net income per common share—diluted	$ 0.71	$ 0.73

EXHIBIT 12

FIRST REPUBLIC BANK
STATEMENT OF COMPUTATION OF RATIOS OF:
EARNINGS TO FIXED CHARGES AND
EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

($ in thousands)	Quarter Ended March 31, 2015	Quarter Ended March 31, 2014	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	Six Months Ended December 31, 2010	Six Months Ended June 30, 2010
Earnings before adjustment for fixed charges:								
Income before income taxes and noncontrolling interest in subsidiaries	$ 155,378	$ 157,129	$ 669,883	$ 663,559	$ 601,347	$ 564,652	$ 243,673	$ 228,381
Preferred stock dividends of subsidiaries	—	—	—	—	(2,676)	(7,774)	(4,168)	(4,168)
Redemption of subsidiary's preferred stock	—	—	—	—	(13,200)	—	—	—
Earnings before adjustment for fixed charges	$ 155,378	$ 157,129	$ 669,883	$ 663,559	$ 585,471	$ 556,878	$ 239,505	$ 224,213
Fixed charges and preferred stock dividend requirements:								
I. Excluding interest on deposits:								
Interest on borrowings	$ 22,896	$ 21,377	$ 91,795	$ 71,026	$ 57,205	$ 33,950	$ 8,821	$ 5,260
Preferred stock dividends of subsidiaries	—	—	—	—	2,676	7,774	4,168	4,168
Redemption of subsidiary's preferred stock	—	—	—	—	13,200	—	—	—
Estimated interest component of net rental expense	4,922	4,591	18,733	17,658	16,777	12,884	5,653	6,113
Total fixed charges, excluding interest on deposits	27,818	25,968	110,528	88,684	89,858	54,608	18,642	15,541
Preferred stock dividend requirements	24,155	24,155	96,619	70,732	32,597	—	—	—
Fixed charges and preferred stock dividend requirements	$ 51,973	$ 50,123	$ 207,147	$ 159,416	$ 122,455	$ 54,608	$ 18,642	$ 15,541
Earnings, including fixed charges	$ 183,196	$ 183,097	$ 780,411	$ 752,243	$ 675,329	$ 611,486	$ 258,147	$ 239,754
Ratio of earnings to fixed charges	6.59x	7.05x	7.06x	8.48x	7.52x	11.20x	13.85x	15.43x
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.52x	3.65x	3.77x	4.72x	5.51x	11.20x	13.85x	15.43x
II. Including interest on deposits:								
Interest on borrowings	$ 22,896	$ 21,377	$ 91,795	$ 71,026	$ 57,205	$ 33,950	$ 8,821	$ 5,260
Preferred stock dividends of subsidiaries	—	—	—	—	2,676	7,774	4,168	4,168
Redemption of subsidiary's preferred stock	—	—	—	—	13,200	—	—	—
Estimated interest component of net rental expense	4,922	4,591	18,733	17,658	16,777	12,884	5,653	6,113
Interest on deposits	13,988	15,231	60,454	60,817	56,981	83,268	45,116	90,339
Total fixed charges, including interest on deposits	41,806	41,199	170,982	149,501	146,839	137,876	63,758	105,880
Preferred stock dividend requirements	24,155	24,155	96,619	70,732	32,597	—	—	—
Fixed charges and preferred stock dividend requirements	$ 65,961	$ 65,354	$ 267,601	$ 220,233	$ 179,436	$ 137,876	$ 63,758	$ 105,880
Earnings, including fixed charges	$ 197,184	$ 198,328	$ 840,865	$ 813,060	$ 732,310	$ 694,754	$ 303,263	$ 330,093
Ratio of earnings to fixed charges	4.72x	4.81x	4.92x	5.44x	4.99x	5.04x	4.76x	3.12x
Ratio of earnings to fixed charges and preferred stock dividend requirements	2.99x	3.03x	3.14x	3.69x	4.08x	5.04x	4.76x	3.12x

EXHIBIT 31.1

CERTIFICATION

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 8, 2015

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

EXHIBIT 31.2

CERTIFICATION

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 8, 2015

/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 §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, 2015 (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 8, 2015

/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 §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, 2015 (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 8, 2015

/s/ Michael J. Roffler

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