# FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

# FORM 10-Q

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

For the quarterly period ended June 30, 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 July 31, 2015 was 142,447,513.

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## PART II - OTHER INFORMATION

**FIRST REPUBLIC BANK**
**BALANCE SHEETS**
**(Unaudited)**

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements.

| (in thousands, except share amounts) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 1,367,879 | $ 817,150 |
| Securities purchased under agreements to resell | 3,250 | 100 |
| Investment securities available-for-sale | 1,250,005 | 1,393,357 |
| Investment securities held-to-maturity (fair value of $6,742,503 and $5,575,717 at June 30, 2015 and December 31, 2014, respectively) | 6,516,374 | 5,244,707 |
| Loans | 40,965,853 | 37,808,369 |
| Less: Allowance for loan losses | (235,868) | (207,342) |
| Loans, net | 40,729,985 | 37,601,027 |
| Loans held for sale | 162,841 | 271,448 |
| Investments in life insurance | 1,031,137 | 1,014,734 |
| Tax credit investments | 880,321 | 828,640 |
| Prepaid expenses and other assets | 753,886 | 747,763 |
| Premises, equipment and leasehold improvements, net | 163,758 | 165,703 |
| Goodwill | 106,549 | 106,549 |
| Other intangible assets | 99,905 | 110,001 |
| Mortgage servicing rights | 52,685 | 49,023 |
| Total Assets | $ 53,118,575 | $ 48,350,202 |
| **LIABILITIES AND EQUITY** | | |
| Liabilities: | | |
| Deposits: | | |
| Noninterest-bearing checking accounts | $ 16,306,078 | $ 12,542,881 |
| Interest-bearing checking accounts | 9,049,662 | 8,809,590 |
| Money Market (MM) checking accounts | 5,691,554 | 5,216,253 |
| MM savings and passbooks | 6,807,413 | 6,795,189 |
| Certificates of deposit | 4,032,859 | 3,767,016 |
| Total Deposits | 41,887,566 | 37,130,929 |
| Securities sold under agreements to repurchase | 100,000 | — |
| Long-term FHLB advances | 4,725,000 | 5,275,000 |
| Senior notes | 396,769 | 396,384 |
| Debt related to variable interest entities | 31,108 | 36,039 |
| Other liabilities | 713,066 | 733,383 |
| Total Liabilities | 47,853,509 | 43,571,735 |
| Shareholders' Equity: | | |
| Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 989,525 and 889,525 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively | 989,525 | 889,525 |
| Common stock, $0.01 par value per share; 400,000,000 shares authorized; 142,389,011 and 138,268,849 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively | 1,424 | 1,383 |
| Additional paid-in capital | 2,523,239 | 2,313,592 |
| Retained earnings | 1,748,750 | 1,570,871 |
| Accumulated other comprehensive income | 2,128 | 3,096 |
| Total Shareholders' Equity | 5,265,066 | 4,778,467 |
| Total Liabilities and Shareholders' Equity | $ 53,118,575 | $ 48,350,202 |

See accompanying notes to financial statements.

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands, except per share amounts)** | **2015** | **2014** | **2015** | **2014** |
| Interest income: | | | | |
| Loans | $ 333,966 | $ 318,711 | $ 655,841 | $ 626,398 |
| Investments | 77,223 | 50,811 | 139,146 | 99,655 |
| Cash and cash equivalents | 766 | 781 | 1,871 | 1,561 |
| Total interest income | 411,955 | 370,303 | 796,858 | 727,614 |
| Interest expense: | | | | |
| Deposits | 14,543 | 14,818 | 28,531 | 30,049 |
| Borrowings | 22,348 | 22,272 | 45,244 | 43,649 |
| Total interest expense | 36,891 | 37,090 | 73,775 | 73,698 |
| Net interest income | 375,064 | 333,213 | 723,083 | 653,916 |
| Provision for loan losses | 17,005 | 21,800 | 28,892 | 28,895 |
| Net interest income after provision for loan losses | 358,059 | 311,413 | 694,191 | 625,021 |
| Noninterest income: | | | | |
| Investment advisory fees | 43,502 | 36,197 | 84,713 | 69,505 |
| Brokerage and investment fees | 4,407 | 3,393 | 8,106 | 6,398 |
| Trust fees | 2,501 | 2,860 | 4,886 | 5,279 |
| Foreign exchange fee income | 5,023 | 5,052 | 10,171 | 8,559 |
| Deposit fees | 4,870 | 4,637 | 9,499 | 9,181 |
| Gain on sale of loans | 3,476 | 14,850 | 5,288 | 17,695 |
| Loan servicing fees, net | 2,923 | 2,008 | 6,153 | 4,004 |
| Loan and related fees | 3,428 | 1,695 | 6,149 | 3,603 |
| Income from investments in life insurance | 8,451 | 6,424 | 17,630 | 13,399 |
| Gain (loss) on investment securities, net | 1,112 | (1,085) | 1,412 | (1,176) |
| Other income | 543 | 807 | 1,148 | 1,403 |
| Total noninterest income | 80,236 | 76,838 | 155,155 | 137,850 |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 138,758 | 117,191 | 278,706 | 237,776 |
| Occupancy | 27,533 | 23,438 | 53,105 | 47,543 |
| Information systems | 28,282 | 23,161 | 54,134 | 44,582 |
| Professional fees | 20,048 | 10,816 | 39,561 | 18,032 |
| FDIC and other deposit assessments | 8,700 | 7,650 | 17,050 | 15,094 |
| Advertising and marketing | 6,564 | 8,001 | 11,778 | 14,015 |
| Amortization of intangibles | 4,941 | 5,792 | 10,096 | 11,796 |
| Other expenses | 28,289 | 26,679 | 54,358 | 51,381 |
| Total noninterest expense | 263,115 | 222,728 | 518,788 | 440,219 |
| Income before provision for income taxes | 175,180 | 165,523 | 330,558 | 322,652 |
| Provision for income taxes | 43,835 | 44,691 | 83,301 | 87,116 |
| Net income | 131,345 | 120,832 | 247,257 | 235,536 |
| Dividends on preferred stock | 14,411 | 13,889 | 28,300 | 27,778 |
| Net income available to common shareholders | $ 116,934 | $ 106,943 | $ 218,957 | $ 207,758 |
| Net income | $ 131,345 | $ 120,832 | $ 247,257 | $ 235,536 |
| Other comprehensive income (loss), net of tax: | | | | |
| Net unrealized gain (loss) on securities available-for-sale | (5,787) | 1,447 | (175) | 2,654 |
| Reclassification of (gain) loss on securities available-for-sale to net income | (639) | 107 | (812) | 159 |
| Reclassification of loss on cash flow hedges to net income | — | 49 | 19 | 188 |
| Other comprehensive income (loss) | (6,426) | 1,603 | (968) | 3,001 |
| Comprehensive income | $ 124,919 | $ 122,435 | $ 246,289 | $ 238,537 |
| Basic earnings per common share | $ 0.82 | $ 0.78 | $ 1.56 | $ 1.54 |
| Diluted earnings per common share | $ 0.80 | $ 0.76 | $ 1.52 | $ 1.49 |
| Dividends per common share | $ 0.15 | $ 0.14 | $ 0.29 | $ 0.26 |

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 | — | — | — | — | 235,536 | — | 235,536 |
| Other comprehensive income | — | — | — | — | — | 3,001 | 3,001 |
| Issuance of common stock, net | 4,600,000 | — | 46 | 239,983 | — | — | 240,029 |
| Stock compensation expense | — | — | — | 14,542 | — | — | 14,542 |
| Net issuance of common stock under stock plans | 608,911 | — | 6 | (14,646) | — | — | (14,640) |
| Excess tax benefits on stock compensation | — | — | — | 14,741 | — | — | 14,741 |
| Dividends on preferred stock | — | — | — | — | (27,778) | — | (27,778) |
| Dividends on common stock | — | — | — | — | (35,419) | — | (35,419) |
| **Balance at June 30, 2014** | **137,977,348** | **$ 889,525** | **$ 1,380** | **$ 2,296,647** | **$ 1,386,235** | **$ 16,272** | **$ 4,590,059** |
| | | | | | | | |
| **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 | — | — | — | — | 247,257 | — | 247,257 |
| Other comprehensive loss | — | — | — | — | — | (968) | (968) |
| Issuance of preferred stock, net | — | 100,000 | — | (3,410) | — | — | 96,590 |
| Issuance of common stock, net | 3,500,000 | — | 35 | 203,251 | — | — | 203,286 |
| Stock compensation expense | — | — | — | 14,909 | — | — | 14,909 |
| Net issuance of common stock under stock plans | 620,162 | — | 6 | (21,565) | — | — | (21,559) |
| Excess tax benefits on stock compensation | — | — | — | 16,462 | — | — | 16,462 |
| Dividends on preferred stock | — | — | — | — | (28,300) | — | (28,300) |
| Dividends on common stock | — | — | — | — | (41,078) | — | (41,078) |
| **Balance at June 30, 2015** | **142,389,011** | **$ 989,525** | **$ 1,424** | **$ 2,523,239** | **$ 1,748,750** | **$ 2,128** | **$ 5,265,066** |

See accompanying notes to financial statements.

## FIRST REPUBLIC BANK
## STATEMENTS OF CASH FLOWS
## (Unaudited)

| ($ in thousands) | Six Months Ended June 30, 2015 | 2014 |
|---|---|---|
| Operating Activities: | | |
| Net income | $ 247,257 | $ 235,536 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 28,892 | 28,895 |
| Accretion of loan discounts | (23,830) | (37,229) |
| Depreciation and amortization | 30,047 | 25,693 |
| Amortization of mortgage servicing rights | 6,253 | 4,001 |
| Loans originated for sale | (368,188) | (323,943) |
| Proceeds from sales and principal repayments of loans held for sale | 442,067 | 283,471 |
| Deferred income taxes | 11,090 | (1,646) |
| Gain on sale of loans | (5,288) | (17,695) |
| (Gain) loss on investment securities, net | (1,412) | 1,176 |
| Other net gains | (4) | (340) |
| Noncash cost of stock plans | 14,909 | 14,542 |
| Excess tax benefits on stock compensation | (16,462) | (14,741) |
| (Increase) decrease in other assets | (33,711) | 27,153 |
| Decrease in other liabilities | (62,484) | (99,716) |
| Net Cash Provided by Operating Activities | 269,136 | 125,157 |
| Investing Activities: | | |
| Loan originations, net of principal collections | (4,125,548) | (3,733,062) |
| Loans purchased | (81,362) | (15,296) |
| Loans sold | 1,035,735 | 1,368,470 |
| Purchases of securities available-for-sale | (778,982) | (563,458) |
| Proceeds from sales of securities available-for-sale | 893,954 | 138,915 |
| Proceeds from maturities and paydowns of securities available-for-sale | 97,334 | 19,858 |
| Purchases of securities held-to-maturity | (1,438,433) | (138,813) |
| Proceeds from maturities and paydowns of securities held-to-maturity | 168,280 | 14,386 |
| Purchases of FHLB stock | — | (23,500) |
| Proceeds from redemptions of FHLB stock | 57,347 | 4,700 |
| Purchases of investments in life insurance | — | (100,000) |
| Net change in securities purchased under agreements to resell | (3,150) | — |
| Net change in tax credit investments | (73,953) | (75,551) |
| Additions to premises, equipment and leasehold improvements, net | (21,254) | (16,757) |
| Proceeds from sales of other assets | 16 | 3,540 |
| Net Cash Used for Investing Activities | (4,270,016) | (3,116,568) |
| Financing Activities: | | |
| Net increase in deposits | 4,756,565 | 2,950,300 |
| Net change in securities sold under agreements to repurchase | 100,000 | — |
| Proceeds from long-term FHLB advances | — | 500,000 |
| Repayment of long-term FHLB advances | (550,000) | (100,000) |
| Proceeds from issuance of senior notes | — | 399,456 |
| Payment of senior notes issuance costs | — | (2,473) |
| Decrease in debt related to variable interest entities | (4,931) | (6,006) |
| Net proceeds from issuance of preferred stock | 96,590 | — |
| Net proceeds from issuance of common stock | 203,286 | 240,029 |
| Proceeds from issuance of common stock under employee stock purchase plan | 2,850 | 1,637 |
| Proceeds from stock options exercised | 165 | 56 |
| Excess tax benefits on stock compensation | 16,462 | 14,741 |
| Dividends on preferred stock | (28,300) | (27,778) |
| Dividends on common stock | (41,078) | (35,419) |
| Net Cash Provided by Financing Activities | 4,551,609 | 3,934,543 |
| Increase in Cash and Cash Equivalents | 550,729 | 943,132 |
| Cash and Cash Equivalents at the Beginning of Period | 817,150 | 807,885 |
| Cash and Cash Equivalents at the End of Period | $ 1,367,879 | $ 1,751,017 |
| Supplemental Disclosure of Cash Flow Items | | |
| Cash paid during period: | | |
| Interest | $ 74,324 | $ 77,336 |
| Income taxes | $ 62,048 | $ 69,612 |
| Transfer of loans to held for sale | $ 1,005,904 | $ 1,498,376 |
| Transfer of loans to securities available-for-sale | $ 70,356 | $ 15,296 |
| Transfer of repossessed assets from loans to other assets | $ — | $ 3,648 |

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 30 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.

*Recent Developments*

On June 17, 2015, the Bank announced that FRIM has agreed to purchase the assets of Constellation Wealth Advisors ("Constellation") for approximately $115 million.

Constellation provides high net worth individuals, families, and family foundations with strategic investment advice and asset allocation, including alternative investments. Constellation, which has offices in New York City and in Menlo Park, operates in regions where the Bank has a strong presence. In connection with the transaction, the six partners of Constellation have signed long-term employment contracts. The transaction is expected to close in the third quarter of 2015, subject to the satisfaction of customary closing conditions.

*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 six months ended June 30, 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 clarify 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 the additional disclosures required under these amendments.

- In June 2014, the FASB issued amendments to ASC 860, "Transfers and Servicing—Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures," which require additional disclosures for repurchase agreements accounted for as secured borrowings. The additional disclosures provide information about collateral pledged, the associated liability and its maturity, and the risks related to such agreements. These disclosure requirements are effective for annual periods beginning after December 15, 2014 and interim periods beginning after March 31, 2015. The adoption of this guidance did not have an impact on the Bank's financial condition, results of operations or cash flows. See Note 2, "Investment Securities," and Note 7, "Borrowings," for the additional disclosures required under these amendments.

- In April 2015, the FASB issued amendments to ASC 835-30, "Interest—Imputation of Interest," which require 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 |
|---|---|---|---|
| Balance Sheet | | | |
| **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. In July 2015, the FASB decided to defer the effective date of this guidance for an additional year. As a result of the deferral, this guidance is 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. ASC 606 is applied on either a modified retrospective or full retrospective basis. The Bank is currently evaluating the impact of the adoption of this guidance on its financial condition, results of operations and cash flows.

- 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:

| | June 30, 2015 | | | |
|---|---|---|---|---|
| **($ in thousands)** | **Amortized Cost** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Value** |
| **Available-for-sale:** | | | | |
| Agency residential mortgage-backed securities ("MBS") | $ 311,571 | $ 3,573 | $ (566) | $ 314,578 |
| Other residential MBS | 11,215 | — | (89) | 11,126 |
| Agency commercial MBS | 875,803 | 2,648 | (2,599) | 875,852 |
| Securities of U.S. states and political subdivisions—taxable | 47,235 | 215 | — | 47,450 |
| Marketable equity securities | 480 | 519 | — | 999 |
| Total | $ 1,246,304 | $ 6,955 | $ (3,254) | $ 1,250,005 |
| **Held-to-maturity:** | | | | |
| U.S. Government-sponsored agency securities | $ 983,655 | $ 2,076 | $ (6,387) | $ 979,344 |
| Agency residential MBS | 1,251,844 | 2,836 | (12,748) | 1,241,932 |
| Other residential MBS | 2,740 | 52 | (2) | 2,790 |
| Agency commercial MBS | 113,905 | 1,100 | (81) | 114,924 |
| Securities of U.S. states and political subdivisions: | | | | |
| Tax-exempt municipal securities | 3,953,177 | 249,518 | (25,902) | 4,176,793 |
| Tax-exempt nonprofit debentures | 157,939 | 5,100 | — | 163,039 |
| Taxable municipal securities | 53,114 | 10,567 | — | 63,681 |
| Total | $ 6,516,374 | $ 271,249 | $ (45,120) | $ 6,742,503 |

| ($ in thousands) | December 31, 2014 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 June 30, 2015 and December 31, 2014, the carrying value of investment securities pledged was $3.8 billion and $3.2 billion, respectively.

In addition, as of June 30, 2015, held-to-maturity tax-exempt municipal investment securities with a carrying value of $103.9 million and a fair value of $111.8 million have been sold under an agreement to repurchase. These investment securities are pledged as collateral under this agreement, which is accounted for as a secured borrowing. The liability for the securities sold under agreement to repurchase was $100.0 million as of June 30, 2015, and matures in the second quarter of 2016. The Bank's credit risk under this arrangement relates to the requirement that the Bank maintain a specified collateral amount, which incorporates an agreed-upon level of overcollateralization. The Bank monitors the fair value of these investment securities and if required, the amount of investment securities held as collateral by the counterparty is adjusted to meet the minimum required under the arrangement.

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:

| | June 30, 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:** | | | | | | |
| Agency residential MBS | $ (12) | $ 5,898 | $ (554) | $ 9,027 | $ (566) | $ 14,925 |
| Other residential MBS | (89) | 11,126 | — | — | (89) | 11,126 |
| Agency commercial MBS | (2,599) | 464,782 | — | — | (2,599) | 464,782 |
| Total | $ (2,700) | $ 481,806 | $ (554) | $ 9,027 | $ (3,254) | $ 490,833 |
| **Held-to-maturity:** | | | | | | |
| U.S. Government-sponsored agency securities | $ (6,387) | $ 450,619 | $ — | $ — | $ (6,387) | $ 450,619 |
| Agency residential MBS | (12,748) | 1,025,171 | — | — | (12,748) | 1,025,171 |
| Other residential MBS | (2) | 512 | — | — | (2) | 512 |
| Agency commercial MBS | (81) | 47,527 | — | — | (81) | 47,527 |
| Securities of U.S. states and political subdivisions: | | | | | | |
| Tax-exempt municipal securities | (25,739) | 924,168 | (163) | 1,810 | (25,902) | 925,978 |
| Total | $ (44,957) | $ 2,447,997 | $ (163) | $ 1,810 | $ (45,120) | $ 2,449,807 |

| | 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 June 30, 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 June 30, 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 June 30, 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 and six months ended June 30, 2015.

During the quarter and six months ended June 30, 2014, the Bank recognized other-than-temporary impairment charges on held-to-maturity debt securities from one municipal issuer, which resulted in an impairment loss of $899,000 included in earnings. The write-down was recorded in response to a significant deterioration in the creditworthiness of the issuer of these securities. The Bank sold these securities, which had a carrying value of $2.3 million, in July 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 June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| Available-for-sale: | | | | |
| Sales proceeds | $ 351,987 | $ 15,110 | $ 893,954 | $ 138,915 |

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

| ($ in thousands) | Quarter Ended June 30, 2015 | Quarter Ended June 30, 2014 | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| Available-for-sale: | | | | |
| Gross realized gains on sales | $ 1,479 | $ — | $ 2,181 | $ 4 |
| Gross realized losses on sales | (367) | (186) | (769) | (281) |
| Held-to-maturity: | | | | |
| Other-than-temporary impairment | — | (899) | — | (899) |
| Total gain (loss) on investment securities, net | $ 1,112 | $ (1,085) | $ 1,412 | $ (1,176) |

The following table presents interest and dividend income on investments:

| ($ in thousands) | Quarter Ended June 30, 2015 | Quarter Ended June 30, 2014 | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| Interest income on tax-exempt securities | $ 39,551 | $ 34,576 | $ 75,742 | $ 68,155 |
| Interest income on taxable securities | 23,860 | 11,886 | 45,028 | 23,082 |
| Dividend income on FHLB stock (1) | 13,812 | 4,349 | 18,376 | 8,418 |
| Total | $ 77,223 | $ 50,811 | $ 139,146 | $ 99,655 |

(1) The Bank received a one-time special dividend of $9.1 million from the FHLB in the second quarter of 2015.

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.

| ($ in thousands) | June 30, 2015 Amortized Cost | June 30, 2015 Fair Value | December 31, 2014 Amortized Cost | December 31, 2014 Fair Value |
|---|---|---|---|---|
| Available-for-sale: | | | | |
| Due in one year or less | $ — | $ — | $ 235,997 | $ 235,974 |
| Due after one year through five years | 2,571 | 2,595 | 271,718 | 271,920 |
| Due after five years through ten years | 35,558 | 35,962 | 39,894 | 40,331 |
| Due after ten years | 1,207,695 | 1,210,449 | 839,851 | 844,001 |
| Total debt securities | $ 1,245,824 | $ 1,249,006 | $ 1,387,460 | $ 1,392,226 |
| Held-to-maturity: | | | | |
| Due in one year or less | $ 60,169 | $ 62,967 | $ 45,332 | $ 48,056 |
| Due after one year through five years | 62,375 | 66,512 | 29,019 | 31,355 |
| Due after five years through ten years | 922,065 | 923,647 | 613,568 | 618,382 |
| Due after ten years | 5,471,765 | 5,689,377 | 4,556,788 | 4,877,924 |
| Total debt securities | $ 6,516,374 | $ 6,742,503 | $ 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 June 30, 2015, approximately 54% 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 June 30, 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:

| | June 30, 2015 | | | |
|---|---|---|---|---|
| **($ in thousands)** | **Principal** | **Net Unaccreted Discount** | **Net Deferred Fees and Costs** | **Total** |
| Types of Loans: | | | | |
| Single family (1-4 units) | $ 21,777,063 | $ (79,948) | $ 57,370 | $ 21,754,485 |
| Home equity lines of credit | 2,256,022 | (7,731) | 12,148 | 2,260,439 |
| Multifamily (5+ units) | 5,057,034 | (9,550) | (8,554) | 5,038,930 |
| Commercial real estate | 4,219,336 | (25,452) | (8,345) | 4,185,539 |
| Single family construction | 451,428 | (280) | (2,668) | 448,480 |
| Multifamily/commercial construction | 585,837 | (60) | (4,906) | 580,871 |
| Total real estate mortgages | 34,346,720 | (123,021) | 45,045 | 34,268,744 |
| Commercial business | 5,506,246 | (5,557) | (8,559) | 5,492,130 |
| Other secured | 538,836 | (127) | 253 | 538,962 |
| Stock secured | 371,720 | — | 781 | 372,501 |
| Unsecured loans and lines of credit | 293,634 | (223) | 105 | 293,516 |
| Total other loans | 6,710,436 | (5,907) | (7,420) | 6,697,109 |
| Total loans | $ 41,057,156 | $ (128,928) | $ 37,625 | $ 40,965,853 |
| Less: | | | | |
| Allowance for loan losses | | | | (235,868) |
| Loans, net | | | | 40,729,985 |
| Single family loans held for sale | | | | 162,841 |
| Total | | | | $ 40,892,826 |

| ($ in thousands) | December 31, 2014 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 $23.6 billion and $21.9 billion of loans to secure borrowings from the FHLB as of June 30, 2015 and December 31, 2014, respectively, although only approximately $5.4 billion and $5.9 billion, respectively, were required in connection with the outstanding FHLB advances.

*Purchased Credit-Impaired Loans*

At June 30, 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 $88.9 million and $94.8 million, respectively, and a carrying value of $80.6 million and $85.7 million, respectively.

The Bank recorded no reductions to the nonaccretable difference for charge-offs of loan balances during the quarter and six months ended June 30, 2015 and the quarter ended June 30, 2014. The Bank recorded reductions to the nonaccretable difference for charge-offs of loan balances of $39,000 for the six months ended June 30, 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 June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| ($ in thousands) | 2015 | 2014 | 2015 | 2014 |
| Accretable yield: | | | | |
| Balance at beginning of period | $ 6,932 | $ 9,387 | $ 8,073 | $ 10,220 |
| Accretion | (1,435) | (2,296) | (2,809) | (5,820) |
| Reclassification from nonaccretable difference for loans with improving cash flows | 27 | 273 | 337 | 749 |
| Increase in expected cash flows | 1,935 | 2,000 | 2,001 | 4,368 |
| Resolutions/payments in full | (136) | (813) | (279) | (966) |
| Balance at end of period | $ 7,323 | $ 8,551 | $ 7,323 | $ 8,551 |

| ($ in thousands) | At or for the Quarter Ended June 30, 2015 | At or for the Quarter Ended June 30, 2014 | At or for the Six Months Ended June 30, 2015 | At or for the Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| Allowance: | | | | |
| Balance at beginning of period | $ 91 | $ 309 | $ 168 | $ 473 |
| Provision | 30 | 94 | 30 | 511 |
| Reversal of provision | (68) | (239) | (150) | (544) |
| Charge-offs | — | — | — | (484) |
| Recoveries | 9 | 102 | 14 | 310 |
| Balance at end of period | $ 62 | $ 266 | $ 62 | $ 266 |

*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 June 30, 2015 and December 31, 2014. Of the loans on nonaccrual status, at June 30, 2015, $27.8 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 June 30, 2015** | | | | | | | | |
| Single Family (1-4 units): | | | | | | | | |
| Purchased non-impaired | $ 367 | $ — | $ 746 | $ 1,113 | $ 2,487,152 | $ 2,488,265 | $ 706 | $ 348 |
| Purchased non-impaired that subsequently became impaired | — | — | 5,067 | 5,067 | 20,585 | 25,652 | — | 16,237 |
| Purchased credit-impaired | — | — | 156 | 156 | 10,387 | 10,543 | — | 156 |
| Originated post June 30, 2010 non-impaired | 1,575 | — | — | 1,575 | 19,220,125 | 19,221,700 | — | — |
| Originated post June 30, 2010 impaired | — | — | 6,401 | 6,401 | 1,924 | 8,325 | — | 6,959 |
| | 1,942 | — | 12,370 | 14,312 | 21,740,173 | 21,754,485 | 706 | 23,700 |
| Home Equity Lines of Credit: | | | | | | | | |
| Purchased non-impaired | 3,329 | — | 1,684 | 5,013 | 514,863 | 519,876 | 1,412 | 273 |
| Purchased non-impaired that subsequently became impaired | 2,102 | — | 3,225 | 5,327 | 4,844 | 10,171 | — | 8,376 |
| Purchased credit-impaired | — | — | 265 | 265 | 3,214 | 3,479 | — | 265 |
| Originated post June 30, 2010 non-impaired | 4,841 | — | — | 4,841 | 1,719,119 | 1,723,960 | — | — |
| Originated post June 30, 2010 impaired | — | — | 2,220 | 2,220 | 733 | 2,953 | — | 2,953 |
| | 10,272 | — | 7,394 | 17,666 | 2,242,773 | 2,260,439 | 1,412 | 11,867 |
| Multifamily (5+ units): | | | | | | | | |
| Purchased non-impaired | 445 | — | — | 445 | 287,540 | 287,985 | — | — |
| Purchased non-impaired that subsequently became impaired | — | — | — | — | 2,730 | 2,730 | — | 732 |
| Purchased credit-impaired | — | — | — | — | 20,078 | 20,078 | — | 425 |
| Originated post June 30, 2010 non-impaired | 363 | — | — | 363 | 4,726,691 | 4,727,054 | — | — |
| Originated post June 30, 2010 impaired | — | — | — | — | 1,083 | 1,083 | — | 371 |
| | 808 | — | — | 808 | 5,038,122 | 5,038,930 | — | 1,528 |
| Commercial Real Estate: | | | | | | | | |
| Purchased non-impaired | 2,682 | — | — | 2,682 | 435,752 | 438,434 | — | — |
| Purchased non-impaired that subsequently became impaired | — | — | 5,766 | 5,766 | 741 | 6,507 | — | 5,766 |
| Purchased credit-impaired | — | — | 2,541 | 2,541 | 22,706 | 25,247 | — | 2,541 |
| Originated post June 30, 2010 non-impaired | 345 | — | — | 345 | 3,715,006 | 3,715,351 | — | — |
| | 3,027 | — | 8,307 | 11,334 | 4,174,205 | 4,185,539 | — | 8,307 |
| Single Family Construction: | | | | | | | | |
| Purchased non-impaired | — | — | — | — | 3,975 | 3,975 | — | — |
| Originated post June 30, 2010 non-impaired | — | — | — | — | 444,505 | 444,505 | — | — |
| | — | — | — | — | 448,480 | 448,480 | — | — |

**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 June 30, 2015** | | | | | | | | |
| Multifamily/Commercial Construction: | | | | | | | | |
| Purchased non-impaired | — | — | — | — | 1,088 | 1,088 | — | — |
| Originated post June 30, 2010 non-impaired | — | — | — | — | 579,783 | 579,783 | — | — |
| | — | — | — | — | 580,871 | 580,871 | — | — |
| Commercial Business: | | | | | | | | |
| Purchased non-impaired | — | 68 | — | 68 | 261,266 | 261,334 | — | 491 |
| Purchased credit-impaired | — | — | — | — | 20,651 | 20,651 | — | 1,988 |
| Originated post June 30, 2010 non-impaired | — | — | — | — | 5,202,753 | 5,202,753 | — | 76 |
| Originated post June 30, 2010 impaired | — | — | — | — | 7,392 | 7,392 | — | 7,392 |
| | — | 68 | — | 68 | 5,492,062 | 5,492,130 | — | 9,947 |
| Other Secured: | | | | | | | | |
| Purchased non-impaired | — | — | — | — | 29,764 | 29,764 | — | — |
| Originated post June 30, 2010 non-impaired | 75 | — | — | 75 | 509,123 | 509,198 | — | — |
| | 75 | — | — | 75 | 538,887 | 538,962 | — | — |
| Stock Secured: | | | | | | | | |
| Purchased non-impaired | — | — | — | — | 4,281 | 4,281 | — | — |
| Originated post June 30, 2010 non-impaired | — | — | — | — | 368,220 | 368,220 | — | — |
| | — | — | — | — | 372,501 | 372,501 | — | — |
| Unsecured Loans and Lines of Credit: | | | | | | | | |
| Purchased non-impaired | 23 | — | — | 23 | 29,269 | 29,292 | — | 494 |
| Purchased credit-impaired | — | — | — | — | 563 | 563 | — | 29 |
| Originated post June 30, 2010 non-impaired | 1,791 | — | — | 1,791 | 261,870 | 263,661 | — | — |
| | 1,814 | — | — | 1,814 | 291,702 | 293,516 | — | 523 |
| Total | $ 17,938 | $ 68 | $ 28,071 | $ 46,077 | $ 40,919,776 | $ 40,965,853 | $ 2,118 | $ 55,872 |

**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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| Actual interest income recognized | $ 14 | $ 13 | $ 33 | $ 27 |
| Interest income under original terms | $ 578 | $ 431 | $ 1,013 | $ 821 |

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 June 30, 2015 and December 31, 2014:

**Credit Quality Indicators:**

| ($ in thousands) | Pass | Special Mention | Substandard | Doubtful | Total |
|---|---|---|---|---|---|
| **At June 30, 2015** | | | | | |
| Single Family (1-4 units): | | | | | |
| Purchased non-impaired | $ 2,469,037 | $ 1,373 | $ 17,855 | $ — | $ 2,488,265 |
| Purchased non-impaired that subsequently became impaired | 4,786 | — | 20,866 | — | 25,652 |
| Purchased credit-impaired | 9,928 | — | 615 | — | 10,543 |
| Originated post June 30, 2010 non-impaired | 19,214,256 | — | 7,444 | — | 19,221,700 |
| Originated post June 30, 2010 impaired | 1,366 | — | 6,959 | — | 8,325 |
| | 21,699,373 | 1,373 | 53,739 | — | 21,754,485 |
| Home Equity Lines of Credit: | | | | | |
| Purchased non-impaired | 509,863 | 4,885 | 5,128 | — | 519,876 |
| Purchased non-impaired that subsequently became impaired | 801 | — | 9,370 | — | 10,171 |
| Purchased credit-impaired | 3,214 | — | 265 | — | 3,479 |
| Originated post June 30, 2010 non-impaired | 1,723,092 | — | 868 | — | 1,723,960 |
| Originated post June 30, 2010 impaired | — | — | 2,953 | — | 2,953 |
| | 2,236,970 | 4,885 | 18,584 | — | 2,260,439 |
| Multifamily (5+ units): | | | | | |
| Purchased non-impaired | 285,072 | 2,468 | 445 | — | 287,985 |
| Purchased non-impaired that subsequently became impaired | — | 1,998 | 732 | — | 2,730 |
| Purchased credit-impaired | 11,960 | 7,107 | 1,011 | — | 20,078 |
| Originated post June 30, 2010 non-impaired | 4,717,212 | — | 9,842 | — | 4,727,054 |
| Originated post June 30, 2010 impaired | — | — | 1,083 | — | 1,083 |
| | 5,014,244 | 11,573 | 13,113 | — | 5,038,930 |
| Commercial Real Estate: | | | | | |
| Purchased non-impaired | 418,079 | 11,732 | 8,623 | — | 438,434 |
| Purchased non-impaired that subsequently became impaired | — | — | 6,507 | — | 6,507 |
| Purchased credit-impaired | 13,665 | — | 11,582 | — | 25,247 |
| Originated post June 30, 2010 non-impaired | 3,693,689 | 11,036 | 10,626 | — | 3,715,351 |
| | 4,125,433 | 22,768 | 37,338 | — | 4,185,539 |
| Single Family Construction: | | | | | |
| Purchased non-impaired | 1,230 | — | 2,745 | — | 3,975 |
| Originated post June 30, 2010 non-impaired | 444,505 | — | — | — | 444,505 |
| | 445,735 | — | 2,745 | — | 448,480 |
| Multifamily/Commercial Construction: | | | | | |
| Purchased non-impaired | — | — | 1,088 | — | 1,088 |
| Originated post June 30, 2010 non-impaired | 557,349 | 22,434 | — | — | 579,783 |
| | 557,349 | 22,434 | 1,088 | — | 580,871 |
| Commercial Business: | | | | | |
| Purchased non-impaired | 243,407 | 4,923 | 12,513 | 491 | 261,334 |
| Purchased credit-impaired | 15,319 | 3,356 | 1,976 | — | 20,651 |
| Originated post June 30, 2010 non-impaired | 5,175,315 | 19,049 | 8,313 | 76 | 5,202,753 |
| Originated post June 30, 2010 impaired | — | — | 7,392 | — | 7,392 |
| | 5,434,041 | 27,328 | 30,194 | 567 | 5,492,130 |
| Other Secured: | | | | | |
| Purchased non-impaired | 29,764 | — | — | — | 29,764 |
| Originated post June 30, 2010 non-impaired | 509,188 | — | 10 | — | 509,198 |
| | 538,952 | — | 10 | — | 538,962 |
| Stock Secured: | | | | | |
| Purchased non-impaired | 4,281 | — | — | — | 4,281 |
| Originated post June 30, 2010 non-impaired | 368,220 | — | — | — | 368,220 |
| | 372,501 | — | — | — | 372,501 |
| Unsecured Loans and Lines of Credit: | | | | | |
| Purchased non-impaired | 28,498 | — | 300 | 494 | 29,292 |
| Purchased credit-impaired | 534 | — | 29 | — | 563 |
| Originated post June 30, 2010 non-impaired | 261,485 | 1,003 | 1,173 | — | 263,661 |
| | 290,517 | 1,003 | 1,502 | 494 | 293,516 |
| Total | $ 40,715,115 | $ 91,364 | $ 158,313 | $ 1,061 | $ 40,965,853 |

**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 June 30, 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 $4.1 million and $7.9 million at June 30, 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 June 30, 2015** | | | | | | | | | | | | |
| **Allowance for loan losses:** | | | | | | | | | | | | |
| Beginning balance | $ 24,922 | $ 4,906 | $ 22,450 | $ 21,738 | $ 580 | $ 3,114 | $ 77,175 | $ 6,072 | $ 1,055 | $ 4,343 | $ 52,861 | $ 219,216 |
| Provision | 1,215 | 522 | 1,149 | 988 | 70 | 1,102 | 5,963 | 292 | 231 | 869 | 4,604 | 17,005 |
| Charge-offs | — | (153) | — | — | — | — | (95) | — | — | (144) | — | (392) |
| Recoveries | — | — | — | — | — | — | 15 | — | — | 24 | — | 39 |
| Ending balance | $ 26,137 | $ 5,275 | $ 23,599 | $ 22,726 | $ 650 | $ 4,216 | $ 83,058 | $ 6,364 | $ 1,286 | $ 5,092 | $ 57,465 | $ 235,868 |
| **At or for the Six Months Ended June 30, 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 | 1,282 | 128 | 1,799 | 2,835 | 32 | 1,275 | 11,320 | 1,283 | 302 | 1,049 | 7,587 | 28,892 |
| Charge-offs | — | (197) | — | — | — | — | (95) | — | — | (162) | — | (454) |
| Recoveries | — | — | — | — | — | — | 28 | — | — | 60 | — | 88 |
| Ending balance | $ 26,137 | $ 5,275 | $ 23,599 | $ 22,726 | $ 650 | $ 4,216 | $ 83,058 | $ 6,364 | $ 1,286 | $ 5,092 | $ 57,465 | $ 235,868 |
| Ending balance: purchased loans evaluated collectively for impairment | $ 1,293 | $ 500 | $ 130 | $ 967 | $ 113 | $ — | $ 2,531 | $ — | $ — | $ 569 | $ — | $ 6,103 |
| Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35 | $ 310 | $ 415 | $ 22 | $ 11 | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ 758 |
| Ending balance: purchased credit-impaired loans evaluated individually for impairment | $ — | $ — | $ — | $ — | $ — | $ — | $ 62 | $ — | $ — | $ — | $ — | $ 62 |
| Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment | $ 24,534 | $ 4,338 | $ 23,447 | $ 21,748 | $ 537 | $ 4,216 | $ 79,410 | $ 6,364 | $ 1,286 | $ 4,523 | $ 57,465 | $ 227,868 |
| Ending balance: loans originated post June 30, 2010 evaluated individually for impairment | $ — | $ 22 | $ — | $ — | $ — | $ — | $ 1,055 | $ — | $ — | $ — | $ — | $ 1,077 |
| **Loans:** | | | | | | | | | | | | |
| Ending balance | $ 21,754,485 | $ 2,260,439 | $ 5,038,930 | $ 4,185,539 | $ 448,480 | $ 580,871 | $ 5,492,130 | $ 538,962 | $ 372,501 | $ 293,516 | | $ 40,965,853 |
| Ending balance: purchased loans evaluated collectively for impairment | $ 2,488,265 | $ 519,876 | $ 287,985 | $ 438,434 | $ 3,975 | $ 1,088 | $ 261,334 | $ 29,764 | $ 4,281 | $ 29,292 | | $ 4,064,294 |
| Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35 | $ 25,652 | $ 10,171 | $ 2,730 | $ 6,507 | $ — | $ — | $ — | $ — | $ — | $ — | | $ 45,060 |
| Ending balance: purchased credit-impaired loans evaluated individually for impairment | $ 10,543 | $ 3,479 | $ 20,078 | $ 25,247 | $ — | $ — | $ 20,651 | $ — | $ — | $ 563 | | $ 80,561 |
| Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment | $ 19,221,700 | $ 1,723,960 | $ 4,727,054 | $ 3,715,351 | $ 444,505 | $ 579,783 | $ 5,202,753 | $ 509,198 | $ 368,220 | $ 263,661 | | $ 36,756,185 |
| Ending balance: loans originated post June 30, 2010 evaluated individually for impairment | $ 8,325 | $ 2,953 | $ 1,083 | $ — | $ — | $ — | $ 7,392 | $ — | $ — | $ — | | $ 19,753 |

**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 June 30, 2014** | | | | | | | | | | | | |
| **Allowance for loan losses:** | | | | | | | | | | | | |
| Beginning balance | $ 23,517 | $ 7,050 | $ 19,593 | $ 17,285 | $ 712 | $ 1,818 | $ 52,608 | $ 4,889 | $ 687 | $ 2,814 | $ 28,668 | $ 159,641 |
| Provision (reversal of provision) | 524 | (1,356) | 1,082 | 733 | (131) | 233 | 11,165 | 1,287 | 193 | 562 | 7,508 | 21,800 |
| Charge-offs | (248) | (68) | — | — | — | — | (56) | — | — | (18) | — | (390) |
| Recoveries | 4 | 135 | — | — | — | — | 103 | — | — | 18 | — | 260 |
| Ending balance | $ 23,797 | $ 5,761 | $ 20,675 | $ 18,018 | $ 581 | $ 2,051 | $ 63,820 | $ 6,176 | $ 880 | $ 3,376 | $ 36,176 | $ 181,311 |
| **At or for the Six Months Ended June 30, 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 | 1,065 | 298 | 2,265 | 1,704 | 33 | 434 | 11,944 | 1,665 | 323 | 673 | 8,491 | 28,895 |
| Charge-offs | (248) | (239) | — | — | — | — | (630) | — | — | (24) | — | (1,141) |
| Recoveries | 8 | 189 | — | — | — | — | 309 | — | — | 46 | — | 552 |
| Ending balance | $ 23,797 | $ 5,761 | $ 20,675 | $ 18,018 | $ 581 | $ 2,051 | $ 63,820 | $ 6,176 | $ 880 | $ 3,376 | $ 36,176 | $ 181,311 |
| Ending balance: purchased loans evaluated collectively for impairment | $ 1,077 | $ 493 | $ 128 | $ 1,125 | $ 149 | $ — | $ 2,596 | $ — | $ — | $ 290 | $ — | $ 5,858 |
| Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35 | $ 1,041 | $ 1,338 | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ 2,379 |
| Ending balance: purchased credit-impaired loans evaluated individually for impairment | $ — | $ — | $ — | $ 230 | $ — | $ — | $ 36 | $ — | $ — | $ — | $ — | $ 266 |
| Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment | $ 21,679 | $ 3,661 | $ 20,547 | $ 16,663 | $ 432 | $ 2,051 | $ 61,078 | $ 6,176 | $ 880 | $ 3,086 | $ 36,176 | $ 172,429 |
| Ending balance: loans originated post June 30, 2010 evaluated individually for impairment | $ — | $ 269 | $ — | $ — | $ — | $ — | $ 110 | $ — | $ — | $ — | $ — | $ 379 |
| **Loans:** | | | | | | | | | | | | |
| Ending balance | $ 20,489,229 | $ 2,054,915 | $ 4,343,716 | $ 3,534,154 | $ 345,258 | $ 358,961 | $ 4,132,107 | $ 528,542 | $ 256,704 | $ 232,176 | | $ 36,275,762 |
| Ending balance: purchased loans evaluated collectively for impairment | $ 3,182,668 | $ 657,293 | $ 375,234 | $ 674,272 | $ 4,832 | $ 1,087 | $ 305,777 | $ 34,831 | $ 4,538 | $ 39,462 | | $ 5,279,994 |
| Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35 | $ 20,252 | $ 8,071 | $ — | $ 5,939 | $ — | $ — | $ — | $ — | $ — | $ — | | $ 34,262 |
| Ending balance: purchased credit-impaired loans evaluated individually for impairment | $ 10,960 | $ 2,728 | $ 20,450 | $ 26,327 | $ — | $ — | $ 26,141 | $ — | $ — | $ 587 | | $ 87,193 |
| Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment | $ 17,272,349 | $ 1,378,137 | $ 3,948,032 | $ 2,827,616 | $ 340,426 | $ 357,874 | $ 3,799,265 | $ 493,711 | $ 252,166 | $ 192,127 | | $ 30,861,703 |
| Ending balance: loans originated post June 30, 2010 evaluated individually for impairment | $ 3,000 | $ 8,686 | $ — | $ — | $ — | $ — | $ 924 | $ — | $ — | $ — | | $ 12,610 |

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 $12.3 million and $12.0 million at June 30, 2015 and December 31, 2014, respectively.

The following table presents charge-off and allowance ratios:

| | At or for the Quarter Ended June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| Average total loans for the period | $ 39,684,421 | $ 35,090,566 | $ 38,866,411 | $ 34,508,724 |
| Total loans at period end | $ 40,965,853 | $ 36,275,762 | $ 40,965,853 | $ 36,275,762 |
| Ratios: | | | | |
| Net charge-offs to: | | | | |
| Average total loans (annualized) | 0.00% | 0.00% | 0.00% | 0.00% |
| Allowance for loan losses to: | | | | |
| Total loans | 0.58% | 0.50% | 0.58% | 0.50% |
| Nonaccrual loans | 422.2% | 382.7% | 422.2% | 382.7% |

*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 June 30, 2015 | | Six Months Ended June 30, 2015 | | At June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Total | | With no related allowance recorded | | With an allowance recorded | | |
| ($ in thousands) | Average Recorded Investment | Interest Income Recognized | 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 | $ 10,517 | $ 178 | $ 10,753 | $ 363 | $ 10,543 | $ 11,503 | $ 10,543 | $ 11,503 | $ — | $ — | $ — |
| Purchased non-impaired that subsequently became impaired | 25,746 | 57 | 25,870 | 171 | 25,652 | 26,344 | 15,108 | 15,508 | 10,544 | 10,836 | 310 |
| Originated post June 30, 2010 impaired | 7,712 | 15 | 5,601 | 31 | 8,325 | 8,293 | 8,325 | 8,293 | — | — | — |
| | 43,975 | 250 | 42,224 | 565 | 44,520 | 46,140 | 33,976 | 35,304 | 10,544 | 10,836 | 310 |
| Home Equity Lines of Credit: | | | | | | | | | | | |
| Purchased credit-impaired | 3,571 | 51 | 3,874 | 124 | 3,479 | 3,629 | 3,479 | 3,629 | — | — | — |
| Purchased non-impaired that subsequently became impaired | 10,240 | 19 | 9,525 | 39 | 10,171 | 10,297 | 5,614 | 5,672 | 4,557 | 4,625 | 415 |
| Originated post June 30, 2010 impaired | 5,323 | — | 6,384 | — | 2,953 | 2,975 | 2,220 | 2,225 | 733 | 750 | 22 |
| | 19,134 | 70 | 19,783 | 163 | 16,603 | 16,901 | 11,313 | 11,526 | 5,290 | 5,375 | 437 |
| Multifamily (5+ units): | | | | | | | | | | | |
| Purchased credit-impaired | 20,138 | 332 | 20,156 | 664 | 20,078 | 21,071 | 20,078 | 21,071 | — | — | — |
| Purchased non-impaired that subsequently became impaired | 2,734 | 37 | 1,562 | 49 | 2,730 | 2,780 | — | — | 2,730 | 2,780 | 22 |
| Originated post June 30, 2010 impaired | 1,102 | 7 | 1,110 | 15 | 1,083 | 1,086 | 1,083 | 1,086 | — | — | — |
| | 23,974 | 376 | 22,828 | 728 | 23,891 | 24,937 | 21,161 | 22,157 | 2,730 | 2,780 | 22 |
| Commercial Real Estate: | | | | | | | | | | | |
| Purchased credit-impaired | 25,529 | 525 | 25,765 | 1,007 | 25,247 | 29,148 | 25,247 | 29,148 | — | — | — |
| Purchased non-impaired that subsequently became impaired | 6,509 | 10 | 6,194 | 14 | 6,507 | 6,518 | 6,384 | 6,393 | 123 | 125 | 11 |
| | 32,038 | 535 | 31,959 | 1,021 | 31,754 | 35,666 | 31,631 | 35,541 | 123 | 125 | 11 |
| Commercial Business: | | | | | | | | | | | |
| Purchased credit-impaired | 21,077 | 361 | 21,663 | 669 | 20,651 | 22,780 | 17,271 | 18,628 | 3,380 | 4,152 | 62 |
| Originated post June 30, 2010 impaired | 4,130 | — | 2,737 | 1 | 7,392 | 7,392 | 833 | 833 | 6,559 | 6,559 | 1,055 |
| | 25,207 | 361 | 24,400 | 670 | 28,043 | 30,172 | 18,104 | 19,461 | 9,939 | 10,711 | 1,117 |
| Unsecured Loans and Lines of Credit: | | | | | | | | | | | |
| Purchased credit-impaired | 568 | 9 | 572 | 18 | 563 | 740 | 563 | 740 | — | — | — |
| Originated post June 30, 2010 impaired | 250 | — | 143 | — | — | — | — | — | — | — | — |
| | 818 | 9 | 715 | 18 | 563 | 740 | 563 | 740 | — | — | — |
| Total | $ 145,146 | $ 1,601 | $ 141,909 | $ 3,165 | $ 145,374 | $ 154,556 | $ 116,748 | $ 124,729 | $ 28,626 | $ 29,827 | $ 1,897 |

**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:**

| ($ in thousands) | Quarter Ended June 30, 2014 Average Recorded Investment | Quarter Ended June 30, 2014 Interest Income Recognized | Six Months Ended June 30, 2014 Average Recorded Investment | Six Months Ended June 30, 2014 Interest Income Recognized |
|---|---|---|---|---|
| Single Family (1-4 units): | | | | |
| Purchased credit-impaired | $ 10,938 | $ 200 | $ 11,969 | $ 732 |
| Purchased non-impaired that subsequently became impaired | 23,717 | 50 | 24,638 | 102 |
| Originated post June 30, 2010 impaired | 1,084 | — | 810 | — |
| | 35,739 | 250 | 37,417 | 834 |
| Home Equity Lines of Credit: | | | | |
| Purchased credit-impaired | 3,473 | 59 | 3,831 | 125 |
| Purchased non-impaired that subsequently became impaired | 9,478 | 23 | 9,506 | 62 |
| Originated post June 30, 2010 impaired | 3,731 | — | 3,033 | — |
| | 16,682 | 82 | 16,370 | 187 |
| Multifamily (5+ units): | | | | |
| Purchased credit-impaired | 22,045 | 791 | 25,574 | 2,305 |
| Purchased non-impaired that subsequently became impaired | 496 | — | 1,143 | — |
| | 22,541 | 791 | 26,717 | 2,305 |
| Commercial Real Estate: | | | | |
| Purchased credit-impaired | 27,512 | 704 | 28,067 | 1,312 |
| Purchased non-impaired that subsequently became impaired | 6,332 | — | 6,399 | — |
| Originated post June 30, 2010 impaired | — | — | 55 | — |
| | 33,844 | 704 | 34,521 | 1,312 |
| Single Family Construction: | | | | |
| Originated post June 30, 2010 impaired | 2,586 | — | 2,955 | — |
| Commercial Business: | | | | |
| Purchased credit-impaired | 26,996 | 506 | 28,913 | 1,327 |
| Purchased non-impaired that subsequently became impaired | 398 | — | 307 | — |
| Originated post June 30, 2010 impaired | 231 | — | 132 | — |
| | 27,625 | 506 | 29,352 | 1,327 |
| Unsecured Loans and Lines of Credit: | | | | |
| Purchased credit-impaired | 578 | 10 | 596 | 27 |
| Total | $ 139,595 | $ 2,343 | $ 147,928 | $ 5,992 |

*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 June 30, 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 | 9,831 | 4,785 | 14,616 | 12,278 | — | 12,278 |
| Purchased credit-impaired | — | 2,698 | 2,698 | — | 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 | — | — | — |
| | 9,831 | 9,190 | 19,021 | 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 | 5,514 | 1,795 | 7,309 | 5,806 | 1,023 | 6,829 |
| Purchased credit-impaired | — | 142 | 142 | — | 149 | 149 |
| Originated post June 30, 2010 impaired | 2,738 | — | 2,738 | 2,737 | — | 2,737 |
| | 8,252 | 2,204 | 10,456 | 8,543 | 2,240 | 10,783 |
| Multifamily (5+ units): | | | | | | |
| Purchased non-impaired | — | — | — | — | 1,990 | 1,990 |
| Purchased non-impaired that subsequently became impaired | 732 | 1,998 | 2,730 | — | — | — |
| Purchased credit-impaired | 425 | 1,387 | 1,812 | 453 | 1,439 | 1,892 |
| Originated post June 30, 2010 impaired | 371 | — | 371 | 398 | — | 398 |
| | 1,528 | 3,385 | 4,913 | 851 | 3,429 | 4,280 |
| Commercial Real Estate: | | | | | | |
| Purchased non-impaired | — | 227 | 227 | — | 855 | 855 |
| Purchased non-impaired that subsequently became impaired | 5,766 | 618 | 6,384 | 5,791 | — | 5,791 |
| | 5,766 | 845 | 6,611 | 5,791 | 855 | 6,646 |
| Commercial Business: | | | | | | |
| Purchased credit-impaired | 1,988 | — | 1,988 | 2,196 | — | 2,196 |
| Originated post June 30, 2010 impaired | 474 | — | 474 | 527 | — | 527 |
| | 2,462 | — | 2,462 | 2,723 | — | 2,723 |
| Total | $ 27,839 | $ 15,624 | $ 43,463 | $ 30,186 | $ 16,252 | $ 46,438 |

During the quarter and six months ended June 30, 2015 and 2014, troubled debt restructurings were primarily modified through reductions in interest rate and extensions of maturity dates. 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:**

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| Multifamily (5+ units): | | | | |
| Purchased non-impaired | $ — | $ — | $ 747 | $ — |
| Commercial Business: | | | | |
| Originated post June 30, 2010 non-impaired | — | 200 | — | 200 |
| Total | $ — | $ 200 | $ 747 | $ 200 |

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 and six months ended June 30, 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:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| Total loans originated | $ 5,848,043 | $ 4,696,199 | $ 10,097,073 | $ 7,917,697 |
| Single family loans originated | $ 2,436,464 | $ 2,349,203 | $ 4,134,907 | $ 3,795,415 |
| Loans sold: | | | | |
| Flow sales | $ 232,322 | $ 84,049 | $ 359,975 | $ 175,187 |
| Bulk sales | 654,926 | 1,191,050 | 1,101,945 | 1,446,112 |
| Total loans sold | $ 887,248 | $ 1,275,099 | $ 1,461,920 | $ 1,621,299 |
| Gain on sale of loans: | | | | |
| Amount | $ 3,476 | $ 14,850 | $ 5,288 | $ 17,695 |
| Gain as a percentage of loans sold | 0.39% | 1.16% | 0.36% | 1.09% |

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

| | At or for the Quarter Ended June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| Loans serviced for others: | | | | |
| Beginning balance | $ 9,840,202 | $ 6,198,403 | $ 9,590,361 | $ 6,000,277 |
| Loans sold | 887,248 | 1,275,099 | 1,461,920 | 1,621,299 |
| Repayments | (417,987) | (190,981) | (736,998) | (339,055) |
| Loans purchased | (4,125) | — | (4,125) | — |
| Loans repurchased | (370) | — | (6,190) | — |
| Ending balance | $ 10,304,968 | $ 7,282,521 | $ 10,304,968 | $ 7,282,521 |
| MSRs: | | | | |
| Beginning balance | $ 50,249 | $ 30,333 | $ 49,023 | $ 29,781 |
| Additions due to new loans sold | 5,776 | 7,875 | 9,957 | 10,294 |
| Amortization expense | (3,336) | (2,129) | (6,253) | (4,001) |
| Reversal of valuation allowance | — | — | — | 5 |
| Reductions due to purchases | (3) | — | (3) | — |
| Reductions due to repurchases | (1) | — | (39) | — |
| Ending balance | $ 52,685 | $ 36,079 | $ 52,685 | $ 36,079 |
| Estimated fair value of MSRs | $ 68,639 | $ 48,349 | $ 68,639 | $ 48,349 |
| MSRs as a percent of loans serviced | 0.51% | 0.50% | 0.51% | 0.50% |
| Weighted average servicing fee collected for the period (annualized) | 0.25% | 0.26% | 0.25% | 0.26% |
| MSRs as a multiple of weighted average servicing fee | 2.02x | 1.92x | 2.02x | 1.94x |

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

| | At or for the Quarter Ended June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **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:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| Contractually specified servicing fees | $ 6,259 | $ 4,137 | $ 12,406 | $ 8,000 |
| Late charges and ancillary fees, net of costs | $ 1,142 | $ 284 | $ 1,928 | $ 426 |

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

| ($ in thousands) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Fair value of MSRs | $ 68,639 | $ 69,258 |
| | | |
| Weighted average prepayment speed (CPR) | 14.0% | 11.5% |
| Impact on fair value of 10% adverse change | $ (3,888) | $ (3,531) |
| Impact on fair value of 20% adverse change | $ (7,394) | $ (6,672) |
| | | |
| Weighted average discount rate | 12.5% | 12.5% |
| Impact on fair value of 10% adverse change | $ (2,138) | $ (2,260) |
| Impact on fair value of 20% adverse change | $ (4,145) | $ (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 June 30, 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:

| | June 30, 2015 | | |
|---|---|---|---|
| ($ in thousands) | VIEs that we do not consolidate | VIEs that we consolidate | Total |
| **Assets:** | | | |
| Investment securities held-to-maturity | $ 2,740 | $ — | $ 2,740 |
| Loans | — | 58,586 | 58,586 |
| Tax credit investments | 880,321 | — | 880,321 |
| Total Assets | 883,061 | 58,586 | 941,647 |
| | | | |
| **Liabilities:** | | | |
| Unfunded commitments—tax credit investments | 423,658 | — | 423,658 |
| Debt | — | 31,108 | 31,108 |
| Total Liabilities | 423,658 | 31,108 | 454,766 |
| Net Assets | $ 459,403 | $ 27,478 | $ 486,881 |

| ($ 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 $27.5 million at June 30, 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 $883.1 million at June 30, 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) | June 30, 2015 Gross Carrying Value | June 30, 2015 Accumulated Amortization | December 31, 2014 Gross Carrying Value | December 31, 2014 Accumulated Amortization |
|---|---|---|---|---|
| Amortized intangible assets: | | | | |
| MSRs, before valuation allowance | $ 87,702 | $ (35,017) | $ 77,803 | $ (28,780) |
| Core deposit intangibles | 87,550 | (65,482) | 87,550 | (60,887) |
| Customer relationship intangibles | 83,940 | (49,003) | 83,940 | (43,502) |
| Total amortized intangibles | $ 259,192 | $ (149,502) | $ 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 June 30, 2015 | $ 24,604 | $ 81,945 | $ 106,549 |

The following table presents the estimated future amortization for amortizable intangible assets as of June 30, 2015. The projections of amortization expense are based on existing asset balances as of June 30, 2015. Future amortization expense may vary from these projections.

| ($ in thousands) | MSRs | Core deposit intangibles | Customer relationship intangibles |
|---|---|---|---|
| July 1 - December 31, 2015 | $ 6,755 | $ 4,160 | $ 5,087 |
| 2016 | 10,105 | 7,018 | 8,923 |
| 2017 | 7,882 | 5,282 | 7,258 |
| 2018 | 6,148 | 3,545 | 5,593 |
| 2019 | 4,795 | 1,809 | 3,928 |
| 2020 | $ 3,740 | $ 253 | $ 2,344 |

## Note 7. Borrowings

The Bank has historically used FHLB advances primarily as a funding source for long-term borrowings, and, in certain cases, for short-term borrowings. Other sources of funding include federal funds purchased, securities sold under agreements to repurchase 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 June 30, | | Six Months Ended June 30, | |
| ($ in thousands) | June 30, 2015 | December 31, 2014 | 2015 | 2014 | 2015 | 2014 |
| **Short-term borrowings:** | | | | | | |
| Federal funds purchased | $ — | $ — | $ 5 | $ — | $ 5 | $ — |
| FHLB advances | — | — | 119 | — | 119 | — |
| Securities sold under agreements to repurchase | 100,000 | — | 104 | — | 104 | — |
| Total | 100,000 | — | 228 | — | 228 | — |
| **Long-term debt:** | | | | | | |
| FHLB advances | 4,725,000 | 5,275,000 | 19,421 | 21,704 | 39,611 | 42,889 |
| Senior notes [1] | 396,769 | 396,384 | 2,567 | 397 | 5,135 | 397 |
| Total | 5,121,769 | 5,671,384 | 21,988 | 22,101 | 44,746 | 43,286 |
| **Other long-term debt:** | | | | | | |
| Debt related to VIEs | 31,108 | 36,039 | 132 | 171 | 270 | 363 |
| Total borrowings | $ 5,252,877 | $ 5,707,423 | $ 22,348 | $ 22,272 | $ 45,244 | $ 43,649 |

[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 senior notes carrying amount for December 31, 2014 to reflect this change.

During the second quarter of 2015, the Bank entered into securities sold under an agreement to repurchase ("repurchase agreement") of $100.0 million. The repurchase agreement matures in the second quarter of 2016 and is collateralized by tax-exempt municipal investment securities.

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $190.6 million and $247.9 million at June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, the Bank was required to own FHLB stock at least equal to 3.0% of outstanding FHLB advances, compared to 4.7% at December 31, 2014. FHLB stock of $52.6 million was redeemed by the FHLB in the second quarter of 2015 as a result of this reduction in ownership requirements.

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. In these transactions, 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:

| | June 30, 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 | $ 1,680,225 | $ 31,775 | $ 31,686 | $ 1,446,775 | $ 29,290 | $ 28,994 |
| Interest rate contracts with borrowers | $ 79,479 | — | 392 | $ 35,880 | 29 | 31 |
| Forward loan sale commitments | $ 181,421 | 392 | — | $ 306,418 | 104 | 102 |
| Total | | $ 32,167 | $ 32,078 | | $ 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:

| | Total | Contracts Not Subject to Master Netting Arrangements | Contracts Subject to Master Netting Arrangements | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Gross Amounts Not Offset on the Balance Sheet | | |
| ($ in thousands) | Gross Amounts Recognized | Gross Amounts Recognized | Gross Amounts Recognized | Gross Amounts Offset on the Balance Sheet | Net Amounts Presented on the Balance Sheet | Derivative Amount | Cash Collateral [(1)] | Net Amount |
| **June 30, 2015** | | | | | | | | |
| **Derivative assets:** | | | | | | | | |
| Foreign exchange contracts | $ 31,775 | $ 13,528 | $ 18,247 | $ — | $ 18,247 | $ 14,132 | $ 4,115 | $ — |
| **Derivative liabilities:** | | | | | | | | |
| Foreign exchange contracts | $ 31,686 | $ 17,554 | $ 14,132 | $ — | $ 14,132 | $ 14,132 | $ — | $ — |
| **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:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| ($ in thousands) | 2015 | 2014 | 2015 | 2014 |
| Losses (pre-tax) reclassified from accumulated other comprehensive income into interest expense on deposits (effective portion) | $ — | $ (86) | $ (31) | $ (328) |

As of June 30, 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 June 30, 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.

*Securities sold under agreements to repurchase:* The estimated fair value of securities sold under agreements to repurchase represents the present value of cash flows discounted using interest rates that approximate those offered for borrowings with similar maturities and collateral requirements.

*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 June 30, 2015 | | | |
|---|---|---|---|---|
| **($ in thousands)** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets:** | | | | |
| Investment securities available-for-sale: | | | | |
| Agency residential MBS | $ — | $ 314,578 | $ — | $ 314,578 |
| Other residential MBS | — | 11,126 | — | 11,126 |
| Agency commercial MBS | — | 875,852 | — | 875,852 |
| Securities of U.S. states and political subdivisions—taxable | — | — | 47,450 | 47,450 |
| Marketable equity securities | 999 | — | — | 999 |
| Derivative assets | — | 32,167 | — | 32,167 |
| Total | $ 999 | $ 1,233,723 | $ 47,450 | $ 1,282,172 |
| **Liabilities:** | | | | |
| Derivative liabilities | $ — | $ 32,078 | $ — | $ 32,078 |

| ($ in thousands) | Fair Value Measurements on a Recurring Basis December 31, 2014 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 and six months ended June 30, 2015 or 2014.

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

| ($ in thousands) | Quarter Ended June 30, 2015 | Quarter Ended June 30, 2014 | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| Available-for-sale securities of U.S. states and political subdivisions—taxable: | | | | |
| Balance at beginning of period | $ 47,431 | $ 47,455 | $ 47,521 | $ 47,455 |
| Unrealized gains (losses) included in other comprehensive income | 17 | (7) | (75) | (8) |
| Accretion included in interest income | 2 | 2 | 4 | 3 |
| Balance at end of period | $ 47,450 | $ 47,450 | $ 47,450 | $ 47,450 |

There were no transfers in or out of Level 3 assets measured on a recurring basis during the quarter and six months ended June 30, 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 held on the balance sheet at June 30, 2015, the Bank did not record any nonrecurring fair value adjustments during the quarter and six months ended June 30, 2015.

For assets measured at fair value on a nonrecurring basis that were held on the balance sheet at December 31, 2014, the table below provides the fair value hierarchy levels and the carrying values of the related individual assets or portfolios:

| | 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.

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| **Assets:** | | | | |
| MSRs | $ — | $ — | $ — | $ 5 |

*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:

| | June 30, 2015 | | | |
|---|---|---|---|---|
| **($ in thousands)** | **Fair Value** | **Valuation Technique** | **Unobservable Input** | **Weighted Average** |
| Available-for-sale securities of U.S. states and political subdivisions—taxable | $ 47,450 | 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:

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | | |
| ($ in thousands) | | Level 1 | Level 2 | Level 3 |
| **Assets:** | | | | |
| Cash and cash equivalents | $ 1,367,879 | $ 1,367,879 | $ — | $ — |
| Securities purchased under agreements to resell | 3,250 | 3,250 | — | — |
| Investment securities held-to-maturity: | | | | |
| U.S. Government-sponsored agency securities | 983,655 | — | 979,344 | — |
| Agency residential MBS | 1,251,844 | — | 1,241,932 | — |
| Other residential MBS | 2,740 | — | 2,790 | — |
| Agency commercial MBS | 113,905 | — | 114,924 | — |
| Securities of U.S. states and political subdivisions: | | | | |
| Tax-exempt municipal securities | 3,953,177 | — | 4,046,358 | 130,435 |
| Tax-exempt nonprofit debentures | 157,939 | — | — | 163,039 |
| Taxable municipal securities | 53,114 | — | 63,681 | — |
| Loans, net: | | | | |
| Real estate secured mortgages | 34,159,728 | — | 21,718,520 | 12,034,179 |
| Other loans | 6,570,257 | — | — | 6,135,948 |
| Loans held for sale | 162,841 | — | 163,738 | — |
| Investments in life insurance | 1,031,137 | — | — | 1,031,137 |
| MSRs | 52,685 | — | — | 68,639 |
| FHLB stock | 190,578 | — | — | 190,578 |
| **Liabilities:** | | | | |
| Deposits: | | | | |
| Deposits with no maturity | 37,854,707 | — | 37,854,707 | — |
| Certificates of deposit | 4,032,859 | — | — | 4,049,383 |
| Securities sold under agreements to repurchase | 100,000 | — | 99,994 | — |
| Long-term FHLB advances | 4,725,000 | — | 4,777,294 | — |
| Senior notes | 396,769 | — | 400,492 | — |
| Debt related to VIEs | $ 31,108 | $ — | $ 29,227 | $ — |

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | | |
| ($ in thousands) | | 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 June 30, 2015, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 989,525 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) | June 30, 2015 | December 31, 2014 |
|---|---|---|
| 6.70% Noncumulative Perpetual Series A Preferred Stock—199,525 shares authorized, issued and outstanding at June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 2015 and December 31, 2014 | 200,000 | 200,000 |
| 5.70% Noncumulative Perpetual Series F Preferred Stock—115,000 shares authorized; 100,000 shares issued and outstanding at June 30, 2015 | 100,000 | — |
| Total | $ 989,525 | $ 889,525 |

On May 27, 2015, the Bank issued 5.70% Noncumulative Perpetual Series F Preferred Stock ("Series F Preferred Stock"). Net proceeds, after underwriting discounts and expenses, were approximately $96.6 million. The public offering consisted of 4,000,000 depositary shares, each representing a 1/40th interest in a share of the Series F Preferred Stock, at a public offering price of $25.00 per depositary share. The Series F Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after June 30, 2020.

The following table presents dividends on preferred stock:

| ($ in thousands) | Quarter Ended June 30, 2015 | Quarter Ended June 30, 2014 | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| 6.70% Noncumulative Perpetual Series A Preferred Stock | $ 3,342 | $ 3,342 | $ 6,684 | $ 6,684 |
| 6.20% Noncumulative Perpetual Series B Preferred Stock | 2,325 | 2,325 | 4,650 | 4,650 |
| 5.625% Noncumulative Perpetual Series C Preferred Stock | 2,110 | 2,110 | 4,219 | 4,219 |
| 5.50% Noncumulative Perpetual Series D Preferred Stock | 2,612 | 2,612 | 5,225 | 5,225 |
| 7.00% Noncumulative Perpetual Series E Preferred Stock | 3,500 | 3,500 | 7,000 | 7,000 |
| 5.70% Noncumulative Perpetual Series F Preferred Stock | 522 | — | 522 | — |
| Total | $ 14,411 | $ 13,889 | $ 28,300 | $ 27,778 |

## 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 | Securities Available-For-Sale | Cash Flow Hedges | Total | Statement of Income Line Item for Reclassified Items |
|---|---|---|---|---|---|---|---|
| | Quarter Ended June 30, 2014 | | | Six Months Ended June 30, 2014 | | | |
| **Beginning balance** | **$ 14,805** | **$ (136)** | **$ 14,669** | **$ 13,546** | **$ (275)** | **$ 13,271** | |
| Net unrealized gain on securities available-for-sale | 2,517 | — | 2,517 | 4,615 | — | 4,615 | |
| Related tax effect | (1,070) | — | (1,070) | (1,961) | — | (1,961) | |
| Reclassification of loss on securities available-for-sale to net income | 186 | — | 186 | 277 | — | 277 | Gain (loss) on investment securities, net |
| Related tax effect | (79) | — | (79) | (118) | | (118) | Provision for income taxes |
| Reclassification of loss on cash flow hedges to net income | — | 86 | 86 | — | 328 | 328 | Interest on deposits |
| Related tax effect | — | (37) | (37) | — | (140) | (140) | Provision for income taxes |
| Other comprehensive income | 1,554 | 49 | 1,603 | 2,813 | 188 | 3,001 | |
| **Ending balance** | **$ 16,359** | **$ (87)** | **$ 16,272** | **$ 16,359** | **$ (87)** | **$ 16,272** | |
| | Quarter Ended June 30, 2015 | | | Six Months Ended June 30, 2015 | | | |
| **Beginning balance** | **$ 8,554** | **$ —** | **$ 8,554** | **$ 3,115** | **$ (19)** | **$ 3,096** | |
| Net unrealized loss on securities available-for-sale | (10,063) | — | (10,063) | (304) | — | (304) | |
| Related tax effect | 4,276 | — | 4,276 | 129 | — | 129 | |
| Reclassification of gain on securities available-for-sale to net income | (1,112) | — | (1,112) | (1,412) | — | (1,412) | Gain (loss) on investment securities, net |
| Related tax effect | 473 | — | 473 | 600 | — | 600 | 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 (loss) | (6,426) | — | (6,426) | (987) | 19 | (968) | |
| **Ending balance** | **$ 2,128** | **$ —** | **$ 2,128** | **$ 2,128** | **$ —** | **$ 2,128** | |

## 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **2015** | **2014** | **2015** | **2014** |
| **Basic EPS:** | | | | |
| Net income | $ 131,345 | $ 120,832 | $ 247,257 | $ 235,536 |
| Less: Dividends on preferred stock | 14,411 | 13,889 | 28,300 | 27,778 |
| Net income available to common shareholders | $ 116,934 | $ 106,943 | $ 218,957 | $ 207,758 |
| Weighted average common shares outstanding | 141,927 | 137,279 | 140,276 | 135,091 |
| Net income per common share—basic | $ 0.82 | $ 0.78 | $ 1.56 | $ 1.54 |
| **Diluted EPS:** | | | | |
| Net income available to common shareholders | $ 116,934 | $ 106,943 | $ 218,957 | $ 207,758 |
| Weighted average shares: | | | | |
| Common shares outstanding | 141,927 | 137,279 | 140,276 | 135,091 |
| Dilutive effect of stock options | 3,270 | 3,856 | 3,335 | 3,910 |
| Dilutive effect of restricted stock awards, restricted stock units and performance share units | 516 | 338 | 539 | 391 |
| Weighted average diluted common shares outstanding | 145,713 | 141,473 | 144,150 | 139,392 |
| Net income per common share—diluted | $ 0.80 | $ 0.76 | $ 1.52 | $ 1.49 |

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. The following table presents the weighted average shares of outstanding stock awards that were anti-dilutive for the periods indicated:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2015** | **2014** | **2015** | **2014** |
| Restricted stock units and performance share units | — | 74 | 154 | 37 |

## 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:

| | At or for the Quarter Ended June 30, 2015 | | | |
|---|---|---|---|---|
| ($ in thousands) | Commercial Banking | Wealth Management | Reconciling Items | Total |
| Net interest income | $ 365,845 | $ 9,219 | $ — | $ 375,064 |
| Provision for loan losses | 17,005 | — | — | 17,005 |
| Noninterest income | 24,442 | 59,833 | (4,039) | 80,236 |
| Amortization of intangibles | 2,243 | 2,698 | — | 4,941 |
| Other noninterest expense | 214,748 | 47,465 | (4,039) | 258,174 |
| Income before provision for income taxes | 156,291 | 18,889 | — | 175,180 |
| Provision for income taxes | 35,883 | 7,952 | — | 43,835 |
| Segment net income | $ 120,408 | $ 10,937 | $ — | $ 131,345 |
| Goodwill | $ 24,604 | $ 81,945 | $ — | $ 106,549 |
| Total Assets | $ 52,887,334 | $ 335,654 | $ (104,413) | $ 53,118,575 |

| | At or for the Quarter Ended June 30, 2014 | | | |
|---|---|---|---|---|
| ($ in thousands) | Commercial Banking | Wealth Management | Reconciling Items | Total |
| Net interest income | $ 322,547 | $ 10,666 | $ — | $ 333,213 |
| Provision for loan losses | 21,800 | — | — | 21,800 |
| Noninterest income | 29,025 | 50,333 | (2,520) | 76,838 |
| Amortization of intangibles | 2,677 | 3,115 | — | 5,792 |
| Other noninterest expense | 178,461 | 40,995 | (2,520) | 216,936 |
| Income before provision for income taxes | 148,634 | 16,889 | — | 165,523 |
| Provision for income taxes | 37,626 | 7,065 | — | 44,691 |
| Segment net income | $ 111,008 | $ 9,824 | $ — | $ 120,832 |
| Goodwill | $ 24,604 | $ 81,945 | $ — | $ 106,549 |
| Total Assets | $ 45,984,947 | $ 333,450 | $ (92,259) | $ 46,226,138 |

| | At or for the Six Months Ended June 30, 2015 | | | |
|---|---|---|---|---|
| ($ in thousands) | Commercial Banking | Wealth Management | Reconciling Items | Total |
| Net interest income | $ 705,216 | $ 17,867 | $ — | $ 723,083 |
| Provision for loan losses | 28,892 | — | — | 28,892 |
| Noninterest income | 46,594 | 116,006 | (7,445) | 155,155 |
| Amortization of intangibles | 4,595 | 5,501 | — | 10,096 |
| Other noninterest expense | 420,802 | 95,335 | (7,445) | 508,692 |
| Income before provision for income taxes | 297,521 | 33,037 | — | 330,558 |
| Provision for income taxes | 69,374 | 13,927 | — | 83,301 |
| Segment net income | $ 228,147 | $ 19,110 | $ — | $ 247,257 |
| Goodwill | $ 24,604 | $ 81,945 | $ — | $ 106,549 |
| Total Assets | $ 52,887,334 | $ 335,654 | $ (104,413) | $ 53,118,575 |

| ($ in thousands) | At or for the Six Months Ended June 30, 2014 Commercial Banking | Wealth Management | Reconciling Items | Total |
|---|---|---|---|---|
| Net interest income | $ 631,908 | $ 22,008 | $ — | $ 653,916 |
| Provision for loan losses | 28,895 | — | — | 28,895 |
| Noninterest income | 47,456 | 95,274 | (4,880) | 137,850 |
| Amortization of intangibles | 5,462 | 6,334 | — | 11,796 |
| Other noninterest expense | 350,628 | 82,675 | (4,880) | 428,423 |
| Income before provision for income taxes | 294,379 | 28,273 | — | 322,652 |
| Provision for income taxes | 75,272 | 11,844 | — | 87,116 |
| Segment net income | $ 219,107 | $ 16,429 | $ — | $ 235,536 |
| Goodwill | $ 24,604 | $ 81,945 | $ — | $ 106,549 |
| Total Assets | $ 45,984,947 | $ 333,450 | $ (92,259) | $ 46,226,138 |

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 June 30, 2015, approximately 1% of our deposit relationships hold approximately 44% 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 June 30, 2015. There have been no material subsequent events that would require recognition in our consolidated financial statements as of or for the quarter and six months ended June 30, 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 is at least $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 is at least $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 June 30, 2015 | At or for the Quarter Ended June 30, 2014 | At or for the Six Months Ended June 30, 2015 | At or for the Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| **Selected Financial Data:** | | | | |
| Interest income | $ 411,955 | $ 370,303 | $ 796,858 | $ 727,614 |
| Interest expense | 36,891 | 37,090 | 73,775 | 73,698 |
| Net interest income | 375,064 | 333,213 | 723,083 | 653,916 |
| Provision for loan losses | 17,005 | 21,800 | 28,892 | 28,895 |
| Net interest income after provision for loan losses | 358,059 | 311,413 | 694,191 | 625,021 |
| Noninterest income | 80,236 | 76,838 | 155,155 | 137,850 |
| Noninterest expense | 263,115 | 222,728 | 518,788 | 440,219 |
| Net income | 131,345 | 120,832 | 247,257 | 235,536 |
| Dividends on preferred stock | 14,411 | 13,889 | 28,300 | 27,778 |
| Net income available to common shareholders | $ 116,934 | $ 106,943 | $ 218,957 | $ 207,758 |
| **Selected Ratios:** | | | | |
| Basic earnings per common share ("EPS") | $ 0.82 | $ 0.78 | $ 1.56 | $ 1.54 |
| Diluted EPS | $ 0.80 | $ 0.76 | $ 1.52 | $ 1.49 |
| Core diluted EPS (non-GAAP) (1) | $ 0.73 | $ 0.69 | $ 1.41 | $ 1.36 |
| Net income to average assets (2) | 1.01% | 1.08% | 0.98% | 1.08% |
| Net income available to common shareholders to average common equity (2) | 10.97% | 11.67% | 10.66% | 11.88% |
| Average total equity to average total assets | 9.99% | 10.16% | 9.91% | 10.00% |
| Dividends per common share | $ 0.15 | $ 0.14 | $ 0.29 | $ 0.26 |
| Dividend payout ratio | 18.7% | 18.5% | 19.1% | 17.4% |
| Book value per common share | $ 30.03 | $ 26.82 | $ 30.03 | $ 26.82 |
| Tangible book value per common share | $ 28.58 | $ 25.17 | $ 28.58 | $ 25.17 |
| Net interest margin (2) | 3.30% | 3.38% | 3.26% | 3.38% |
| Core net interest margin (non-GAAP) (1), (2) | 3.12% | 3.16% | 3.11% | 3.16% |
| Efficiency ratio (3) | 57.8% | 54.3% | 59.1% | 55.6% |
| Core efficiency ratio (non-GAAP) (1), (3) | 59.8% | 56.3% | 60.6% | 57.5% |
| **Selected Asset Quality Ratios:** | | | | |
| Nonperforming assets to total assets | 0.11% | 0.11% | 0.11% | 0.11% |
| Net loan charge-offs to average total loans (2) | 0.00% | 0.00% | 0.00% | 0.00% |
| **Capital Ratios:** | | | | |
| Tier 1 leverage ratio (4) | 9.86% | 9.73% | 9.86% | 9.73% |
| Common Equity Tier 1 ratio (4), (5) | 10.87% | n/a | 10.87% | n/a |
| Tier 1 common equity ratio (5) | n/a | 10.93% | n/a | 10.93% |
| Tier 1 risk-based capital ratio (4) | 13.47% | 13.74% | 13.47% | 13.74% |
| Total risk-based capital ratio (4) | 14.13% | 14.35% | 14.13% | 14.35% |

(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 for 2015 periods 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 2014 periods represent the previous capital rules under Basel I.

(5) Beginning in 2015, the 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 2014 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.

## Recent Developments

### *Constellation Acquisition*

On June 17, 2015, First Republic Bank ("First Republic" or the "Bank") announced that First Republic Investment Management, Inc. ("FRIM"), a wholly-owned subsidiary of the Bank, has agreed to purchase the assets of Constellation Wealth Advisors ("Constellation") for approximately $115 million.

Constellation provides high net worth individuals, families, and family foundations with strategic investment advice and asset allocation, including alternative investments. Constellation, which has offices in New York City and in Menlo Park, operates in regions where the Bank has a strong presence. In connection with the transaction, the six partners of Constellation have signed long-term employment contracts. The transaction is expected to close in the third quarter of 2015, subject to the satisfaction of customary closing conditions.

## 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) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| **Assets:** | | | |
| Acquired loans (unpaid principal balance) | $ 4,322,752 | $ 4,890,530 | $ 5,589,888 |
| Purchase accounting discount | (128,630) | (152,441) | (182,479) |
| Total | $ 4,194,122 | $ 4,738,089 | $ 5,407,409 |
| **Liabilities:** | | | |
| Acquired CDs | $ — | $ 224,217 | $ 321,113 |
| Purchase accounting premium | — | 1,006 | 3,787 |
| Total | $ — | $ 225,223 | $ 324,900 |

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| ($ in thousands) | 2015 | 2014 | 2015 | 2014 |
| Accretion/amortization to net interest income: | | | | |
| Loans | $ 11,708 | $ 19,614 | $ 23,830 | $ 37,229 |
| Deposits | 278 | 1,648 | 1,006 | 3,571 |
| Total | $ 11,986 | $ 21,262 | $ 24,836 | $ 40,800 |
| Amortization to noninterest expense: | | | | |
| Intangible assets | $ 3,327 | $ 3,968 | $ 6,816 | $ 8,095 |

Loan discount accretion decreased for the quarter and six months ended June 30, 2015 compared to the quarter and six months ended June 30, 2014 primarily due to a declining portfolio of loans with purchase accounting discounts and a lower level of loan prepayments for loans acquired on July 1, 2010.

***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. At June 30, 2015, the average of our last four quarter-end total assets was $49.8 billion. 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 have not deemed 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.

*Basel III 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 "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 Basel III Capital Rules generally implement the Basel Committee's December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. The Basel III 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 Basel III 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 Basel III 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 Basel III 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 Basel III 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 Basel III 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 Basel III 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 Basel III 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.

*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.

We have undertaken a comprehensive review of continuing enhancements to regulatory compliance, including any heightened regulatory requirements that become applicable to us upon becoming a bank with a four-quarter average of total consolidated assets of at least \$50 billion, along with the investments we have made and we expect to make in our regulatory, audit and compliance infrastructure. In connection with these investments, we are 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 outside consultant expenses will shift to employee salaries and benefits as we continue to hire additional permanent personnel for these areas. The continued investments in enhancing our regulatory, audit and compliance infrastructure, along with investments in the overall franchise, will continue to impact our results of operations.

*Core Efficiency Ratio*

We currently anticipate that our core efficiency ratio for the remainder of 2015 and throughout 2016 will range between 57% and 61%, as we continue to enhance our regulatory and compliance infrastructure, and invest in the growth of the overall franchise and client experience.

**Financial Highlights**

Our total assets were $53.1 billion at June 30, 2015, compared to $46.2 billion at June 30, 2014, a 15% increase.

At June 30, 2015, total investment securities were $7.8 billion, a 45% increase compared to $5.4 billion at June 30, 2014. Total investment securities represented 15% of total assets at June 30, 2015, compared to 12% at June 30, 2014. Our holdings of assets that are considered HQLA, including eligible cash, totaled $4.1 billion at June 30, 2015, compared to $1.7 billion at June 30, 2014.

At June 30, 2015, loans outstanding, excluding loans held for sale, were $41.1 billion, a 13% increase, compared to $36.4 billion at June 30, 2014. Our single family mortgage loans, including loans held for sale and home equity lines of credit ("HELOCs"), were $24.2 billion and represented 59% of total loans at June 30, 2015, compared to $22.8 billion, or 62% of total loans at June 30, 2014.

Loan origination volume was $5.8 billion for the second quarter of 2015, compared to $4.7 billion for the second quarter of 2014, an increase of 25%. Loan originations increased primarily due to an increase in business, commercial real estate and multifamily lending and an increased level of home purchases and refinances due to continued low interest rates.

Total deposits were $41.9 billion at June 30, 2015, an increase of 20%, compared to $35.0 billion at June 30, 2014. Deposits increased as a result of expanding existing client relationships, referrals from existing clients, and new deposit clients, both business and consumer. At June 30, 2015, balances in business and personal checking accounts were $25.4 billion, or 61% of total deposits, compared to $18.7 billion, or 53% of total deposits a year ago, 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 June 30, 2015 and June 30, 2014. At June 30, 2015, business deposits were $22.0 billion and represented 52% of total deposits, compared to $17.6 billion, or 50% of total deposits at June 30, 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 June 30, 2015 were 9.86%, 10.87% and 14.13%, 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 June 30, 2015 would have been 9.76%, 10.71% and 13.96%, 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 $30.03 at June 30, 2015, a 12% increase during the last twelve months. Tangible book value per common share was $28.58 at June 30, 2015, a 14% increase during the last twelve months.

During the second quarter of 2015, we completed a public offering of 5.70% Noncumulative Perpetual Series F Preferred Stock ("Series F Preferred Stock"). Total net proceeds, after underwriting discounts and expenses, were approximately $96.6 million. The Series F Preferred Stock qualifies as Tier 1 capital under regulatory guidelines.

Cash dividends paid in the second quarter of 2015 were $0.15 per share of common stock to shareholders of record as of April 30, 2015, compared to $0.14 in the second quarter of 2014. The Bank declared a cash dividend for the second quarter of $0.15 per share, which is payable on August 13, 2015 to shareholders of record as of July 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 $8.9 billion, or 18%, to $57.6 billion at June 30, 2015, from $48.7 billion at June 30, 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 June 30, 2015 Compared to Quarter Ended June 30, 2014**

***Overview***

Net income was $131.3 million and $120.8 million for the second quarter of 2015 and 2014, respectively, an increase of $10.5 million, or 9%. Diluted EPS were $0.80, compared to $0.76 for the second quarter of 2014. The Bank received a one-time special dividend of $9.1 million from the Federal Home Loan Bank ("FHLB") during the second quarter of 2015, which increased diluted EPS by $0.04 per share after-tax.

Net income, excluding the impact of purchase accounting and also excluding the one-time special FHLB dividend in the second quarter of 2015 (core net income), was $121.1 million and $110.9 million for the second quarter of 2015 and 2014, respectively. On this non-GAAP basis, core diluted EPS were $0.73, compared to $0.69 for the second 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 $120.4 million and $111.0 million for the second quarter of 2015 and 2014, respectively. The Wealth Management segment had net income of $10.9 million and $9.8 million for the second quarter of 2015 and 2014, respectively. For a discussion of segment results, see "—Business Segments."

***Net Interest Income***

Net interest income was $375.1 million for the second quarter of 2015, an increase of $41.9 million, or 13%, compared to $333.2 million for the second quarter of 2014. Included in net interest income were the effects of purchase accounting, and in the second quarter of 2015, a one-time special dividend of $9.1 million from the FHLB. The amount of net interest income resulting from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $12.0 million for the second quarter of 2015, compared to $21.3 million for the second quarter of 2014.

On an average basis, interest-earning assets and interest-bearing liabilities for the second quarter of 2015 each increased 16% from the second 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 and also excluding the one-time special FHLB dividend in the second quarter of 2015 (core net interest margin), to its equivalent GAAP ratio. Yields and rates are calculated on an annualized basis.

| | Quarter Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| Interest-earning assets | 3.60 % | 3.73 % |
| Interest-bearing liabilities | (0.32)% | (0.37)% |
| Net interest margin (GAAP) | 3.30 % | 3.38 % |
| Purchase accounting accretion/amortization | (0.10)% | (0.22)% |
| One-time special FHLB dividend | (0.08)% | — % |
| Core net interest margin (non-GAAP) | 3.12 % | 3.16 % |

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 June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| ($ in thousands) | Average Balance | Interest | Yields/ Rates [(1)] | Average Balance | Interest | Yields/ Rates [(1)] |
| **Assets:** | | | | | | |
| Cash and cash equivalents | $ 1,269,880 | $ 766 | 0.24% | $ 1,229,510 | $ 781 | 0.25% |
| Investment securities: | | | | | | |
| U.S. Treasury and other U.S. Government agency securities | 11,068 | 78 | 2.82% | 153,298 | 560 | 1.46% |
| U.S. Government-sponsored agency securities | 977,887 | 7,542 | 3.08% | — | — | —% |
| Mortgage-backed securities ("MBS"): | | | | | | |
| Agency residential and commercial MBS | 2,541,476 | 15,157 | 2.39% | 299,937 | 1,673 | 2.23% |
| Other residential and commercial MBS | 14,019 | 84 | 2.40% | 600,885 | 5,816 | 3.87% |
| Municipal securities [(2)] | 4,076,107 | 40,550 | 6.22% | 3,404,432 | 35,682 | 6.54% |
| Collateralized loan obligations | — | — | —% | 703,715 | 2,729 | 1.55% |
| Other investment securities [(3)] | 217,928 | 13,812 | 25.42% | 294,100 | 4,351 | 5.93% |
| Total investment securities [(4)] | 7,838,485 | 77,223 | 5.11% | 5,456,367 | 50,811 | 5.19% |
| Loans: | | | | | | |
| Residential real estate | 23,806,806 | 179,029 | 3.01% | 22,621,156 | 182,194 | 3.22% |
| Multifamily | 4,921,840 | 46,997 | 3.78% | 4,255,023 | 41,478 | 3.86% |
| Commercial real estate | 4,097,172 | 45,655 | 4.41% | 3,502,812 | 44,692 | 5.05% |
| Construction | 948,197 | 10,652 | 4.44% | 678,147 | 8,193 | 4.78% |
| Business loans [(2)] | 5,179,506 | 43,979 | 4.07% | 3,803,242 | 35,021 | 4.37% |
| Other loans | 1,104,784 | 7,654 | 2.74% | 932,576 | 7,133 | 3.03% |
| Total loans [(5)] | 40,058,305 | 333,966 | 3.41% | 35,792,956 | 318,711 | 3.62% |
| Total interest-earning assets | 49,166,670 | 411,955 | 3.60% | 42,478,833 | 370,303 | 3.73% |
| Noninterest-earning assets: | | | | | | |
| Noninterest-earning cash | 255,702 | | | 227,488 | | |
| Goodwill and other intangibles | 208,846 | | | 230,303 | | |
| Other assets | 2,453,750 | | | 2,003,870 | | |
| Total noninterest-earning assets | 2,918,298 | | | 2,461,661 | | |
| Total Assets | $ 52,084,968 | | | $ 44,940,494 | | |
| **Liabilities and Equity:** | | | | | | |
| Deposits: | | | | | | |
| Checking | $ 24,099,157 | 281 | 0.00% | $ 17,767,019 | 598 | 0.01% |
| Money market checking and savings | 12,451,743 | 2,188 | 0.07% | 12,714,426 | 4,597 | 0.15% |
| CDs [(5)] | 3,893,313 | 12,074 | 1.24% | 3,574,414 | 9,623 | 1.08% |
| Total deposits | 40,444,213 | 14,543 | 0.14% | 34,055,859 | 14,818 | 0.17% |
| Borrowings: | | | | | | |
| Long-term FHLB advances | 4,922,802 | 19,421 | 1.58% | 5,587,363 | 21,704 | 1.56% |
| Senior notes [(6)] | 396,675 | 2,567 | 2.59% | 61,074 | 397 | 2.60% |
| Other borrowings | 312,767 | 360 | 0.46% | 41,513 | 171 | 1.65% |
| Total borrowings | 5,632,244 | 22,348 | 1.59% | 5,689,950 | 22,272 | 1.57% |
| Total interest-bearing liabilities | 46,076,457 | 36,891 | 0.32% | 39,745,809 | 37,090 | 0.37% |
| Noninterest-bearing liabilities | 804,458 | | | 630,185 | | |
| Preferred equity | 927,987 | | | 889,525 | | |
| Common equity | 4,276,066 | | | 3,674,975 | | |
| Total Liabilities and Equity | $ 52,084,968 | | | $ 44,940,494 | | |
| Net interest spread [(7)] | | | 3.28% | | | 3.36% |
| Net interest income and net interest margin [(8)] | | $ 375,064 | 3.30% | | $ 333,213 | 3.38% |
| Net interest income (tax-equivalent basis) | | $ 407,212 | | | $ 360,207 | |
| Core net interest income (tax-equivalent basis) and core net interest margin (non-GAAP) [(9)] | | $ 386,092 | 3.12% | | $ 338,945 | 3.16% |

*(continued on following page)*

*(continued from previous page)*

(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 $22.8 million for the second quarter of 2015 and $20.0 million for the second quarter of 2014. In order to calculate the yield on tax-exempt loans on a tax-equivalent basis, reported interest income was increased by $9.3 million for the second quarter of 2015 and $7.0 million for the second quarter of 2014.

(3) Includes FHLB stock and securities purchased under agreements to resell. Yield in the second quarter of 2015 includes a $9.1 million one-time special FHLB dividend.

(4) Yield on investment securities includes a one-time special FHLB dividend (see footnote 3 above), which resulted in a 47 basis point positive impact to the second quarter of 2015 investment yield.

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

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

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

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

(9) 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 $15.3 million, or 5%, to $334.0 million for the second quarter of 2015, from $318.7 million for the second quarter of 2014. Included in interest income on loans is loan discount accretion of $11.7 million for the second quarter of 2015, compared to $19.6 million for the second quarter of 2014. The decrease in discount accretion was primarily the result of a declining portfolio of loans with purchase accounting discounts and a lower level of loan prepayments for loans acquired on July 1, 2010.

Average loan balances were $40.1 billion for the second quarter of 2015, compared to $35.8 billion for the second quarter of 2014, an increase of 12%. The average yield on loans, including the accretion of loan discounts, was 3.41%, a decrease of 21 basis points from 3.62% for the second quarter of 2014. The average contractual yield earned on loans was 3.28%, a decrease of 11 basis points from 3.39% for the second 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 $4.6 million and $3.8 million for the second quarter of 2015 and 2014, respectively. The increase was primarily due to higher prepayments on multifamily and single family loans.

Our yield on loans is affected by a number of factors: market interest rates, the level of adjustable-rate loan indices, interest rate floors and caps, the repayment rate of loans 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 3.14% at June 30, 2015, compared to 3.18% at December 31, 2014 and 3.23% at June 30, 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 June 30, 2015, approximately 38% of our total loans were adjustable-rate or mature within one year, compared to 36% at June 30, 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 second 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 $26.4 million, or 52%, to $77.2 million for the second quarter of 2015, compared to $50.8 million for the second quarter of 2014. The increase was due to the purchases of new investments and also due to a one-time special dividend of $9.1 million from the FHLB in the second quarter of 2015. Average investment balances were $7.8 billion for the second quarter of 2015, compared to $5.5 billion for the second quarter of 2014, an increase of 44%. The average yield on investment securities, calculated on a tax-equivalent basis, was 5.11%, compared to 5.19% for the second quarter of 2014, a decline of 8 basis points. The yield decline was the result of a modest change in mix of the investment portfolio, as we have been increasing our holdings of 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 second quarter of 2014. The yield decline from the change in portfolio mix was partially offset by an increase resulting from the one-time special FHLB dividend, which added 47 basis points to the investment yield in the second quarter of 2015.

***Interest Expense***

Total interest expense consists of interest expense on deposits, FHLB advances, senior notes and other borrowings. Total interest expense for the second quarter of 2015 decreased 1% to $36.9 million, from $37.1 million for the second quarter of 2014. The decrease was the result of a decline in the average cost of interest-bearing liabilities to 0.32% from 0.37% for the second quarter of 2014, partially offset by an increase in average interest-bearing liabilities, which were $46.1 billion, compared to $39.7 billion for the second quarter of 2014, an increase of 16%.

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 $278,000 for the second quarter of 2015, compared to $1.6 million for the second quarter of 2014. The average contractual cost of total interest-bearing liabilities was 0.32%, decreasing from 0.39% for the second quarter of 2014.

*Deposits*

Interest expense on deposits was $14.5 million for the second quarter of 2015, a decrease of $275,000, or 2%, from $14.8 million for the second quarter of 2014. Interest expense on deposits for the second quarter of 2015 and 2014 was reduced by $278,000 and $1.6 million, respectively, for the amortization of premiums on CDs. The average cost of deposits, including purchase accounting amortization, decreased 3 basis points to 0.14% for the second quarter of 2015, from 0.17% for the second quarter of 2014. The average contractual cost of deposits decreased to 0.15% for the second quarter of 2015, from 0.19% for the second 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 $40.4 billion for the second quarter of 2015, an increase of 19% from $34.1 billion for the second quarter of 2014. Average checking account balances comprised 60% of average total deposits for the second quarter of 2015, compared to 52% for the second quarter of 2014. Average money market checking and savings accounts were 31% of average total deposits for the second quarter of 2015, compared to 37% for the second quarter of 2014. Average CD balances were 9% of average total deposits for the second quarter of 2015, compared to 11% for the second quarter of 2014.

At June 30, 2015 and 2014, the weighted average contractual rate paid on total deposits was 0.15% and 0.19%, respectively. At June 30, 2015, our total deposits were $41.9 billion, compared to $35.0 billion at June 30, 2014, an increase of 20%. 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 $22.3 million for both the second quarter of 2015 and 2014.

At June 30, 2015, long-term FHLB advances outstanding were $4.7 billion, compared to $5.6 billion at June 30, 2014. Interest expense on long-term FHLB advances was $19.4 million, compared to $21.7 million for the second quarter of 2014, a decrease of $2.3 million, or 11%. The decrease was primarily due to a decrease in average long-term FHLB advances. Average long-term FHLB advances were $4.9 billion, compared to $5.6 billion for the second quarter of 2014, a decrease of 12%. The average cost of long-term FHLB advances increased slightly to 1.58%, from 1.56% for the second quarter of 2014. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 11% for the second quarter of 2015, compared to 14% for the second quarter of 2014.

At June 30, 2015, the carrying value of unsecured senior notes issued in June 2014 was $396.8 million, compared to $396.3 million at June 30, 2014. Interest expense on our fixed-rate senior notes for the second quarter of 2015 was $2.6 million, compared to $397,000 for the second quarter of 2014, 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 $17.0 million for the second quarter of 2015, compared to $21.8 million for the second 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:

| | Quarter Ended June 30, | |
|---|---|---|
| **($ in thousands)** | **2015** | **2014** |
| Noninterest income: | | |
| Investment advisory fees | $ 43,502 | $ 36,197 |
| Brokerage and investment fees | 4,407 | 3,393 |
| Trust fees | 2,501 | 2,860 |
| Foreign exchange fee income | 5,023 | 5,052 |
| Deposit fees | 4,870 | 4,637 |
| Gain on sale of loans | 3,476 | 14,850 |
| Loan servicing fees, net | 2,923 | 2,008 |
| Loan and related fees | 3,428 | 1,695 |
| Income from investments in life insurance | 8,451 | 6,424 |
| Gain (loss) on investment securities, net | 1,112 | (1,085) |
| Other income | 543 | 807 |
| Total noninterest income | $ 80,236 | $ 76,838 |

Noninterest income for the second quarter of 2015 was $80.2 million, an increase of $3.4 million, compared to $76.8 million for the second quarter of 2014. The increase in noninterest income was primarily due to increases in investment advisory fees, gain on investment securities, income from investments in life insurance, loan and related fees, and brokerage and investment fees.

*Investment advisory fees.* Investment advisory fees were $43.5 million for the second quarter of 2015, a 20% increase from $36.2 million for the second 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 both 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 $4.4 million for the second quarter of 2015, a 30% increase from $3.4 million for the second 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 second quarter of 2015 were $2.5 million, compared to $2.9 million for the second quarter of 2014. 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 $5.0 million on foreign exchange business for the second quarter of 2015, compared to $5.1 million for the second quarter of 2014.

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 $4.9 million for the second quarter of 2015, an increase of 5% from $4.6 million for the second quarter of 2014.

*Gain on sale of loans.* The gain on the sale of $887.2 million of loans was $3.5 million, or approximately 39 basis points on the loans sold for the second quarter of 2015, compared to net gains of $14.9 million on loan sales of $1.3 billion, or 116 basis points on the loans sold for the second quarter of 2014. The lower level of gain on sales for the second quarter of 2015 was the result of lower margins and a lower 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 June 30, | |
|---|---|---|
| **($ in thousands)** | **2015** | **2014** |
| Contractually specified servicing fees | $ 6,259 | $ 4,137 |
| Amortization expense | (3,336) | (2,129) |
| Loan servicing fees, net | $ 2,923 | $ 2,008 |

Contractual servicing fees increased to $6.3 million for the second quarter of 2015, compared to $4.1 million for the second quarter of 2014, primarily due to the growth in the servicing portfolio. At June 30, 2015, the servicing portfolio was $10.3 billion, compared to $7.3 billion a year ago, an increase of 42%. 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 the second quarter of 2015, compared to 0.26% for the second quarter of 2014.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. For the second quarter of 2015, the overall annualized repayment speed experienced on loans serviced was 16%, compared to 11% for the second 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 $3.4 million for the second quarter of 2015, compared to $1.7 million for the second 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 $1.5 million and $385,000 for the second quarter of 2015 and 2014, respectively.

*Income from investments in life insurance.* Income from investments in bank-owned life insurance was $8.5 million for the second quarter of 2015, compared to $6.4 million for the second quarter of 2014. The increase was primarily due to additional purchases of bank-owned life insurance in the second half of 2014. The book value of this portfolio of tax-exempt investments was $1.0 billion at June 30, 2015, compared to $878.9 million at June 30, 2014.

***Noninterest Expense***

The following table presents noninterest expense:

| | Quarter Ended June 30, | |
|---|---|---|
| **($ in thousands)** | **2015** | **2014** |
| Noninterest expense: | | |
| Salaries and employee benefits | $ 138,758 | $ 117,191 |
| Occupancy | 27,533 | 23,438 |
| Information systems | 28,282 | 23,161 |
| Professional fees | 20,048 | 10,816 |
| FDIC and other deposit assessments | 8,700 | 7,650 |
| Advertising and marketing | 6,564 | 8,001 |
| Amortization of intangibles | 4,941 | 5,792 |
| Other expenses | 28,289 | 26,679 |
| Total noninterest expense | $ 263,115 | $ 222,728 |

Noninterest expense was $263.1 million for the second quarter of 2015, compared to $222.7 million for the second quarter of 2014, an increase of $40.4 million, or 18%. The increase in noninterest expense was primarily due to higher salaries and employee benefits, professional fees, information systems and occupancy costs. The increases in these expenses were primarily attributable to our ongoing 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 $23.8 million for the second quarter of 2015, compared to $21.2 million for the second quarter of 2014, an increase of $2.6 million, or 12%. 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 June 30, 2015, net deferred loan costs were $37.6 million, compared to $29.6 million at June 30, 2014.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 57.8% for the second quarter of 2015, compared to 54.3% for the second quarter of 2014. The efficiency ratio was significantly affected by purchase accounting and also by a one-time special dividend from the FHLB in the second quarter of 2015. Excluding the impact of purchase accounting and the one-time special FHLB dividend, the core efficiency ratio was 59.8%, compared to 56.3% for the second 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 the core efficiency ratio, see "—Key Factors Affecting Our Business and Financial Statements—Regulatory and Supervisory Matters—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 and our enhanced regulatory environment. Salaries and employee benefit expenses were $138.8 million for the second quarter of 2015, an 18% increase from $117.2 million for the second 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 June 30, 2015, we had 2,728 full-time equivalent employees, including temporary employees and independent contractors, a 12% increase from 2,426 at June 30, 2014.

*Occupancy.* Occupancy costs were $27.5 million for the second quarter of 2015, a 17% increase from $23.4 million for the second quarter of 2014, primarily due to the opening of new Preferred Banking offices, expanding our office space in existing markets for new employees, and increased rental costs in certain locations. 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 $28.3 million for the second quarter of 2015, a 22% increase from $23.2 million for the second 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 $20.0 million for the second quarter of 2015, compared to $10.8 million for the second quarter of 2014, an increase of $9.2 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 $8.7 million for the second quarter of 2015, a 14% increase from $7.7 million for the second 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 $6.6 million for the second quarter of 2015 and $8.0 million for the second 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 second quarter of 2015 and 2014 was $4.9 million and $5.8 million, respectively. Amortization expense decreased compared to the second quarter of 2014 due to the accelerated method of recording intangible amortization.

*Other expenses.* Other expenses were $28.3 million for the second quarter of 2015, compared to $26.7 million for the second 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 June 30, | |
|---|---|---|
| **($ in thousands)** | **2015** | **2014** |
| Other expenses: | | |
| Deposit client related costs | $ 5,395 | $ 5,288 |
| Loan related costs | 2,576 | 2,815 |
| Insurance expense | 2,382 | 1,683 |
| Travel and entertainment | 3,138 | 3,362 |
| Subscriptions | 1,805 | 1,593 |
| Recruiting fees | 1,456 | 899 |
| Provision on loan commitments | 200 | 600 |
| Other operating expenses | 11,337 | 10,439 |
| Total other expenses | $ 28,289 | $ 26,679 |

### *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 the second quarter of 2015 was 25.0%, compared to 27.0% for the second quarter of 2014. The decrease in the effective tax rate is the result of the steady increase in tax credit investments, tax-exempt securities, tax-advantaged loans and bank-owned life insurance.

## Results of Operations—Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

### *Overview*

Net income was $247.3 million and $235.5 million for the six months ended June 30, 2015 and 2014, respectively, an increase of $11.7 million, or 5%. Diluted EPS were $1.52, compared to $1.49 for the six months ended June 30, 2014.

Net income, excluding the impact of purchase accounting and also excluding the one-time special FHLB dividend for the six months ended June 30, 2015 (core net income), was $231.6 million and $216.7 million for the six months ended June 30, 2015 and 2014, respectively. On this non-GAAP basis, core diluted EPS were $1.41 for the six months ended June 30, 2015, compared to $1.36 for the six months ended June 30, 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 $228.1 million and $219.1 million for the six months ended June 30, 2015 and 2014, respectively. The Wealth Management segment had net income of $19.1 million and $16.4 million for the six months ended June 30, 2015 and 2014, respectively.

***Net Interest Income***

Net interest income was $723.1 million for the six months ended June 30, 2015, an increase of $69.2 million, or 11%, compared to $653.9 million for the six months ended June 30, 2014. Included in net interest income were the effects of purchase accounting, and for the six months ended June 30, 2015, a one-time special dividend of $9.1 million from the FHLB. The amount of net interest income resulting from the accretion of loan discounts and amortization of liability premiums included in the above amounts was $24.8 million for the six months ended June 30, 2015, compared to $40.8 million for the six months ended June 30, 2014.

On an average basis, interest-earning assets and interest-bearing liabilities for the six months ended June 30, 2015 each increased 15% from the six months ended June 30, 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 and also excluding the one-time special FHLB dividend in the six months ended June 30, 2015 (core net interest margin), to its equivalent GAAP ratio. Yields and rates are calculated on an annualized basis.

| | Six Months Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| Interest-earning assets | 3.56 % | 3.73 % |
| Interest-bearing liabilities | (0.33)% | (0.38)% |
| Net interest margin (GAAP) | 3.26 % | 3.38 % |
| Purchase accounting accretion/amortization | (0.11)% | (0.22)% |
| One-time special FHLB dividend | (0.04)% | — % |
| Core net interest margin (non-GAAP) | 3.11 % | 3.16 % |

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.

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| ($ in thousands) | Average Balance | Interest | Yields/ Rates [(1)] | Average Balance | Interest | Yields/ Rates [(1)] |
| **Assets:** | | | | | | |
| Cash and cash equivalents | $ 1,534,980 | $ 1,871 | 0.25% | $ 1,237,491 | $ 1,561 | 0.25% |
| Investment securities: | | | | | | |
| U.S. Treasury and other U.S. Government agency securities | 52,613 | 497 | 1.89% | 118,579 | 722 | 1.22% |
| U.S. Government-sponsored agency securities | 875,251 | 13,377 | 3.06% | — | — | —% |
| MBS: | | | | | | |
| Agency residential and commercial MBS | 2,366,480 | 29,014 | 2.45% | 242,487 | 2,779 | 2.29% |
| Other residential and commercial MBS | 13,820 | 148 | 2.14% | 604,361 | 11,611 | 3.84% |
| Municipal securities [(2)] | 3,870,397 | 77,735 | 6.28% | 3,368,727 | 70,257 | 6.50% |
| Collateralized loan obligations | — | — | —% | 749,402 | 5,864 | 1.57% |
| Other investment securities [(3)] | 233,135 | 18,375 | 15.89% | 286,800 | 8,422 | 5.92% |
| Total investment securities [(4)] | 7,411,696 | 139,146 | 4.94% | 5,370,356 | 99,655 | 5.17% |
| Loans: | | | | | | |
| Residential real estate | 23,406,779 | 354,149 | 3.03% | 22,369,936 | 360,588 | 3.23% |
| Multifamily | 4,826,729 | 90,675 | 3.74% | 4,182,688 | 82,116 | 3.90% |
| Commercial real estate | 3,977,678 | 90,659 | 4.53% | 3,472,269 | 88,213 | 5.05% |
| Construction | 908,752 | 21,284 | 4.66% | 635,842 | 15,191 | 4.75% |
| Business loans [(2)] | 5,014,079 | 84,722 | 4.08% | 3,625,882 | 66,959 | 4.42% |
| Other loans | 1,023,163 | 14,352 | 2.79% | 853,388 | 13,331 | 3.11% |
| Total loans [(5)] | 39,157,180 | 655,841 | 3.43% | 35,140,005 | 626,398 | 3.64% |
| Total interest-earning assets | 48,103,856 | 796,858 | 3.56% | 41,747,852 | 727,614 | 3.73% |
| Noninterest-earning assets: | | | | | | |
| Noninterest-earning cash | 254,341 | | | 222,914 | | |
| Goodwill and other intangibles | 211,359 | | | 233,240 | | |
| Other assets | 2,427,559 | | | 1,954,422 | | |
| Total noninterest-earning assets | 2,893,259 | | | 2,410,576 | | |
| Total Assets | $ 50,997,115 | | | $ 44,158,428 | | |
| **Liabilities and Equity:** | | | | | | |
| Deposits: | | | | | | |
| Checking | $ 23,243,052 | 605 | 0.01% | $ 17,169,188 | 1,229 | 0.01% |
| Money market checking and savings | 12,384,524 | 4,414 | 0.07% | 12,692,382 | 9,472 | 0.15% |
| CDs [(5)] | 3,845,075 | 23,512 | 1.23% | 3,639,541 | 19,348 | 1.07% |
| Total deposits | 39,472,651 | 28,531 | 0.15% | 33,501,111 | 30,049 | 0.18% |
| Borrowings: | | | | | | |
| Long-term FHLB advances | 5,069,475 | 39,611 | 1.58% | 5,552,762 | 42,889 | 1.56% |
| Senior notes [(6)] | 396,579 | 5,135 | 2.59% | 30,706 | 397 | 2.59% |
| Other borrowings | 174,382 | 498 | 0.57% | 42,050 | 363 | 1.73% |
| Total borrowings | 5,640,436 | 45,244 | 1.62% | 5,625,518 | 43,649 | 1.56% |
| Total interest-bearing liabilities | 45,113,087 | 73,775 | 0.33% | 39,126,629 | 73,698 | 0.38% |
| Noninterest-bearing liabilities | 831,491 | | | 616,457 | | |
| Preferred equity | 908,862 | | | 889,525 | | |
| Common equity | 4,143,675 | | | 3,525,817 | | |
| Total Liabilities and Equity | $ 50,997,115 | | | $ 44,158,428 | | |
| Net interest spread [(7)] | | | 3.23% | | | 3.35% |
| Net interest income and net interest margin [(8)] | | $ 723,083 | 3.26% | | $ 653,916 | 3.38% |
| Net interest income (tax-equivalent basis) | | $ 784,889 | | | $ 706,763 | |
| Core net interest income (tax-equivalent basis) and core net interest margin (non-GAAP) [(9)] | | $ 750,919 | 3.11% | | $ 665,963 | 3.16% |

*(continued on following page)*

*(continued from previous page)*

(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 $43.8 million for the six months ended June 30, 2015 and $39.3 million for the six months ended June 30, 2014. In order to calculate the yield on tax-exempt loans on a tax-equivalent basis, reported interest income was increased by $18.0 million for the six months ended June 30, 2015 and $13.5 million for the six months ended June 30, 2014.

(3) Includes FHLB stock and securities purchased under agreements to resell. Yield for the six months ended June 30, 2015 includes a $9.1 million one-time special FHLB dividend.

(4) Yield on investment securities includes a one-time special FHLB dividend (see footnote 3 above), which resulted in a 25 basis point positive impact to the investment yield for the six months ended June 30, 2015.

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

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

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

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

(9) 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 $29.4 million, or 5%, to $655.8 million for the six months ended June 30, 2015, from $626.4 million for the six months ended June 30, 2014. Included in interest income on loans is loan discount accretion of $23.8 million for the six months ended June 30, 2015, compared to $37.2 million for the six months ended June 30, 2014. The decrease in discount accretion was primarily the result of a declining portfolio of loans with purchase accounting discounts and a lower level of loan prepayments for loans acquired on July 1, 2010.

Average loan balances were $39.2 billion for the six months ended June 30, 2015, compared to $35.1 billion for the six months ended June 30, 2014, an increase of 11%. The average yield on loans, including the accretion of loan discounts, was 3.43%, a decrease of 21 basis points from 3.64% for the six months ended June 30, 2014. The average contractual yield earned on loans was 3.30%, a decrease of 10 basis points from 3.40% for the six months ended June 30, 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 $8.7 million and $6.3 million for the six months ended June 30, 2015 and 2014, respectively. The increase was primarily due to higher prepayments on multifamily, single family and commercial real estate loans.

### *Investments*

Interest income on investments increased $39.5 million, or 40%, to $139.1 million for the six months ended June 30, 2015, compared to $99.7 million for the six months ended June 30, 2014. The increase was due to the purchases of new investments and also due to a one-time special dividend of $9.1 million from the FHLB during the six months ended June 30, 2015. Average investment balances were $7.4 billion for the six months ended June 30, 2015, compared to $5.4 billion for the six months ended June 30, 2014, an increase of 38%. The average yield on investment securities, calculated on a tax-equivalent basis, was 4.94%, compared to 5.17% for the six months ended June 30, 2014, a decline of 23 basis points. The yield decline was the result of a modest change in mix of the investment portfolio, as we have been increasing our holdings of 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 six months ended June 30, 2014. The yield decline from the change in portfolio mix was partially offset by an increase resulting from the one-time special FHLB dividend, which added 25 basis points to the investment yield in the six months ended June 30, 2015.

### *Interest Expense*

Total interest expense for the six months ended June 30, 2015 was $73.8 million, compared to $73.7 million for the six months ended June 30, 2014. The slight increase was the result of an increase in average interest-bearing liabilities, which were $45.1 billion, compared to $39.1 billion for the six months ended June 30, 2014, partially offset by a decline in the average cost of interest-bearing liabilities to 0.33% from 0.38% for the six months ended June 30, 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 $1.0 million for the six months ended June 30, 2015, compared to $3.6 million for the six months ended June 30, 2014. The average contractual cost of total interest-bearing liabilities was 0.33%, decreasing from 0.40% for the six months ended June 30, 2015 and 2014, respectively.

*Deposits*

Interest expense on deposits was $28.5 million for the six months ended June 30, 2015, a decrease of $1.5 million, or 5%, from $30.0 million for the six months ended June 30, 2014. Interest expense on deposits for the six months ended June 30, 2015 and 2014 was reduced by $1.0 million and $3.6 million, respectively, for the amortization of premiums on CDs. The average cost of deposits, including purchase accounting amortization, decreased 3 basis points to 0.15% for the six months ended June 30, 2015, from 0.18% for the six months ended June 30, 2014. The average contractual cost of deposits decreased to 0.15% from 0.20% for the six months ended June 30, 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 $39.5 billion for the six months ended June 30, 2015, an increase of 18% from $33.5 billion for the six months ended June 30, 2014. Average checking account balances comprised 59% of average total deposits for the six months ended June 30, 2015, compared to 51% for the six months ended June 30, 2014. Average money market checking and savings accounts were 31% of average total deposits for the six months ended June 30, 2015, compared to 38% for the six months ended June 30, 2014. Average CD balances were 10% of average total deposits for the six months ended June 30, 2015, compared to 11% for the six months ended June 30, 2014.

*Borrowings*

Interest expense on borrowings was $45.2 million for the six months ended June 30, 2015, compared to $43.6 million for the six months ended June 30, 2014, an increase of $1.6 million, or 4%.

Interest expense on long-term FHLB advances was $39.6 million for the six months ended June 30, 2015, compared to $42.9 million for the six months ended June 30, 2014, a decrease of $3.3 million, or 8%. The decrease was primarily due to a decrease in average long-term FHLB advances. Average long-term FHLB advances were $5.1 billion, compared to $5.6 billion for the six months ended June 30, 2014, a decrease of 9%. The average cost of long-term FHLB advances increased slightly to 1.58%, from 1.56% for the six months ended June 30, 2014. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 11% for the six months ended June 30, 2015, compared to 14% for the six months ended June 30, 2014.

Interest expense on our fixed-rate senior notes for the six months ended June 30, 2015 was $5.1 million, compared to $397,000 for the six months ended June 30, 2014, and includes interest at a coupon rate of 2.375%, as well as amortization of issuance discounts and offering costs.

### *Provision for Loan Losses*

The provision for loan losses was $28.9 million for both the six months ended June 30, 2015 and 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:

| | Six Months Ended June 30, | |
|---|---|---|
| **($ in thousands)** | **2015** | **2014** |
| Noninterest income: | | |
| Investment advisory fees | $ 84,713 | $ 69,505 |
| Brokerage and investment fees | 8,106 | 6,398 |
| Trust fees | 4,886 | 5,279 |
| Foreign exchange fee income | 10,171 | 8,559 |
| Deposit fees | 9,499 | 9,181 |
| Gain on sale of loans | 5,288 | 17,695 |
| Loan servicing fees, net | 6,153 | 4,004 |
| Loan and related fees | 6,149 | 3,603 |
| Income from investments in life insurance | 17,630 | 13,399 |
| Gain (loss) on investment securities, net | 1,412 | (1,176) |
| Other income | 1,148 | 1,403 |
| Total noninterest income | $ 155,155 | $ 137,850 |

Noninterest income for the six months ended June 30, 2015 was $155.2 million, an increase of $17.3 million, or 13%, compared to $137.9 million for the six months ended June 30, 2014. The increase in noninterest income was primarily due to an increase in investment advisory fees, income from investments in life insurance, gain on investment securities, loan and related fees, and loan servicing fees.

*Investment advisory fees.* Investment advisory fees were $84.7 million for the six months ended June 30, 2015, a 22% increase from $69.5 million for the six months ended June 30, 2014. The increase in investment advisory fees was primarily due to an increase in assets under management from the addition of assets from both existing and new clients.

*Brokerage and investment fees.* Brokerage and investment fees were $8.1 million for the six months ended June 30, 2015, a 27% increase from $6.4 million for the six months ended June 30, 2014. The increase was primarily due to increased trading volume and higher balances of assets under administration.

*Trust fees.* Trust fees for the six months ended June 30, 2015 were $4.9 million, compared to $5.3 million for the six months ended June 30, 2014. 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.* We earned $10.2 million on foreign exchange business for the six months ended June 30, 2015, a 19% increase from $8.6 million for the six months ended June 30, 2014. The increase in foreign exchange fees was primarily driven by volume of activity from both existing and new clients.

*Deposit fees.* We earn fees from our clients for deposit services. Deposit fees were $9.5 million for the six months ended June 30, 2015, compared to $9.2 million for the six months ended June 30, 2014.

*Gain on sale of loans.* The gain on the sale of $1.5 billion of loans was $5.3 million, or approximately 36 basis points on the loans sold for the six months ended June 30, 2015, compared to net gains of $17.7 million on loan sales of $1.6 billion, or 109 basis points on the loans sold for the six months ended June 30, 2014. The lower level of gain on sales for the six months ended June 30, 2015 was the result of lower margins and a lower volume of loans sold.

*Loan servicing fees, net.* The following table presents net loan servicing fees:

| | Six Months Ended June 30, | |
|---|---|---|
| **($ in thousands)** | **2015** | **2014** |
| Contractually specified servicing fees | $ 12,406 | $ 8,000 |
| Amortization expense | (6,253) | (4,001) |
| Net reversal of impairment | — | 5 |
| Loan servicing fees, net | $ 6,153 | $ 4,004 |

Contractual servicing fees increased to $12.4 million for the six months ended June 30, 2015, compared to $8.0 million for the six months ended June 30, 2014, primarily due to the growth in the servicing portfolio. Amortization expense increased to $6.3 million for the six months ended June 30, 2015, compared to $4.0 million for the six months ended June 30, 2014 primarily due to a larger servicing portfolio.

*Loan and related fees.* Loan and related fee income was $6.1 million for the six months ended June 30, 2015, compared to $3.6 million for the six months ended June 30, 2014. We collected prepayment penalty fees on loans serviced for others of $2.5 million and $629,000 for the six months ended June 30, 2015 and 2014, respectively.

*Income from investments in life insurance.* Income from investments in bank-owned life insurance was $17.6 million for the six months ended June 30, 2015, compared to $13.4 million for the six months ended June 30, 2014. The increase was primarily due to additional purchases of bank-owned life insurance in the second half of 2014.

***Noninterest Expense***

The following table presents noninterest expense:

| | Six Months Ended June 30, | |
|---|---|---|
| **($ in thousands)** | **2015** | **2014** |
| Noninterest expense: | | |
| Salaries and employee benefits | $ 278,706 | $ 237,776 |
| Occupancy | 53,105 | 47,543 |
| Information systems | 54,134 | 44,582 |
| Professional fees | 39,561 | 18,032 |
| FDIC and other deposit assessments | 17,050 | 15,094 |
| Advertising and marketing | 11,778 | 14,015 |
| Amortization of intangibles | 10,096 | 11,796 |
| Other expenses | 54,358 | 51,381 |
| Total noninterest expense | $ 518,788 | $ 440,219 |

Noninterest expense was $518.8 million for the six months ended June 30, 2015, compared to $440.2 million for the six months ended June 30, 2014, an increase of $78.6 million, or 18%. The increase in noninterest expense was primarily due to higher salaries and employee benefits, professional fees, information systems and occupancy costs. The increases in these expenses were primarily attributable to our ongoing 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 ASC 310-20. We capitalized loan origination costs of $40.4 million for the six months ended June 30, 2015, compared to $35.4 million for the six months ended June 30, 2014, an increase of $5.0 million, or 14%.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 59.1% for the six months ended June 30, 2015, compared to 55.6% for the six months ended June 30, 2014. The efficiency ratio was significantly affected by purchase accounting and also by a one-time special dividend from the FHLB for the six months ended June 30, 2015. Excluding the impact of purchase accounting and the one-time special FHLB dividend, the core efficiency ratio was 60.6%, compared to 57.5% for the six months ended June 30, 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 the core efficiency ratio, see "—Key Factors Affecting Our Business and Financial Statements—Regulatory and Supervisory Matters—Core Efficiency Ratio."

*Salaries and employee benefits.* Salaries and employee benefit expenses were $278.7 million for the six months ended June 30, 2015, a 17% increase from $237.8 million for the six months ended June 30, 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.

*Occupancy.* Occupancy costs were $53.1 million for the six months ended June 30, 2015, a 12% increase from $47.5 million for the six months ended June 30, 2014. The increase in occupancy costs was primarily due to the opening of new Preferred Banking offices, expanding our office space in existing markets for new employees, and increased rental costs in certain locations.

*Information systems.* Expenses for information systems were $54.1 million for the six months ended June 30, 2015, a 21% increase from $44.6 million for the six months ended June 30, 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 were $39.6 million for the six months ended June 30, 2015, compared to $18.0 million for the six months ended June 30, 2014. Outside consultant fees increased 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 $17.1 million for the six months ended June 30, 2015, a 13% increase from $15.1 million for the six months ended June 30, 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.* Advertising and marketing expenses were $11.8 million and $14.0 million for the six months ended June 30, 2015 and 2014, respectively. 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 six months ended June 30, 2015 and 2014 was $10.1 million and $11.8 million, respectively. Amortization expense decreased compared to the six months ended June 30, 2014 due to the accelerated method of recording intangible amortization.

*Other expenses.* Other expenses were $54.4 million for the six months ended June 30, 2015, compared to $51.4 million for the six months ended June 30, 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:

| ($ in thousands) | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
|---|---|---|
| Other expenses: | | |
| Deposit client related costs | $ 10,469 | $ 10,030 |
| Loan related costs | 5,265 | 4,945 |
| Insurance expense | 4,838 | 3,387 |
| Travel and entertainment | 5,458 | 6,095 |
| Subscriptions | 3,587 | 3,031 |
| Recruiting fees | 3,050 | 1,861 |
| Provision on loan commitments | 275 | 1,800 |
| Other operating expenses | 21,416 | 20,232 |
| Total other expenses | $ 54,358 | $ 51,381 |

### *Provision for Income Taxes*

The effective tax rate for the six months ended June 30, 2015 was 25.2%, compared to 27.0% for the six months ended June 30, 2014. The decrease in the effective tax rate is the result of the steady increase in tax credit investments, tax-exempt securities, tax-advantaged loans and bank-owned life insurance.

## 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 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 $705.2 million for the six months ended June 30, 2015, an increase of 12% from $631.9 million for the six months ended June 30, 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. In addition, the six months ended June 30, 2015 included a $9.1 million one-time special dividend from the FHLB.

The provision for loan losses for Commercial Banking was $28.9 million for both the six months ended June 30, 2015 and 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 for Commercial Banking was $46.6 million for the six months ended June 30, 2015, compared to $47.5 million for the six months ended June 30, 2014, a decrease of 2%. The decrease was primarily due to the lower gain on sale of loans, partially offset by increases in income from investments in life insurance, gain on investment securities, loan and related fees, and loan servicing fees.

Noninterest expense for Commercial Banking was $425.4 million for the six months ended June 30, 2015, compared to $356.1 million for the six months ended June 30, 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 $17.9 million for the six months ended June 30, 2015, compared to $22.0 million for the six months ended June 30, 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 $3.4 billion and $3.2 billion at June 30, 2015 and 2014, respectively. The decrease in net interest income was primarily the result of decreases in the earnings crediting rates for certain Wealth Management deposit balances compared to the six months ended June 30, 2014.

Noninterest income for Wealth Management was $116.0 million for the six months ended June 30, 2015, compared to $95.3 million for the six months ended June 30, 2014, an increase of 22%. Fees and other revenues increased primarily 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 $100.8 million for the six months ended June 30, 2015, compared to $89.0 million for the six months ended June 30, 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 $57.6 billion at June 30, 2015, an increase of 18% 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) | June 30, 2015 | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 |
|---|---|---|---|---|---|
| First Republic Investment Management | $ 28,998 | $ 28,530 | $ 27,453 | $ 26,255 | $ 25,132 |
| Brokerage and Investment: | | | | | |
| Brokerage | 19,852 | 18,973 | 17,653 | 17,184 | 16,152 |
| Money Market Mutual Funds | 1,732 | 2,100 | 2,025 | 1,796 | 1,092 |
| Total Brokerage and Investment | 21,584 | 21,073 | 19,678 | 18,980 | 17,244 |
| Trust Company: | | | | | |
| Trust | 3,370 | 3,149 | 3,057 | 3,044 | 3,149 |
| Custody | 3,613 | 3,617 | 3,189 | 3,103 | 3,143 |
| Total Trust Company | 6,983 | 6,766 | 6,246 | 6,147 | 6,292 |
| Total Wealth Management Assets | $ 57,565 | $ 56,369 | $ 53,377 | $ 51,382 | $ 48,668 |

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) | June 30, 2015 | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 |
| **Assets under management:** | | | | | |
| Beginning balance | $ 56,369 | $ 53,377 | $ 51,382 | $ 48,668 | $ 45,142 |
| Net client flow | 1,484 | 2,368 | 1,906 | 3,023 | 2,155 |
| Market appreciation (depreciation) | (288) | 624 | 89 | (309) | 1,371 |
| Ending balance | $ 57,565 | $ 56,369 | $ 53,377 | $ 51,382 | $ 48,668 |

*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 $84.7 million for the six months ended June 30, 2015, compared to $69.5 million for the six months ended June 30, 2014, an increase of 22%. The increase was primarily the result of increased cross-selling to current bank clients, the addition of new clients and hiring of new personnel. Assets under management were $29.0 billion at June 30, 2015, compared to $25.1 billion at June 30, 2014, an increase of 15%.

*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 $8.1 million for the six months ended June 30, 2015, compared to $6.4 million for the six months ended June 30, 2014, an increase of 27%. The increase was primarily due to increased trading volume and higher balances of assets under administration. At June 30, 2015, we held $21.6 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $17.2 billion at June 30, 2014, an increase of 25%.

*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 $4.9 million for the six months ended June 30, 2015, compared to $5.3 million for the six months ended June 30, 2014. At June 30, 2015, assets under custody or administration were $7.0 billion, compared to $6.3 billion at June 30, 2014, an increase of 11%. 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.

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

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| | June 30, 2015 | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 |
| First Republic Investment Management | 0.60% | 0.59% | 0.59% | 0.60% | 0.60% |
| Brokerage and Investment: | | | | | |
| Brokerage | 0.09% | 0.08% | 0.10% | 0.09% | 0.09% |
| Money Market Mutual Funds | 0.02% | 0.01% | 0.02% | 0.02% | 0.03% |
| Total Brokerage and Investment | 0.08% | 0.07% | 0.09% | 0.08% | 0.08% |
| Trust Company: | | | | | |
| Trust | 0.19% | 0.20% | 0.22% | 0.22% | 0.24% |
| Custody | 0.10% | 0.10% | 0.11% | 0.12% | 0.12% |
| Total Trust Company | 0.15% | 0.15% | 0.17% | 0.17% | 0.18% |
| Total Wealth Management | 0.35% | 0.34% | 0.36% | 0.36% | 0.36% |

## Balance Sheet Analysis

### *Investments*

The following table presents the investment portfolio:

| ($ in thousands) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| **Available-for-sale:** | | | |
| U.S. Treasury and other U.S. Government agency securities | $ — | $ 556,171 | $ 189,787 |
| Agency residential MBS | 314,578 | 387,091 | 322,689 |
| Other residential MBS | 11,126 | 11,804 | 13,541 |
| Agency commercial MBS | 875,852 | 389,639 | 118,805 |
| Other commercial MBS | — | — | 582,916 |
| Securities of U.S. states and political subdivisions—taxable | 47,450 | 47,521 | 47,450 |
| Collateralized loan obligations | — | — | 714,782 |
| Marketable equity securities | 999 | 1,131 | 1,856 |
| Total | $ 1,250,005 | $ 1,393,357 | $ 1,991,826 |
| **Held-to-maturity:** | | | |
| U.S. Government-sponsored agency securities | $ 983,655 | $ 582,083 | $ — |
| Agency residential MBS | 1,251,844 | 1,052,867 | — |
| Other residential MBS | 2,740 | 1,316 | 1,373 |
| Agency commercial MBS | 113,905 | 116,085 | — |
| Securities of U.S. states and political subdivisions: | | | |
| Tax-exempt municipal securities | 3,953,177 | 3,277,636 | 3,162,824 |
| Tax-exempt nonprofit debentures | 157,939 | 161,583 | 163,123 |
| Taxable municipal securities | 53,114 | 53,137 | 53,159 |
| Total | $ 6,516,374 | $ 5,244,707 | $ 3,380,479 |

The total combined investment securities portfolio represented 15% of total assets at June 30, 2015, compared to 14% at December 31, 2014 and 12% at June 30, 2014. During the six months ended June 30, 2015, we purchased tax-exempt municipal securities and continued to purchase securities considered to be HQLA, including agency commercial MBS and U.S. Government-sponsored agency securities, which further enhanced our on-balance sheet liquidity.

At June 30, 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 $6.8 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) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Unpaid principal balance: | | | |
| Single family (1-4 units) | $ 21,777 | $ 20,495 | $ 20,546 |
| Home equity lines of credit | 2,256 | 2,212 | 2,055 |
| Multifamily (5+ units) | 5,057 | 4,690 | 4,366 |
| Commercial real estate | 4,219 | 3,825 | 3,582 |
| Single family construction | 451 | 429 | 348 |
| Multifamily/commercial construction | 586 | 454 | 364 |
| Total real estate mortgages | 34,346 | 32,105 | 31,261 |
| Commercial business | 5,506 | 4,874 | 4,150 |
| Other secured | 539 | 436 | 529 |
| Stock secured | 372 | 285 | 256 |
| Unsecured loans and lines of credit | 294 | 231 | 233 |
| Total other loans | 6,711 | 5,826 | 5,168 |
| Total unpaid principal balance | 41,057 | 37,931 | 36,429 |
| Net unaccreted discount | (129) | (153) | (183) |
| Net deferred fees and costs | 38 | 31 | 30 |
| Carrying value | 40,966 | 37,809 | 36,276 |
| Allowance for loan losses | (236) | (207) | (181) |
| Loans, net | 40,730 | 37,602 | 36,095 |
| Single family loans held for sale | 163 | 271 | 236 |
| Total | $ 40,893 | $ 37,873 | $ 36,331 |

The following table separates our loan portfolio as of June 30, 2015 between loans acquired on July 1, 2010 and loans originated since July 1, 2010:

| | Composition of Loan Portfolio | | |
|---|---|---|---|
| ($ in millions) | Loans acquired on July 1, 2010 | Loans originated since July 1, 2010 | Total loans at June 30, 2015 |
| Single family (1-4 units) | $ 2,606 | $ 19,171 | $ 21,777 |
| Home equity lines of credit | 541 | 1,715 | 2,256 |
| Multifamily (5+ units) | 321 | 4,736 | 5,057 |
| Commercial real estate | 497 | 3,722 | 4,219 |
| Single family construction | 4 | 447 | 451 |
| Multifamily/commercial construction | 1 | 585 | 586 |
| Commercial business loans | 288 | 5,218 | 5,506 |
| Other secured | 30 | 509 | 539 |
| Stock secured | 5 | 367 | 372 |
| Unsecured loans and lines of credit | 30 | 264 | 294 |
| Total unpaid principal balance | 4,323 | 36,734 | 41,057 |
| Net unaccreted discount | (129) | — | (129) |
| Net deferred fees and costs | (4) | 42 | 38 |
| Allowance for loan losses | (7) | (229) | (236) |
| Loans, net | $ 4,183 | $ 36,547 | $ 40,730 |

The following table presents an analysis of the unpaid principal balance of our loan portfolio at June 30, 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) | $ 9,842 | $ 4,939 | $ 3,151 | $ 1,910 | $ 536 | $ 49 | $ 1,513 | $ 21,940 | 54% |
| Home equity lines of credit | 923 | 450 | 398 | 261 | 67 | 3 | 154 | 2,256 | 5% |
| Multifamily (5+ units) | 2,806 | 904 | 519 | 147 | 395 | 29 | 257 | 5,057 | 12% |
| Commercial real estate | 2,213 | 832 | 519 | 165 | 126 | 25 | 339 | 4,219 | 10% |
| Commercial business | 2,560 | 827 | 806 | 502 | 240 | 106 | 465 | 5,506 | 13% |
| Construction | 342 | 154 | 353 | 32 | 31 | 2 | 123 | 1,037 | 3% |
| Stock and other secured | 285 | 207 | 79 | 118 | 12 | 7 | 203 | 911 | 2% |
| Unsecured | 86 | 73 | 42 | 60 | 5 | — | 28 | 294 | 1% |
| Total | $ 19,057 | $ 8,386 | $ 5,867 | $ 3,195 | $ 1,412 | $ 221 | $ 3,082 | $ 41,220 | 100% |
| % by location | 46% | 20% | 14% | 8% | 3% | 1% | 8% | 100% | |

At June 30, 2015 and December 31, 2014, approximately 54% 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 June 30, 2015, approximately $15.2 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 June 30, 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 759 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 June 30, 2015:

| ($ in thousands) | June 30, 2015 | |
|---|---|---|
| | Unpaid principal balance | % of unpaid principal balance of portfolio |
| **LTV at Origination** | | |
| Less than or equal to 60% | $ 10,209,433 | 46.5% |
| Greater than 60% to 70% | 6,934,583 | 31.6% |
| Greater than 70% to 80% | 4,691,730 | 21.4% |
| Greater than 80% | 80,052 | 0.4% |
| Nonaccrual | 24,106 | 0.1% |
| Total | $ 21,939,904 | 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 762, 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 June 30, 2015, approximately 39% 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 June 30, 2015:

| | June 30, 2015 | | |
|---|---|---|---|
| **($ in thousands)** | **Unpaid principal balance** | **Total commitment** | **% of unpaid principal balance of portfolio** |
| **CLTV at Origination** | | | |
| Less than or equal to 60% | $ 1,196,680 | $ 3,228,308 | 53.1% |
| Greater than 60% to 70% | 738,897 | 1,642,144 | 32.8% |
| Greater than 70% to 80% | 305,562 | 667,255 | 13.5% |
| Greater than 80% | 2,882 | 10,000 | 0.1% |
| Nonaccrual | 12,001 | 15,560 | 0.5% |
| Total | $ 2,256,022 | $ 5,563,267 | 100.0% |

*Multifamily*

At June 30, 2015 and December 31, 2014, the unpaid principal balance of multifamily loans was $5.1 billion and $4.7 billion, respectively. At June 30, 2015 and December 31, 2014, included in this portfolio were $1.5 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 June 30, 2015, for multifamily loans that allow for interest-only payments, the weighted average LTV was 53% based on the appraised value at the time of origination. Additionally, at June 30, 2015 and December 31, 2014, we had committed to lend $173.5 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 June 30, 2015 and December 31, 2014 was $71.9 million and $58.1 million, respectively, representing 1.4% and 1.2% of the portfolio at June 30, 2015 and December 31, 2014, respectively; these lines of credit also allow for interest-only payments for an initial period.

*Commercial Real Estate*

At June 30, 2015 and December 31, 2014, the unpaid principal balance of commercial real estate loans was $4.2 billion and $3.8 billion, respectively. At June 30, 2015 and December 31, 2014, included in this portfolio were $1.1 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 June 30, 2015, for commercial real estate loans that allow for interest-only payments, the weighted average LTV was 44% based on the appraised value at the time of origination. Additionally, at June 30, 2015 and December 31, 2014, we had committed to lend $204.0 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 June 30, 2015 and December 31, 2014 was $60.1 million and $53.0 million, respectively, representing 1.4% of the portfolio at both June 30, 2015 and December 31, 2014; these lines of credit also allow for interest-only payments for an initial period.

*Commercial Business*

At June 30, 2015 and December 31, 2014, the unpaid principal balance of commercial business loans was $5.5 billion and $4.9 billion, respectively. The following table presents the unpaid principal balance and total commitment for commercial business loans by type:

| ($ in thousands) | June 30, 2015 Unpaid principal balance | June 30, 2015 Total commitment | December 31, 2014 Unpaid principal balance | December 31, 2014 Total commitment |
|---|---|---|---|---|
| Private Equity/Venture Capital Funds | $ 1,332,965 | $ 4,043,315 | $ 1,134,536 | $ 3,045,824 |
| Schools/Non-profit Organizations | 2,193,692 | 2,748,494 | 1,949,358 | 2,628,255 |
| Investment Firms | 341,804 | 782,733 | 285,202 | 676,717 |
| Entertainment Industry | 323,984 | 646,805 | 285,113 | 571,509 |
| Real Estate Related Entities | 274,947 | 574,764 | 259,765 | 490,884 |
| Professional Service Firms | 207,889 | 422,016 | 203,521 | 388,256 |
| Aviation/Marine | 242,653 | 245,641 | 215,877 | 220,490 |
| Clubs and Membership Organizations | 169,464 | 228,849 | 147,829 | 188,405 |
| Vineyards/Wine | 128,979 | 169,755 | 122,831 | 158,122 |
| Other | 289,869 | 507,859 | 269,548 | 504,952 |
| Total | $ 5,506,246 | $ 10,370,231 | $ 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 June 30, 2015, approximately 38% 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 June 30, 2015, we have originated approximately $135 billion of loans, of which approximately $26 billion have been sold to investors.

Total loan originations were $5.8 billion for the second quarter of 2015, compared to $4.7 billion for the second quarter of 2014, an increase of 25%, due to an increase in business, commercial real estate and multifamily 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) | Quarter Ended June 30, 2015 | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 |
|---|---|---|---|---|---|
| Single family (1-4 units) | $ 2,436,464 | $ 1,698,443 | $ 1,885,418 | $ 2,251,341 | $ 2,349,203 |
| Home equity lines of credit | 465,955 | 258,992 | 339,001 | 378,374 | 414,356 |
| Multifamily (5+ units) | 453,454 | 333,968 | 339,505 | 374,816 | 342,038 |
| Commercial real estate | 351,499 | 378,626 | 272,211 | 312,668 | 187,233 |
| Construction | 315,603 | 237,059 | 210,312 | 256,992 | 276,200 |
| Commercial business | 1,533,498 | 1,133,879 | 1,044,474 | 1,016,432 | 914,805 |
| Other loans | 291,570 | 208,063 | 197,654 | 155,306 | 212,364 |
| Total loans originated | $ 5,848,043 | $ 4,249,030 | $ 4,288,575 | $ 4,745,929 | $ 4,696,199 |

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.

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| **LTVs for New Originations** | **June 30, 2015** | **March 31, 2015** | **December 31, 2014** | **September 30, 2014** | **June 30, 2014** |
| Single family (1-4 units) | 58% | 57% | 58% | 60% | 61% |
| Home equity lines of credit [(1)] | 52% | 52% | 52% | 56% | 55% |
| Multifamily (5+ units) | 49% | 49% | 55% | 57% | 55% |
| Commercial real estate | 47% | 47% | 50% | 53% | 44% |
| Construction | 54% | 53% | 59% | 56% | 55% |

(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.

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| **Weighted Average Credit Scores** | **June 30, 2015** | **March 31, 2015** | **December 31, 2014** | **September 30, 2014** | **June 30, 2014** |
| Single family (1-4 units) | 764 | 763 | 764 | 761 | 762 |
| Home equity lines of credit | 769 | 769 | 765 | 761 | 767 |

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:

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| **Purchase and Refinance Composition** | **June 30, 2015** | **March 31, 2015** | **December 31, 2014** | **September 30, 2014** | **June 30, 2014** |
| Purchase loans | 49% | 50% | 52% | 61% | 65% |
| Refinance loans | 51% | 50% | 48% | 39% | 35% |
| 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:

| | As of | | | | |
|---|---|---|---|---|---|
| **Portfolio LTVs** | **June 30, 2015** | **March 31, 2015** | **December 31, 2014** | **September 30, 2014** | **June 30, 2014** |
| Single family (1-4 units) [1] | 59% | 59% | 59% | 60% | 60% |
| Home equity lines of credit [2] | 54% | 55% | 55% | 55% | 55% |
| Multifamily (5+ units) | 56% | 56% | 57% | 57% | 57% |
| Commercial real estate | 51% | 51% | 52% | 53% | 53% |
| Construction | 56% | 56% | 56% | 56% | 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) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Nonaccrual loans: | | | |
| Single family (1-4 units) | $ 23,700 | $ 19,478 | $ 20,061 |
| Home equity lines of credit | 11,867 | 15,126 | 16,004 |
| Multifamily (5+ units) | 1,528 | 851 | 468 |
| Commercial real estate | 8,307 | 5,791 | 5,939 |
| Commercial business | 9,947 | 4,301 | 4,454 |
| Other | 523 | 415 | 447 |
| Total nonaccrual loans | 55,872 | 45,962 | 47,373 |
| Other real estate owned | — | — | 4,767 |
| Total nonperforming assets | $ 55,872 | $ 45,962 | $ 52,140 |
| Nonperforming assets to total assets | 0.11% | 0.10% | 0.11% |
| Restructured accruing loans | $ 15,624 | $ 16,252 | $ 18,453 |
| Accruing loans 90 days or more past due | $ 2,118 | $ 4,380 | $ — |

See Note 3 to "Item 1. Financial Statements" for information related to interest income on nonaccrual loans for the quarter and six months ended June 30, 2015 and 2014.

Of the loans on nonaccrual status, at June 30, 2015, approximately $27.8 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 June 30, 2015 | At or for the Quarter Ended June 30, 2014 | At or for the Six Months Ended June 30, 2015 | At or for the Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| Allowance for loan losses: | | | | |
| Balance at beginning of period | $ 219,216 | $ 159,641 | $ 207,342 | $ 153,005 |
| Provision | 17,005 | 21,800 | 28,892 | 28,895 |
| Charge-offs: | | | | |
| Single family (1-4 units) | — | (248) | — | (248) |
| Home equity lines of credit | (153) | (68) | (197) | (239) |
| Commercial business | (95) | (56) | (95) | (630) |
| Unsecured | (144) | (18) | (162) | (24) |
| Total charge-offs | (392) | (390) | (454) | (1,141) |
| Recoveries: | | | | |
| Single family (1-4 units) | — | 4 | — | 8 |
| Home equity lines of credit | — | 135 | — | 189 |
| Commercial business | 15 | 103 | 28 | 309 |
| Unsecured | 24 | 18 | 60 | 46 |
| Total recoveries | 39 | 260 | 88 | 552 |
| Net loan charge-offs | (353) | (130) | (366) | (589) |
| Balance at end of period | $ 235,868 | $ 181,311 | $ 235,868 | $ 181,311 |
| Average total loans for the period | $ 39,684,421 | $ 35,090,566 | $ 38,866,411 | $ 34,508,724 |
| Total loans at period end | $ 40,965,853 | $ 36,275,762 | $ 40,965,853 | $ 36,275,762 |
| Total nonaccrual loans | $ 55,872 | $ 47,373 | $ 55,872 | $ 47,373 |
| Ratios: | | | | |
| Net charge-offs to: | | | | |
| Average total loans (annualized) | 0.00% | 0.00% | 0.00% | 0.00% |
| Allowance for loan losses to: | | | | |
| Total loans | 0.58% | 0.50% | 0.58% | 0.50% |
| Nonaccrual loans | 422.2% | 382.7% | 422.2% | 382.7% |

At June 30, 2015, the allowance for loan losses was 0.58% of our total loan portfolio, compared to 0.55% at December 31, 2014.

At June 30, 2015, $228.9 million of the allowance for loan losses relates to loans outstanding that were originated since July 1, 2010, and represented 0.62% of such loans outstanding at June 30, 2015, compared to 0.60% at December 31, 2014. At June 30, 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 1.26% 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 June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| ($ in thousands) | Ratio [1] | Amount | Ratio [1] | Amount | Ratio [1] | Amount | Ratio [1] | Amount |
| Net loan charge-offs to: | | | | | | | | |
| Allowance for loan losses | 0.00% | $ 353 | 0.00% | $ 130 | 0.00% | $ 366 | 0.00% | $ 589 |
| Loan discounts | 0.00% | 3 | 0.00% | 1 | 0.00% | 6 | 0.00% | 53 |
| Total | 0.00% | $ 356 | 0.00% | $ 131 | 0.00% | $ 372 | 0.00% | $ 642 |

[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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| ($ in thousands) | 2015 | 2014 | 2015 | 2014 |
| Single family loans originated | $ 2,436,464 | $ 2,349,203 | $ 4,134,907 | $ 3,795,415 |
| Loans sold: | | | | |
| Agency | $ 91,366 | $ 30,478 | $ 127,961 | $ 61,043 |
| Non-agency | 795,882 | 1,244,621 | 1,333,959 | 1,560,256 |
| Total loans sold | $ 887,248 | $ 1,275,099 | $ 1,461,920 | $ 1,621,299 |
| Gain on sale of loans: | | | | |
| Amount | $ 3,476 | $ 14,850 | $ 5,288 | $ 17,695 |
| Gain as a percentage of loans sold | 0.39% | 1.16% | 0.36% | 1.09% |

The lower level of gain on sales of loans for the second quarter of 2015 and six months ended June 30, 2015 compared to the same periods in 2014 was the result of lower margins and a lower 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 June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| Loans serviced for others | $ 10,304,968 | $ 7,282,521 | $ 10,304,968 | $ 7,282,521 |
| Loan servicing fees, net | $ 2,923 | $ 2,008 | $ 6,153 | $ 4,004 |

Mortgage loans serviced for investors increased to $10.3 billion at June 30, 2015, from $7.3 billion at June 30, 2014, due to more significant loan sales activity over the last 12 months, with total sales of $4.3 billion. MSRs are recognized as separate assets on our balance sheet and are recorded at amortized cost. At June 30, 2015, MSRs were $52.7 million (51 basis points of loans serviced), compared to $36.1 million (50 basis points of loans serviced) at June 30, 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 June 30, 2015 and December 31, 2014, our total deposits were $41.9 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 $38.3 billion and $33.9 billion at June 30, 2015 and December 31, 2014, respectively, and represented 92% and 91% of total deposits at June 30, 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 $2.1 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 June 30, 2015, the average and median size of such accounts was $115,000 and $8,000, respectively, compared to $113,000 and $9,000, respectively, at December 31, 2014. As of June 30, 2015 and December 31, 2014, these sweep balances represented 5% of our total deposits.

Deposits increased 20% at June 30, 2015 compared to June 30, 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) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Preferred Banking Offices | | | |
| Northern California | $ 8,568,161 | $ 8,085,340 | $ 7,527,704 |
| Metropolitan New York | 3,077,015 | 2,461,455 | 2,126,672 |
| Southern California | 2,021,379 | 1,783,959 | 1,611,850 |
| Boston | 872,736 | 770,914 | 691,902 |
| Subtotal | 14,539,291 | 13,101,668 | 11,958,128 |
| Preferred Banking | | | |
| Northern California | 9,463,444 | 8,612,043 | 8,166,896 |
| Metropolitan New York | 6,927,966 | 5,315,945 | 4,447,617 |
| Southern California | 3,323,378 | 3,237,663 | 2,911,259 |
| Boston | 3,607,547 | 3,110,325 | 3,771,061 |
| Wealth management | 1,026,618 | 947,401 | 1,063,789 |
| Subtotal | 24,348,953 | 21,223,377 | 20,360,622 |
| Wealth management sweep | 2,370,139 | 2,236,120 | 2,165,604 |
| Other | 629,183 | 569,764 | 550,125 |
| Total deposits | $ 41,887,566 | $ 37,130,929 | $ 35,034,479 |

Overall, deposits in our Preferred Banking Offices grew 22% since June 30, 2014. Checking and savings deposits in our Preferred Banking Offices increased 23% since June 30, 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 20% since June 30, 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) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Consumer deposits: | | | |
| Negotiable order of withdrawal ("NOW") checking | $ 8,311,132 | $ 8,296,862 | $ 6,756,931 |
| Money Market ("MM") checking | 2,791,903 | 2,778,035 | 2,541,145 |
| Passbook | 1,518,670 | 1,548,919 | 1,644,379 |
| MM savings | 3,269,080 | 3,178,500 | 2,919,723 |
| CDs | 4,032,859 | 3,767,016 | 3,589,844 |
| | 19,923,644 | 19,569,332 | 17,452,022 |
| Business deposits: | | | |
| Business checking | 17,044,608 | 13,055,609 | 11,944,847 |
| Business MM checking | 2,899,650 | 2,438,218 | 2,741,664 |
| Business savings | 2,019,664 | 2,067,770 | 2,895,946 |
| | 21,963,922 | 17,561,597 | 17,582,457 |
| Total | $ 41,887,566 | $ 37,130,929 | $ 35,034,479 |

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 June 30, 2015 and December 31, 2014, our CDs having balances of $100,000 or more totaled $3.0 billion and $2.8 billion, respectively.

At June 30, 2015 and December 31, 2014, the weighted average contractual rate paid on CDs was 1.28% and 1.33%, respectively. At June 30, 2015, the contractual maturities and weighted average contractual rate of our CDs were as follows:

| | June 30, 2015 | |
|---|---|---|
| ($ in thousands) | Amount | Weighted Average Contractual Rate |
| Certificates of deposit maturing in: | | |
| July 1 - December 31, 2015 | $ 937,060 | 0.74% |
| 2016 | 1,672,602 | 1.09% |
| 2017 | 441,456 | 1.28% |
| 2018 | 187,607 | 1.63% |
| 2019 | 438,779 | 2.18% |
| 2020 and thereafter | 355,355 | 2.27% |
| Total | $ 4,032,859 | 1.28% |

***Other Funding***

Other sources of funding include federal funds purchased, securities sold under agreements to repurchase, short-term and long-term FHLB advances and unsecured, term, fixed-rate senior notes. Short-term borrowings, which include federal funds purchased, short-term FHLB advances and securities sold under agreements to repurchase, 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 short-term borrowings of $100.0 million at June 30, 2015, consisting of securities sold under agreements to repurchase. We had no short-term borrowings at December 31, 2014. At June 30, 2015 and December 31, 2014, we had long-term, laddered maturity, fixed-rate FHLB advances of $4.7 billion and $5.3 billion, respectively. The weighted average remaining maturity of long-term FHLB advances was 2.1 years at June 30, 2015.

*FHLB Advances*

The following table presents the contractual maturities and weighted average contractual rate of our FHLB advances at June 30, 2015:

| | June 30, 2015 | |
|---|---|---|
| **($ in thousands)** | **Amount** | **Weighted Average Contractual Rate** |
| FHLB advances maturing in: | | |
| July 1 - December 31, 2015 | $ 225,000 | 1.58% |
| 2016 | 1,250,000 | 1.40% |
| 2017 | 1,350,000 | 1.55% |
| 2018 | 1,525,000 | 1.59% |
| 2019 | 375,000 | 1.95% |
| Total | $ 4,725,000 | 1.55% |

*Available Borrowing Capacity*

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at June 30, 2015 was $16.1 billion and $3.7 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 June 30, 2015, the Bank had unsecured, term, fixed-rate senior notes with a carrying value of $396.8 million, which were issued in June 2014. The senior notes bear a contractual interest rate of 2.375% and mature on June 17, 2019.

*Securities Sold under Agreements to Repurchase*

During the second quarter of 2015, the Bank entered into securities sold under an agreement to repurchase ("repurchase agreement") of $100.0 million. The repurchase agreement matures in the second quarter of 2016 and is collateralized by tax-exempt municipal investment securities. The repurchase agreement has a floating rate, which resets daily, and was 1.20% at June 30, 2015.

**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 June 30, 2015, our investment securities portfolio of $7.8 billion and cash and cash equivalents of $1.4 billion collectively comprised 17% of total assets. At June 30, 2015, we increased our holdings of assets that are considered HQLA, including eligible cash, to $4.1 billion compared to $3.2 billion at December 31, 2014.

At June 30, 2015, we had $16.1 billion of available borrowing capacity at the FHLB supported by already pledged loans and securities. In addition, we had $3.7 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 37% 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 six months ended June 30, 2015, our loan originations, net of repayments, were $4.1 billion and our investment purchases, net of sales, maturities and paydowns, were $1.1 billion. These activities were funded by a net increase in deposits of $4.8 billion and the sale of $1.5 billion of loans. In addition, during the six months ended June 30, 2015, we sold 3.5 million shares of new common stock, which added approximately $203.3 million to common equity and we completed a public offering of noncumulative perpetual preferred stock, which added approximately $96.6 million to equity.

We had no federal funds purchased or short-term FHLB advances outstanding at June 30, 2015. We primarily use these 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.

At June 30, 2015, we had securities sold under an agreement to repurchase of $100.0 million, which matures in the second quarter of 2016.

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 June 30, 2015, our total equity was $5.3 billion, which included $4.3 billion of common shareholders' equity and $989.5 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 June 30, 2015 and December 31, 2014, the Bank's noncumulative perpetual preferred stock was 19% and 20% of Tier 1 capital, respectively.

At June 30, 2015, our Tier 2 capital included the allowance for loan losses of $235.9 million and the reserve for unfunded commitments of $12.3 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.

During 2015, we completed a public offering of 3.5 million shares of new common stock, which added approximately $203.3 million to common equity and we completed a public offering of noncumulative perpetual preferred stock, which added $96.6 million to equity.

As discussed in "—Regulatory and Supervisory Matters—Basel III Capital Rules," the rules under the Basel III framework became effective for the Bank on January 1, 2015. The Basel III 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 Basel III 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 June 30, 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 June 30, 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) | June 30, 2015 | | December 31, 2014 | Well-Capitalized Ratio | Minimum Capital Ratio |
| **Capital Ratios:** | | | | | |
| Tier 1 leverage ratio (Tier 1 capital to average assets) | 9.86% | 9.76% | 9.43% | 5.00% | 4.00% |
| Common Equity Tier 1 capital to risk-weighted assets (3) | 10.87% | 10.71% | 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 | 13.47% | 13.31% | 13.55% | 8.00% | 6.00% |
| Total capital to risk-weighted assets | 14.13% | 13.96% | 14.20% | 10.00% | 8.00% |
| **Regulatory Capital:** | | | | | |
| Common Equity Tier 1 capital (3) | $ 4,132,892 | $ 4,073,237 | n/a | | |
| Tier 1 capital (4) | $ 5,122,417 | $ 5,062,762 | $ 4,558,821 | | |
| Total capital (4) | $ 5,370,794 | $ 5,311,139 | $ 4,778,456 | | |
| **Assets:** | | | | | |
| Average assets (4) | $ 51,932,672 | $ 51,873,017 | $ 48,338,248 | | |
| Risk-weighted assets | $ 38,023,097 | $ 38,042,468 | $ 33,650,567 | | |

(1) Ratios and amounts as of June 30, 2015 reflect the adoption of the Basel III Capital Rules in effect beginning January 1, 2015. Ratios and amounts for December 31, 2014 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 June 30, 2015.

(3) Beginning in 2015, the 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 2014 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. In July 2015, the FASB decided to defer the effective date of this guidance for an additional year. As a result of the deferral, this guidance is 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. ASC 606 is applied on either a modified retrospective or full retrospective basis. We are currently evaluating the impact of the adoption of this guidance on our financial condition, results of operations and cash flows.

- 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 addition, in the second quarter of 2015, the Bank received a one-time special dividend of $9.1 million from the FHLB. Management has also excluded the positive impact of this item from the following non-GAAP measures and ratios: net income, earnings per share, net interest income, net interest margin and efficiency ratio.

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. 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in thousands, except per share amounts)** | **2015** | **2014** | **2015** | **2014** |
| **Non-GAAP earnings** | | | | |
| Net income | $ 131,345 | $ 120,832 | $ 247,257 | $ 235,536 |
| Accretion/amortization added to net interest income | (11,986) | (21,262) | (24,836) | (40,800) |
| One-time special FHLB dividend | (9,134) | — | (9,134) | — |
| Amortization of intangible assets | 3,327 | 3,968 | 6,816 | 8,095 |
| Add back tax impact of the above items | 7,563 | 7,350 | 11,541 | 13,900 |
| Core net income (non-GAAP) | 121,115 | 110,888 | 231,644 | 216,731 |
| Dividends on preferred stock | (14,411) | (13,889) | (28,300) | (27,778) |
| Core net income available to common shareholders (non-GAAP) | $ 106,704 | $ 96,999 | $ 203,344 | $ 188,953 |
| GAAP earnings per common share—diluted | $ 0.80 | $ 0.76 | $ 1.52 | $ 1.49 |
| Impact of purchase accounting, net of tax | (0.03) | (0.07) | (0.07) | (0.13) |
| Impact of one-time special FHLB dividend, net of tax | (0.04) | — | (0.04) | — |
| Core earnings per common share—diluted (non-GAAP) | $ 0.73 | $ 0.69 | $ 1.41 | $ 1.36 |
| Weighted average diluted common shares outstanding | 145,713 | 141,473 | 144,150 | 139,392 |

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| **Yield on average loans** | | | | |
| Interest income on loans | $ 333,966 | $ 318,711 | $ 655,841 | $ 626,398 |
| Add: Tax-equivalent adjustment on loans | 9,313 | 7,028 | 18,041 | 13,547 |
| Interest income on loans (tax-equivalent basis) | 343,279 | 325,739 | 673,882 | 639,945 |
| Less: Accretion | (11,708) | (19,614) | (23,830) | (37,229) |
| Core interest income on loans (tax-equivalent basis) (Non-GAAP) | $ 331,571 | $ 306,125 | $ 650,052 | $ 602,716 |
| Average loans | $ 40,058,305 | $ 35,792,956 | $ 39,157,180 | $ 35,140,005 |
| Add: Average unaccreted loan discounts | 136,533 | 196,082 | 142,530 | 205,019 |
| Average loans (non-GAAP) | $ 40,194,838 | $ 35,989,038 | $ 39,299,710 | $ 35,345,024 |
| Yield on average loans—reported (1) | 3.41% | 3.62% | 3.43% | 3.64% |
| Contractual yield on average loans (non-GAAP) (1) | 3.28% | 3.39% | 3.30% | 3.40% |

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| **Cost of average deposits** | | | | |
| Interest expense on deposits | $ 14,543 | $ 14,818 | $ 28,531 | $ 30,049 |
| Add: Amortization of CD premiums | 278 | 1,648 | 1,006 | 3,571 |
| Core interest expense on deposits (non-GAAP) | $ 14,821 | $ 16,466 | $ 29,537 | $ 33,620 |
| Average deposits | $ 40,444,213 | $ 34,055,859 | $ 39,472,651 | $ 33,501,111 |
| Less: Average unamortized CD premiums | (43) | (4,555) | (321) | (5,458) |
| Average deposits (non-GAAP) | $ 40,444,170 | $ 34,051,304 | $ 39,472,330 | $ 33,495,653 |
| Cost of average deposits—reported | 0.14% | 0.17% | 0.15% | 0.18% |
| Contractual cost of average deposits (non-GAAP) | 0.15% | 0.19% | 0.15% | 0.20% |

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| **Net interest margin** | | | | |
| Net interest income | $ 375,064 | $ 333,213 | $ 723,083 | $ 653,916 |
| Add: Tax-equivalent adjustment | 32,148 | 26,994 | 61,806 | 52,847 |
| Net interest income (tax-equivalent basis) | 407,212 | 360,207 | 784,889 | 706,763 |
| Less: Accretion/amortization | (11,986) | (21,262) | (24,836) | (40,800) |
| Less: One-time special FHLB dividend | (9,134) | — | (9,134) | — |
| Core net interest income (tax-equivalent basis) (non-GAAP) | $ 386,092 | $ 338,945 | $ 750,919 | $ 665,963 |
| Average interest-earning assets | $ 49,166,670 | $ 42,478,833 | $ 48,103,856 | $ 41,747,852 |
| Add: Average unaccreted loan discounts | 136,533 | 196,082 | 142,530 | 205,019 |
| Average interest-earning assets (non-GAAP) | $ 49,303,203 | $ 42,674,915 | $ 48,246,386 | $ 41,952,871 |
| Net interest margin—reported | 3.30% | 3.38% | 3.26% | 3.38% |
| Core net interest margin (non-GAAP) | 3.12% | 3.16% | 3.11% | 3.16% |

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **($ in thousands)** | **2015** | **2014** | **2015** | **2014** |
| **Efficiency ratio** | | | | |
| Net interest income | $ 375,064 | $ 333,213 | $ 723,083 | $ 653,916 |
| Less: Accretion/amortization | (11,986) | (21,262) | (24,836) | (40,800) |
| Less: One-time special FHLB dividend | (9,134) | — | (9,134) | — |
| Core net interest income (non-GAAP) | $ 353,944 | $ 311,951 | $ 689,113 | $ 613,116 |
| Noninterest income | $ 80,236 | $ 76,838 | $ 155,155 | $ 137,850 |
| Total revenue | $ 455,300 | $ 410,051 | $ 878,238 | $ 791,766 |
| Total core revenue (non-GAAP) | $ 434,180 | $ 388,789 | $ 844,268 | $ 750,966 |
| Noninterest expense | $ 263,115 | $ 222,728 | $ 518,788 | $ 440,219 |
| Less: Intangible amortization | (3,327) | (3,968) | (6,816) | (8,095) |
| Core noninterest expense (non-GAAP) | $ 259,788 | $ 218,760 | $ 511,972 | $ 432,124 |
| Efficiency ratio | 57.8% | 54.3% | 59.1% | 55.6% |
| Core efficiency ratio (non-GAAP) | 59.8% | 56.3% | 60.6% | 57.5% |

**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 $1.5 billion of loans during the six months ended June 30, 2015. As of June 30, 2015, we had committed to sell an additional $162.8 million of similar loans, which we expect to deliver to investors in the third 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 65% of total earning assets at June 30, 2015 and 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 June 30, 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 10% of earning assets at June 30, 2015 and 11% at December 31, 2014. Together, earning assets with reset periods of less than one year totaled 35% at June 30, 2015 and December 31, 2014.

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 29% and 32% of total deposits at June 30, 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 61% and 58% of total deposits at June 30, 2015 and December 31, 2014, respectively. CDs comprised 10% of total deposits at June 30, 2015 and December 31, 2014, and had a weighted average remaining maturity of 20.1 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 June 30, 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 June 30, 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 | $ 1,430 | $ 188 | $ 1,905 | $ 5,615 | $ 9,138 |
| Loans, net [(1), (2)] | 17,337 | 4,755 | 10,939 | 7,862 | 40,893 |
| Other assets | 205 | — | 1,031 | 1,852 | 3,088 |
| Total assets | 18,972 | 4,943 | 13,875 | 15,329 | $ 53,119 |
| **Liabilities and Equity:** | | | | | |
| Checking [(3)] | $ 11,304 | $ — | $ — | $ 14,052 | $ 25,356 |
| Money market checking and savings deposits [(3)] | 7,808 | — | — | 4,691 | 12,499 |
| CDs | 1,878 | 1,044 | 1,041 | 70 | 4,033 |
| Long-term FHLB advances | 725 | 1,400 | 2,600 | — | 4,725 |
| Senior notes | — | — | 400 | (3) | 397 |
| Other liabilities | 100 | — | — | 744 | 844 |
| Equity | — | — | — | 5,265 | 5,265 |
| Total liabilities and equity | 21,815 | 2,444 | 4,041 | 24,819 | $ 53,119 |
| Repricing gap—positive (negative) | $ (2,843) | $ 2,499 | $ 9,834 | $ (9,490) | |
| Cumulative repricing gap: | | | | | |
| Dollar amount | $ (2,843) | $ (344) | $ 9,490 | | |
| Percent of total assets | (5.4)% | (0.6)% | 17.9% | | |

(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 lifetime 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 June 30, 2015, are presented in the following table. The projections assume both (a) parallel shifts upward of 100 and 200 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 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 June 30, 2016** | **Twelve Months Ending June 30, 2017** |
| **Change in Market Interest Rates** | | |
| Shock: | | |
| +200 basis points immediately | 8.0 % | 16.1 % |
| +100 basis points immediately | 4.0 % | 8.3 % |
| -100 basis points immediately | (4.5)% | (8.7)% |
| -200 basis points immediately | (6.2)% | (12.3)% |
| Ramp: | | |
| +200 basis points over next 12 months | 4.1 % | 12.9 % |
| +100 basis points over next 12 months | 2.2 % | 6.8 % |
| -100 basis points over next 12 months | (2.6)% | (7.7)% |
| -200 basis points over next 12 months | (4.3)% | (12.3)% |

As of June 30, 2015, the Bank is mildly 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 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 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 June 30, 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 June 30, 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 second quarter of 2015, we sold 19,230 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $1.0 million. These sales were exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section (3)(a)(2) thereof because the sales involved securities issued by a bank.

During the second quarter of 2015, we granted 19,900 restricted stock units that are time vesting. In addition, we granted 716,623 restricted stock units and 225,000 performance share units, which vest over time provided certain performance criteria are achieved. The aggregate grant date fair value of these awards was $58.0 million. We did not receive any cash consideration in connection with these grants. These grants were exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the grants involved securities issued by a bank.

On May 27, 2015, we issued and sold 4,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 5.70% Noncumulative Perpetual Series F Preferred Stock for aggregate cash consideration of approximately $100.0 million before underwriting discounts of $3.2 million and expenses of approximately $260,000. We used the proceeds for general corporate purposes, which included, among other things, funding loans and purchasing investment securities for our portfolio. The principal underwriters in the transaction were Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC. This transaction was exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the transaction involved securities issued by a bank.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| | |
|---|---|
| 10.1 | Performance Share Unit Agreement, dated as of June 1, 2015, between James H. Herbert, II and the Bank. |
| 10.2 | Performance Share Unit Agreement, dated as of June 1, 2015, between Katherine August-deWilde and the Bank. |
| 10.3 | Form of Performance Share Unit Agreement—Performance Vesting under the 2010 Omnibus Award Plan. |
| 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**

| | |
|---|---|
| August 6, 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 10.1

**FIRST REPUBLIC BANK**
**2010 OMNIBUS AWARD PLAN**

**PERFORMANCE SHARE UNIT AGREEMENT**

THIS PERFORMANCE SHARE UNIT AGREEMENT (this "Agreement"), dated as of June 1, 2015 (the "Date of Grant"), is made by and between **First Republic Bank**, a California state-chartered bank ("Bank") and James H. Herbert, II ("Participant").

WHEREAS, Bank adopted the **First Republic Bank** 2010 Omnibus Award Plan, as amended and restated (the "Plan"), pursuant to which performance share unit awards may be granted with respect to Common Stock of Bank; and

WHEREAS, the Bank's Compensation Committee ("Committee") has determined that it is in the best interests of Bank and its shareholders to grant Participant a performance share unit award with respect to the target number of shares of Common Stock provided for herein.

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

1. Grant of Performance Share Units. Pursuant to Sections 8 and 9(a) of the Plan, Bank hereby grants to Participant an Award for a target number of 45,000 performance share units ("Target Award"). Each performance share unit ("PSU") represents the right to receive one share of Common Stock of the Bank (each, a "Share") subject to the terms and conditions set forth in this Agreement and the Plan. The number of PSUs that Participant actually earns for the Performance Period (up to the target number) will be determined by the level of achievement of the performance goals ("Performance Goals") in accordance with Exhibit A attached hereto.

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

2. Terms and Conditions.

(a) Performance Period. For purposes of this Agreement, the term "Performance Period" shall be the period commencing on April 1, 2015 and ending on March 31, 2018.

(b) Performance Goals. The number of PSUs earned by Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of the Performance Goals in accordance with Exhibit A. All determinations of whether Performance Goals have been achieved and the number of PSUs earned by Participant will be determined by the Committee. No later than forty-five (45) days following the end of the Performance Period, the Committee will review and certify in writing (a) whether, and to what extent, the Performance Goals for the Performance Period have been achieved, and (b) the number of PSUs that Participant shall earn, if any, subject to compliance with the requirements of this Section 2. Such certification shall be final, conclusive and binding on Participant, and on all other persons, to the maximum extent permitted by law.

(c) Vesting. The PSUs are subject to forfeiture until they vest. Except as otherwise provided herein, the PSUs will vest and become nonforfeitable on the last day of the Performance Period, subject to (a) the Committee's certification of the level of achievement of the Performance Goals for payout as set forth in Exhibit A attached hereto, and (b) Participant's continuous service as an employee, director, consultant or advisor to Bank or its Affiliates ("Continuous Service") from the Grant Date through the last day of the Performance Period.

(d) Termination of Continuous Service.

(i) General. Except as otherwise expressly provided in this Agreement, if Participant's Continuous Service terminates for any reason at any time during the Performance Period, then Participant shall forfeit all outstanding, unvested PSUs, which shall terminate and expire on the date of such termination of Continuous Service without consideration to Participant and without any action by Bank or any Affiliate. Neither Participant nor any successors, heirs, assigns, or legal representatives of Participant shall thereafter have any rights or interest in such PSUs or consideration therefor.

(ii) Death or Disability. Notwithstanding Section 2(d)(i), if Participant's Continuous Service terminates during the Performance Period as a result of Participant's death, or Participant becomes disabled with the meaning of that term under Section 409A(a)(2)(C) of the Code ("Disability" or "Disabled") during the Performance Period, Participant will vest on such date in a pro rata portion of the Target Award calculated by multiplying the Target Award by a fraction, the numerator of which equals the number of days that Participant was in Continuous Service during the Performance Period (or, in the case of Disability, the number of days in the Performance Period prior to Participant's Disability) and the denominator of which equals the total number of days in the Performance Period ("Pro Rata Portion"), and rounding to the nearest whole PSU.

(iii) Retirement. Notwithstanding Section 2(d)(i), if Participant's Continuous Service terminates during the Performance Period as a result of Participant's career retirement with the approval of the Committee ("Retirement"), Participant will remain eligible to vest in a Pro Rata Portion of the Target Award, rounded to the nearest whole PSU, on the last day of the Performance Period in accordance with this Section 2, based on the level of achievement of the Performance Goals, and subject to Participant's compliance with the Employment Policies (as defined below) and the other provisions of Section 2(k).

(iv) Involuntary Termination. Notwithstanding Section 2(d)(i):

A. if Participant's Continuous Service terminates during the Performance Period as a result of Bank's termination of Participant without "Cause" (as defined for purposes of this Agreement in that certain employment agreement between Participant and Bank, dated June 15, 2010, as amended by Amendment No. 1 effective as of February 27, 2012 and Amendment No. 2 effective February 25, 2014 (the "Employment Agreement")), Participant will remain eligible to vest in a Pro Rata Portion of the Target Award, rounded to the nearest whole PSU, on the last day of the Performance Period in accordance with this Section 2, based on the level of achievement of the Performance Goals; and

B. if Participant's Continuous Service terminates during the Performance Period as a result of Participant's resignation for "Good Reason" (as defined for purposes of this Agreement in the Employment Agreement), Participant will remain eligible to vest in the Target Award (without proration) on the last day of the Performance Period in accordance with this Section 2 as if Participant's Continuous Service had not terminated, based on the level of achievement of the Performance Goals.

(e) Impact of a Change In Control on PSUs.

(i) Substitution or Assumption by Successor. Upon a "Change in Control" (as defined for purposes of this Agreement in the Employment Agreement) in which this Award is assumed, continued, replaced or substituted with an equivalent value award, the Award (including any replacement or substitute award) will convert to a non-performance based award and will vest on the last day of the Performance Period in accordance with this Section 2 subject only to Continuous Service through such date (except as otherwise expressly provided in this Agreement), provided that the Target Award will be adjusted to the number of PSUs that would have been earned for the full Performance Period (without proration) if the Performance Goals had been achieved as follows:

A. If the Change in Control occurs within the first 18 months of the Performance Period, the number of PSUs will be determined as if the Performance Goals had been achieved at their respective target levels without regard to actual performance; and

B. If the Change in Control occurs after the first 18 months of the Performance Period, the number of PSUs will be determined based on actual performance through the calendar quarter ending immediately prior to the Change in Control.

Notwithstanding the preceding provisions of this Section 2(e)(i), if Participant's Continuous Service terminates during the Performance Period within 24 months following the Change in Control as a result of Bank's termination of Participant without Cause or Participant's resignation for Good Reason, the vesting of all of the outstanding PSUs subject to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)) will accelerate in full upon such termination.

For the sake of clarification, if Participant's Continuous Service terminates during the Performance Period but more than 24 months following the Change in Control as a result of Bank's termination of Participant without Cause or Participant's resignation for Good Reason, the provisions of Section 2(d)(iv) shall apply with respect to the Target Award (without regard to actual performance but as adjusted pursuant to the immediately preceding clauses (A) and (B)). In addition, if Participant's Continuous Service terminates during the Performance Period following the Change in Control as a result of Participant's death, or Participant becomes Disabled during the Performance Period following the Change in Control, the provisions of Section 2(d)(ii) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)). If Participant's Continuous Service terminates during the Performance Period following the Change in Control as a result of Participant's Retirement, the provisions of Section 2(d)(iii) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)), provided that if Retirement is within 24 months following the Change in Control, the PSUs shall be subject to settlement upon Participant's Retirement rather than on the last day of the Performance Period to the extent required by and subject to the conditions of Section 409A of the Code.

(ii) No Substitution or Assumption by Successor. The Performance Goals in Exhibit A will be deemed to be met (and the number of PSUs earned) at the target level of performance (or, if higher, the actual level of performance through the Change in Control date), and the vesting of the PSUs shall be accelerated in full, upon any Change in Control in which the Award is not continued, assumed, substituted or replaced with equivalent value awards pursuant to the terms of the Plan.

(f) Settlement of PSUs. As soon as practicable after vesting, each outstanding PSU will be settled through the delivery by Bank of one share of Bank Common Stock and any dividend equivalents credited with respect to such PSU, subject to compliance with Section 3(g) and the requirements of Section 409A of the Code. Notwithstanding any contrary provision of this Agreement, pursuant to Section 8(d)(ii) of the Plan, the Committee may, in its sole discretion, elect to pay cash or part cash and part Shares in lieu of delivering only Shares in respect of any vested PSUs.

(g) Dividend Equivalents. If a cash dividend is paid with respect to the Common Stock of Bank, Bank will credit to Participant, as of the payment date for such dividend, an amount equal to the number of PSUs subject to the Target Award as of the related dividend payment record date multiplied by the amount that would have been paid as a dividend on each outstanding Share at such payment date. Any amounts credited under this Section 2(g) shall be subject to the same restrictions and conditions that apply to the PSU with respect to which the amounts are credited and will be payable when the underlying PSU becomes payable. At the time the underlying PSU becomes payable, Bank has the discretion to pay any accrued dividend equivalents either in cash or in Shares. If the underlying PSU does not vest or is forfeited, any amounts credited under this Section 2(g) with respect to the underlying PSU will also fail to vest and be forfeited. Neither Participant nor any successors, heirs, assigns, or legal representatives of Participant shall have any rights or interest in dividend equivalent amounts in respect of any PSUs which, as of the record date, have been paid or terminated.

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

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

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

(k) Compliance with Employment Policies. Notwithstanding anything to the contrary contained herein, Participant agrees that his or her entitlement to retain any PSUs and to receive Shares (including any cash or other securities or property payable in lieu thereof and any dividend equivalents in respect thereof) upon settlement of the PSUs, shall be conditioned on Participant's compliance with the restrictive covenants and other obligations set forth in Exhibit A hereto and otherwise in the employment policies of Bank, as such covenants, obligations and policies may be revised from time to time by Bank (collectively, the "Employment Policies"), and Participant further agrees that the Committee may in its sole discretion cancel any PSU, in whole or in part, if Participant, without the consent of Bank, shall fail to comply with any of the Employment Policies, or otherwise engages in activity that is in conflict with or adverse to the interest of Bank or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. Participant agrees that Bank may condition the settlement of the PSUs upon Participant's written certification of his or her compliance with the Employment Policies and the other provisions of this Section 2(k).

(l) Recoupment. In the event of a material restatement of Bank's financial results, the Board has authority to seek reimbursement of any portion of the Award that is greater than would have been awarded if calculated based on the restated financial results. In addition, any recoupment or "clawback" policies adopted by the Committee pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law shall apply to this Award and any Shares that may be issued pursuant hereto to the extent the Committee provides at the time the policy is adopted.

3. Miscellaneous.

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

(i) if to Bank:

First Republic Bank
111 Pine Street
San Francisco, CA 94111
Attention: Daniel A. Ben-Ora
Facsimile No.: (415) 262-4131

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

(b) No Right to Continued Employment. Nothing in the Plan or in this Agreement shall confer upon Participant any right to continue in the employ of Bank or the Affiliates or shall interfere with or restrict in any way the right of Bank or the

Affiliates, which are hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

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

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

(e) Invalid Provision. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) Modifications. No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto. The consent of Participant (or other holder of the PSUs) shall be required for any modification of the PSU or termination of the PSU pursuant to Sections 10, 12, 13(j)(ii) and 13(u) of the Plan, subject to the remainder of this Section 3(f). The consent of Participant (or other holder of the PSUs) shall not be required for any cancellation of the PSU pursuant to Section 10 or Section 11 of the Plan if (1) the cancellation of the PSU is in exchange for payment of the value of the PSU pursuant to clause (iii) of Section 10 or Section 11 of the Plan, (2) such cancellation and payment occurs immediately prior to or upon a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement pursuant to which some or all of the common stock of the Bank is exchanged for cash, (3) payment is made with respect to all of Participant's cancelled PSUs, whether or not vested, (4) the amount of the PSU cancelled immediately prior to or upon a Change in Control in accordance with this sentence does not exceed the percentage of the PSU that represents the percentage of common stock of Bank that is exchanged for cash pursuant to such Change in Control and (5) all other vested outstanding PSUs under the Plan are cancelled pursuant to clause (iii) of Section 10 or Section 11 of the Plan in at least the same proportion as described in the immediately preceding clause (4). The consent of Participant (or other holder of the PSUs) shall not be required for any equitable or proportionate adjustment required pursuant to Section 10 to preserve the value of the PSUs under an "equity restructuring" within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718. If a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement occurs, the consent of Participant (or other holder of the PSUs) shall not be required for either (1) a continuation, replacement, substitution or assumption of the PSUs that preserves the value of the PSUs, or (2) an acceleration of the lapse of restrictions on the PSUs, in each case pursuant to clause (ii) of Section 10 or Section 11 of the Plan. For purposes of the preceding sentence, a PSU will be considered substituted or assumed if, following the Change in Control, the PSU confers the right to receive, for each PSU Share, common equity of the relevant successor entity or any parent company thereof equal in fair market value to the per share consideration received by holders of common stock of Bank in the Change in Control (and of the same class or series of equity securities as received by such holders). Participant acknowledges that the Committee may effect any replacement, substitution or assumption permitted pursuant to this Section 3(f) in a manner that changes the kind of securities which may be delivered in respect of the PSUs, and, by way of example and without limitation, if a public company were to acquire Bank in a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement which results in Bank shareholders getting public company stock and Bank continuing as a subsidiary of such public company, restricted stock unit awards in respect of shares of stock of the public company acquirer may be substituted for the PSUs in a manner consistent with this Section 3(f).

(g) <u>Code Section 409A.</u> To the fullest extent applicable, this Agreement and the benefits payable hereunder are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A of the Code in accordance with the "short-term deferral" exception available under the regulations promulgated under Section 409A. In that regard, Shares (including any cash or securities or other property payable in lieu thereof) and any dividend equivalents shall be issued to Participant no later than March 15 following the calendar year in which Participant's right to receive such Shares or other amounts pursuant to this Agreement is no longer subject to a substantial risk of forfeiture within the meaning of Section 409A and the regulations thereunder. To the extent that any such benefit is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation in accordance with such regulations, this Agreement is intended to comply with the applicable requirements of Section 409A with respect to such benefits. This Agreement shall be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent, and any ambiguity as to its compliance with Section 409A will be read in such a manner so that all payments hereunder comply with Section 409A of the Code. If the Committee determines that any Shares issued or amounts payable hereunder will be taxable to Participant under Section 409A of the Code and related Department of Treasury guidance, prior to delivery to such Participant of such Shares or payment to such Participant of such amount, Bank may (a) adopt such amendments to this Agreement and the Plan, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the PSUs granted hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A of the Code. If the settlement of the Award is due on a termination of Continuous Service, such term shall be interpreted to mean a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code ("<u>Separation from Service</u>") that qualifies as a permitted payment event under Section 409A to the extent the Award is or has become subject to Section 409A. In addition, if the settlement of the Award is due upon a termination of Continuous Service that occurs within 24 months following a Change in Control, settlement will be accelerated from the date on which it would otherwise have been made only if the Change in Control also constitutes a change in the ownership or effective control of Bank, or in the ownership of a substantial portion of the assets of Bank, within the meaning of regulations issued under Section 409A(a)(2)(a)(v) of the Code, to the extent the Award is or has become subject to Section 409A. Finally, solely to the extent required by Section 409A of the Code, and notwithstanding any other provision of the Plan or this Agreement, any payments made hereunder on account of the Separation from Service of a Participant who is determined to be a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code) shall not actually be paid before the date which is six months after Participant's separation from service (or, if earlier, the date of death of Participant).

(h) Code Section 162(m). All payments under this Award are intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Code. This Award shall be construed and administered in a manner consistent with such intent.

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

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

(k) Governing Law. This Agreement and the rights and obligations of Participant hereunder shall be construed and determined in accordance with the laws of the State of California.

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

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

**[Remainder of page intentionally left blank]**

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto on the first date set forth above.

First Republic Bank

By: /s/ Daniel A. Ben-Ora

**Daniel A. Ben-Ora**
Senior Vice President and
Chief People Officer

/s/ James H. Herbert, II
James H. Herbert, II

**EXHIBIT A**
**to**
**FIRST REPUBLIC BANK**
**2010 OMNIBUS AWARD PLAN**
**PERFORMANCE SHARE UNIT AGREEMENT**

## PERFORMANCE GOALS

Subject to the terms and conditions of the Agreement and the Plan, the number of PSUs earned by Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of two separate Performance Goals (with 50% of the PSUs subject to each Performance Goal) in accordance with the following schedule:

1. Absolute Return on Equity

50% of the PSUs subject to the Target Award (22,500 PSUs) will be earned in accordance with the following schedule based upon Bank's reported GAAP Return on Equity ("ROE") averaged over the 12 calendar quarters during the Performance Period as an absolute percentage and in relation to the median ROE reported over the Performance Period by all institutions comprising the Keefe, Bruyette & Woods Bank Index (BKX) or comparable successor index ("KBW median"). ROE for a quarter is calculated by dividing Net Income Available to Common Shareholders for the quarter by the average Common Shareholders' Equity for the quarter. If the 12-quarter average of the reported ROE of the Bank for the 12 quarters is less than either 10% or such median for peer group institutions, this 50% portion of the PSUs will not be earned to any extent.

| **Bank's 12-quarter average ROE during the performance period** | **Percentage of the 50% which vest** | **Percentage of total PSUs which vest** |
|---|---|---|
| Less than 10% or not above KBW median | 0 | 0 |
| At least 10% (but less than 10.25%) and above KBW median | 50% of 50% | 25% |
| At least 10.25% (but less than 10.5%) and above KBW median | 75% of 50% | 37.50% |
| At least 10.5% and above KBW median | 100% of 50% | 50% |

2. <u>Leverage Capital Regulatory Requirement</u>

The remaining 50% of the PSUs subject to the Target Award (22,500 PSUs) will be earned only if the quarterly reported Tier I Leverage Capital is maintained at a minimum level of 8.0% for the entire Performance Period. If the quarterly reported Tier I Leverage Capital is not maintained at this level or above for the entire Performance Period, this 50% portion of the PSUs will not be earned.

For purposes of determining the extent to which the Performance Goals have been achieved, the Committee shall appropriately adjust its evaluation of performance for the events described in clauses (1) through (8) of Section 9(a)(ii) of the Plan to the extent occurring during the Performance Period, as shown below:

The Committee shall appropriately adjust evaluation of performance under a Qualifying Performance Criteria to exclude the effect of any of the following events that occurs during a performance period: (1) asset impairments or write-downs; (2) litigation or claim judgments or settlements; (3) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (4) accruals for reorganization and restructuring programs; (5) any extraordinary nonrecurring items as described in Accounting Standards Codification (ASC) 225-20 and/or in managements' discussion and analysis of financial condition and results of operations appearing in the Bank's annual report to stockholders for the applicable year; (6) the operations of any business acquired by the Bank of any Affiliate or of any joint venture in which the Bank or any Affiliate participates; (7) the divestiture of one or more business operations or the assets thereof; or (8) the costs incurred in connection with such acquisitions or divestitures.

**<u>Version One</u>**

**<u>EXHIBIT B</u>**
**to**
**FIRST REPUBLIC BANK**
**2010 OMNIBUS AWARD PLAN**
**<u>PERFORMANCE SHARE UNIT AGREEMENT</u>**

**RESTRICTIVE COVENANTS**

(a) <u>Covenants</u>.

(i) <u>Non Solicitation</u>. You agree that for a period ending on the first anniversary following termination of your employment by Bank or any of its subsidiaries, you will not directly or indirectly Solicit for employment at any company other than Bank or its subsidiaries, any person who is an employee of Bank or any of its subsidiaries.

(ii) <u>Non-Disparagement</u>. You agree that you will not disparage, portray in a negative light, or make any statement which would be harmful to, or lead to unfavorable publicity for, Bank or any of its subsidiaries or any of its or their current or former directors, officers or associates, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on internet- or intranet-related sites; *provided that*, nothing in this paragraph (a)(ii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the Securities and Exchange Commission ("SEC"), or any other regulatory or law enforcement agency or self-regulatory organization ("SRO"); (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or its subsidiaries; (C) initiating testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law; or (D) responding to a duly served subpoena provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iii) <u>Confidential and Proprietary Information</u>. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank. You agree that during your employment with Bank and following your termination, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or to document its ownership of, any such property. You further agree not to challenge Bank's ownership rights in such intellectual property, or claim that such intellectual property is owned or co-owned by another person or entity, including yourself. Furthermore, you agree not to use such intellectual property in any way or to attempt to transfer such intellectual property to any other person or entity. The above requirements will not apply to any invention that you develop entirely on your own time and to which <u>all</u> of the following apply: (A) no equipment, supplies, facilities, software or Confidential Information (as defined below) of Bank or any of its subsidiaries are used; (B) it is not related to Bank's or Bank's actual or demonstrably anticipated research and development (or that of any of Bank's subsidiaries); and (C) it does not result from any work performed by you for Bank or any of its subsidiaries. You agree that Bank and its subsidiaries expend substantial time, effort and resources identifying customers with particular needs or characteristics which Bank and its subsidiaries seek to address and that information or lists of any kind pertaining to the identity, contact date, needs and characteristics of such customers and to the terms and conditions of such customers' business relationship with Bank or its subsidiaries constitutes Confidential Information (as defined below) and is proprietary to and a trade secret of Bank and its subsidiaries and may not be used by you for any purpose other than in your employment by Bank or its subsidiaries. You also agree that the provisions of the immediately sentence shall apply to information pertaining to prospective customers of Bank or its subsidiaries. You further agree that following any termination of employment, you will not, without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information to any person or copy, transmit or remove or attempt to use, copy, transmit or remove any Confidential Information for any purpose provided that, nothing in this paragraph (a)(iii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law, or (D) responding to a duly served subpoena, <u>provided</u> that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iv) <u>Confidentiality</u>. You also agree, that in the event your employment is terminated, you will not disclose the circumstances of your termination to any other party, *except that*, you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such circumstances confidential. Nothing in this paragraph (a)(iv) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

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

(vi) Covenant Not To Engage in Competitive Activities.

(a) General. While you are employed by Bank or any subsidiary, subject to subsection (b), below, you shall not, directly or indirectly, engage in any activities which shall be competitive with the business of Bank or any of its subsidiaries ("Competitive Business") nor be employed by, serve as a director of, render services as a consultant or adviser to, nor invest or participate in any manner or capacity in, any entity or person which directly or indirectly engages in a Competitive Business.

(b) Exception. Subsection (a) above shall not preclude investments in a corporation whose stock is traded on a public market and of which you own less than one percent of the outstanding voting shares.

(c) Reasonableness of Covenant. You agree that the covenants contained in Subsection (a) above are reasonable and necessary to protect the confidentiality of the customer lists, the terms, conditions and nature of customer relationships, and other trade secrets and Confidential Information concerning Bank and its subsidiaries, acquired by you and to avoid actual or apparent conflicts of interest.

(vii) Injunctive Relief. Without limiting any remedies available to Bank, you acknowledge and agree that a breach of the covenants contained in subparagraphs (i) and (iii) through (vi) of this paragraph (a) will result in injury to Bank and it subsidiaries for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Bank shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining you from engaging in activities prohibited by subparagraphs (i) and (iii) through (vi) of this paragraph (a) or such other relief as may be required specifically to enforce any of the covenants in subparagraphs (i) and (iii) through (vi) of this paragraph (a).

(b) Definitions. For purposes of these covenants, the following terms shall have the following meanings:

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

Solicit means any action on your part which directly or indirectly involves your contacting any person for the purpose of inducing such person to become an employee of any company other than Bank or any of its subsidiaries.

**Exhibit 10.2**

**FIRST REPUBLIC BANK**
**2010 OMNIBUS AWARD PLAN**

**PERFORMANCE SHARE UNIT AGREEMENT**

THIS PERFORMANCE SHARE UNIT AGREEMENT (this "Agreement"), dated as of June 1, 2015 (the "Date of Grant"), is made by and between **First Republic Bank**, a California state-chartered bank ("Bank") and Katherine August-deWilde ("Participant").

WHEREAS, Bank adopted the **First Republic Bank** 2010 Omnibus Award Plan, as amended and restated (the "Plan"), pursuant to which performance share unit awards may be granted with respect to Common Stock of Bank; and

WHEREAS, the Bank's Compensation Committee ("Committee") has determined that it is in the best interests of Bank and its shareholders to grant Participant a performance share unit award with respect to the target number of shares of Common Stock provided for herein.

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

1. Grant of Performance Share Units. Pursuant to Sections 8 and 9(a) of the Plan, Bank hereby grants to Participant an Award for a target number of 45,000 performance share units ("Target Award"). Each performance share unit ("PSU") represents the right to receive one share of Common Stock of the Bank (each, a "Share") subject to the terms and conditions set forth in this Agreement and the Plan. The number of PSUs that Participant actually earns for the Performance Period (up to the target number) will be determined by the level of achievement of the performance goals ("Performance Goals") in accordance with Exhibit A attached hereto.

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

2. Terms and Conditions.

(a) Performance Period. For purposes of this Agreement, the term "Performance Period" shall be the period commencing on April 1, 2015 and ending on March 31, 2018.

(b) Performance Goals. The number of PSUs earned by Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of the Performance Goals in accordance with Exhibit A. All determinations of whether Performance Goals have been achieved and the number of PSUs earned by Participant will be determined by the Committee. No later than forty-five (45) days following the end of the Performance Period, the Committee will review and certify in writing (a) whether, and to what extent, the Performance Goals for the Performance Period have been achieved, and (b) the number of PSUs that Participant shall earn, if any, subject to compliance with the requirements of this Section 2. Such certification shall be final, conclusive and binding on Participant, and on all other persons, to the maximum extent permitted by law.

(c) Vesting. The PSUs are subject to forfeiture until they vest. Except as otherwise provided herein, the PSUs will vest and become nonforfeitable on the last day of the Performance Period, subject to (a) the Committee's certification of the level of achievement of the Performance Goals for payout as set forth in Exhibit A attached hereto, and (b) Participant's continuous service as an employee, director, consultant or advisor to Bank or its Affiliates ("Continuous Service") from the Grant Date through the last day of the Performance Period.

(d) Termination of Continuous Service.

(i) General. Except as otherwise expressly provided in this Agreement, if Participant's Continuous Service terminates for any reason at any time during the Performance Period, then Participant shall forfeit all outstanding, unvested PSUs, which shall terminate and expire on the date of such termination of Continuous Service without consideration to Participant and without any action by Bank or any Affiliate. Neither Participant nor any successors, heirs, assigns, or legal representatives of Participant shall thereafter have any rights or interest in such PSUs or consideration therefor.

(ii) Death or Disability. Notwithstanding Section 2(d)(i), if Participant's Continuous Service terminates during the Performance Period as a result of Participant's death, or Participant becomes disabled with the meaning of that term under Section 409A(a)(2)(C) of the Code ("Disability" or "Disabled") during the Performance Period, Participant will vest on such date in a pro rata portion of the Target Award calculated by multiplying the Target Award by a fraction, the numerator of which equals the number of days that Participant was in Continuous Service during the Performance Period (or, in the case of Disability, the number of days in the Performance Period prior to Participant's Disability) and the denominator of which equals the total number of days in the Performance Period ("Pro Rata Portion"), and rounding to the nearest whole PSU.

(iii) Retirement. Notwithstanding Section 2(d)(i), if Participant's Continuous Service terminates during the Performance Period as a result of Participant's career retirement with the approval of the Committee ("Retirement"), Participant will remain eligible to vest in a Pro Rata Portion of the Target Award, rounded to the nearest whole PSU, on the last day of the Performance Period in accordance with this Section 2, based on the level of achievement of the Performance Goals, and subject to Participant's compliance with the Employment Policies (as defined below) and the other provisions of Section 2(k).

(iv) Involuntary Termination. Notwithstanding Section 2(d)(i):

A. if Participant's Continuous Service terminates during the Performance Period as a result of Bank's termination of Participant without "Cause" (as defined for purposes of this Agreement in that certain employment agreement between Participant and Bank, dated June 15, 2010, as amended by Amendment No. 1 effective February 27, 2012, Amendment No. 2 effective December 31, 2013, and Amendment No. 3 effective February 25, 2014 (the "Employment Agreement")), Participant will remain eligible to vest in a Pro Rata Portion of the Target Award, rounded to the nearest whole PSU, on the last day of the Performance Period in accordance with this Section 2, based on the level of achievement of the Performance Goals; and

B. if Participant's Continuous Service terminates during the Performance Period as a result of Participant's resignation for "Good Reason" (as defined for purposes of this Agreement in the Employment Agreement), Participant will remain eligible to vest in the Target Award (without proration) on the last day of the Performance Period in accordance with this Section 2 as if Participant's Continuous Service had not terminated, based on the level of achievement of the Performance Goals.

For purposes of this Agreement, during the period following Participant's transition to the role of Senior Advisor to Bank pursuant to the Consulting Agreement contemplated by Amendment No. 1 to the Employment Agreement, a termination of Participant's Continuous Service without Cause shall include a termination of the Consulting Agreement by Bank prior to the end of the term thereof other than by reason of a material breach by Advisor of the terms of the Consulting Agreement, or Participant's failure to be elected by shareholders to the Board of Directors of Bank or failure to be appointed by the Board as Vice Chairman of the Board.

(e) Impact of a Change In Control on PSUs.

(i) Substitution or Assumption by Successor. Upon a "Change in Control" (as defined for purposes of this Agreement in the Employment Agreement) in which this Award is assumed, continued, replaced or substituted with an equivalent value award, the Award (including any replacement or substitute award) will convert to a non-performance based award and will vest on the last day of the Performance Period in accordance with this Section 2 subject only to Continuous Service through such date (except as otherwise expressly provided in this Agreement), provided that the Target Award will be adjusted to the number of PSUs that would have been earned for the full Performance Period (without proration) if the Performance Goals had been achieved as follows:

A. If the Change in Control occurs within the first 18 months of the Performance Period, the number of PSUs will be determined as if the Performance Goals had been achieved at their respective target levels without regard to actual performance; and

B. If the Change in Control occurs after the first 18 months of the Performance Period, the number of PSUs will be determined based on actual performance through the calendar quarter ending immediately prior to the Change in Control.

Notwithstanding the preceding provisions of this Section 2(e)(i), if Participant's Continuous Service terminates during the Performance Period within 24 months following the Change in Control as a result of Bank's termination of Participant without Cause or Participant's resignation for Good Reason, the vesting of all of the outstanding PSUs subject to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)) will accelerate in full upon such termination.

For the sake of clarification, if Participant's Continuous Service terminates during the Performance Period but more than 24 months following the Change in Control as a result of Bank's termination of Participant without Cause or Participant's resignation for Good Reason, the provisions of Section 2(d)(iv) shall apply with respect to the Target Award (without regard to actual performance but as adjusted pursuant to the immediately preceding clauses (A) and (B)). In addition, if Participant's Continuous Service terminates during the Performance Period following the Change in Control as a result of Participant's death, or Participant becomes Disabled during the Performance Period following the Change in Control, the provisions of Section 2(d)(ii) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)). If Participant's Continuous Service terminates during the Performance Period following the Change in Control as a result of Participant's Retirement, the provisions of Section 2(d)(iii) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)), provided that if Retirement is within 24 months following the Change in Control, the PSUs shall be subject to settlement upon Participant's Retirement rather than on the last day of the Performance Period to the extent required by and subject to the conditions of Section 409A of the Code.

(ii) <u>No Substitution or Assumption by Successor</u>. The Performance Goals in Exhibit A will be deemed to be met (and the number of PSUs earned) at the target level of performance (or, if higher, the actual level of performance through the Change in Control date), and the vesting of the PSUs shall be accelerated in full, upon any Change in Control in which the Award is not continued, assumed, substituted or replaced with equivalent value awards pursuant to the terms of the Plan.

(f) <u>Settlement of PSUs</u>. As soon as practicable after vesting, each outstanding PSU will be settled through the delivery by Bank of one share of Bank

Common Stock and any dividend equivalents credited with respect to such PSU, subject to compliance with Section 3(g) and the requirements of Section 409A of the Code. Notwithstanding any contrary provision of this Agreement, pursuant to Section 8(d)(ii) of the Plan, the Committee may, in its sole discretion, elect to pay cash or part cash and part Shares in lieu of delivering only Shares in respect of any vested PSUs.

(g) Dividend Equivalents. If a cash dividend is paid with respect to the Common Stock of Bank, Bank will credit to Participant, as of the payment date for such dividend, an amount equal to the number of PSUs subject to the Target Award as of the related dividend payment record date multiplied by the amount that would have been paid as a dividend on each outstanding Share at such payment date. Any amounts credited under this Section 2(g) shall be subject to the same restrictions and conditions that apply to the PSU with respect to which the amounts are credited and will be payable when the underlying PSU becomes payable. At the time the underlying PSU becomes payable, Bank has the discretion to pay any accrued dividend equivalents either in cash or in Shares. If the underlying PSU does not vest or is forfeited, any amounts credited under this Section 2(g) with respect to the underlying PSU will also fail to vest and be forfeited. Neither Participant nor any successors, heirs, assigns, or legal representatives of Participant shall have any rights or interest in dividend equivalent amounts in respect of any PSUs which, as of the record date, have been paid or terminated.

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

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

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

(k) Compliance with Employment Policies. Notwithstanding anything to the contrary contained herein, Participant agrees that his or her entitlement to retain any PSUs and to receive Shares (including any cash or other securities or property payable in lieu thereof and any dividend equivalents in respect thereof) upon settlement of the PSUs, shall be conditioned on Participant's compliance with the restrictive covenants and other obligations set forth in Exhibit A hereto and otherwise in the employment policies of Bank, as such covenants, obligations and policies may be revised from time to time by Bank (collectively, the "Employment Policies"), and Participant further agrees that the Committee may in its sole discretion cancel any PSU, in whole or in part, if Participant, without the consent of Bank, shall fail to comply with any of the Employment Policies, or otherwise engages in activity that is in conflict with or adverse to the interest of Bank or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. Participant agrees that Bank may condition the settlement of the PSUs upon Participant's written certification of his or her compliance with the Employment Policies and the other provisions of this Section 2(k).

(l) Recoupment. In the event of a material restatement of Bank's financial results, the Board has authority to seek reimbursement of any portion of the Award that is greater than would have been awarded if calculated based on the restated financial results. In addition, any recoupment or "clawback" policies adopted by the Committee pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law shall apply to this Award and any Shares that may be issued pursuant hereto to the extent the Committee provides at the time the policy is adopted.

3. Miscellaneous.

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

(i) if to Bank:

First Republic Bank
111 Pine Street
San Francisco, CA 94111
Attention: Daniel A. Ben-Ora
Facsimile No.: (415) 262-4131

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

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

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

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

(e) Invalid Provision. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) Modifications. No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto. The consent of Participant (or other holder of the PSUs) shall be required for any modification of the PSU or termination of the PSU pursuant to Sections 10, 12, 13(j)(ii) and 13(u) of the Plan, subject to the remainder of this Section 3(f). The consent of Participant (or other holder of the PSUs) shall not be required for any cancellation of the PSU pursuant to Section 10 or Section 11 of the Plan if (1) the cancellation of the PSU is in exchange for payment of the value of the PSU pursuant to clause (iii) of Section 10 or Section 11 of the Plan, (2) such cancellation and payment occurs immediately prior to or upon a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement pursuant to which some or all of the common stock of the Bank is exchanged for cash, (3) payment is made with respect to all of Participant's cancelled PSUs, whether or not vested, (4) the amount of the PSU cancelled immediately prior to or upon a Change in Control in accordance with this sentence does not exceed the percentage of the PSU that represents the percentage of common stock of Bank that is exchanged for cash pursuant to such Change in Control and (5) all other vested outstanding PSUs under the Plan are cancelled pursuant to clause (iii) of Section 10 or Section 11 of the Plan in at least the same proportion as described in the immediately preceding clause (4). The consent of Participant (or other holder of the PSUs) shall not be required for any equitable or proportionate adjustment required pursuant to Section 10 to preserve the value of the PSUs under an "equity restructuring" within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718. If a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement occurs, the consent of Participant (or other holder of the PSUs) shall not be required for either (1) a continuation, replacement, substitution or assumption of the PSUs that preserves the value of the PSUs, or (2) an acceleration of the lapse of restrictions on the PSUs, in each case pursuant to clause (ii) of Section 10 or Section 11 of the Plan. For purposes of the preceding sentence, a PSU will be considered substituted or assumed if, following the Change in Control, the PSU confers the right to receive, for each PSU Share, common equity of the relevant successor entity or any parent company thereof equal in fair market value to the per share consideration received by holders of common stock of Bank in the Change in Control (and of the same class or series of equity securities as received by such holders). Participant acknowledges that the Committee may effect any replacement, substitution or assumption permitted pursuant to this Section 3(f) in a manner that changes the kind of securities which may be delivered in respect of the PSUs, and, by way of example and without limitation, if a public company were to acquire Bank in a Change in Control as defined in Section 6(e)(4)(C) of the Employment Agreement which results in Bank shareholders getting public company stock and Bank continuing as a subsidiary of such public company, restricted stock unit awards in respect of shares of stock of the public company acquirer may be substituted for the PSUs in a manner consistent with this Section 3(f).

(g) Code Section 409A. To the fullest extent applicable, this Agreement and the benefits payable hereunder are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A of the Code in accordance with the "short-term deferral" exception available under the regulations promulgated under Section 409A. In that regard, Shares (including any cash or securities or other property payable in lieu thereof) and any dividend equivalents shall be issued to Participant no later than March 15 following the calendar year in which Participant's right to receive such Shares or other amounts pursuant to this Agreement is no longer subject to a substantial risk of forfeiture within the meaning of Section 409A and the regulations thereunder. To the extent that any such benefit is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation in accordance with such regulations, this Agreement is intended to comply with the applicable requirements of Section 409A with respect to such benefits. This Agreement shall be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent, and any ambiguity as to its compliance with Section 409A will be read in such a manner so that all payments hereunder comply with Section 409A of the Code. If the Committee determines that any Shares issued or amounts payable hereunder will be taxable to Participant under Section 409A of the Code and related Department of Treasury guidance, prior to delivery to such Participant of such Shares or payment to such Participant of such amount, Bank may (a) adopt such amendments to this Agreement and the Plan, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the PSUs granted hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A of the Code. If the settlement of the Award is due on a termination of Continuous Service, such term shall be interpreted to mean a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code ("Separation from Service") that qualifies as a permitted payment event under Section 409A to the extent the Award is or has become subject to Section 409A. In addition, if the settlement of the Award is due upon a termination of Continuous Service that occurs within 24 months following a Change in Control, settlement will be accelerated from the date on which it would otherwise have been made only if the Change in Control also constitutes a change in the ownership or effective control of Bank, or in the ownership of a substantial portion of the assets of Bank, within the meaning of regulations issued under Section 409A(a)(2)(a)(v) of the Code, to the extent the Award is or has become subject to Section 409A. Finally, solely to the extent required by Section 409A of the Code, and notwithstanding any other provision of the Plan or this Agreement, any payments made hereunder on account of the Separation from Service of a Participant who is determined to be a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code) shall not actually be paid before the date which is six months after Participant's separation from service (or, if earlier, the date of death of Participant).

(h) Code Section 162(m). All payments under this Award are intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Code. This Award shall be construed and administered in a manner consistent with such intent.

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

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

(k) Governing Law. This Agreement and the rights and obligations of Participant hereunder shall be construed and determined in accordance with the laws of the State of California.

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

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

**[Remainder of page intentionally left blank]**

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto on the first date set forth above.

First Republic Bank

By: /s/ Daniel A. Ben-Ora

**Daniel A. Ben-Ora**
Senior Vice President and
Chief People Officer

/s/ Katherine August-deWilde
Katherine August-deWilde

**EXHIBIT A**
**to**
**FIRST REPUBLIC BANK**
**2010 OMNIBUS AWARD PLAN**
**<u>PERFORMANCE SHARE UNIT AGREEMENT</u>**

## PERFORMANCE GOALS

Subject to the terms and conditions of the Agreement and the Plan, the number of PSUs earned by Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of two separate Performance Goals (with 50% of the PSUs subject to each Performance Goal) in accordance with the following schedule:

1. <u>Absolute Return on Equity</u>

50% of the PSUs subject to the Target Award (22,500 PSUs) will be earned in accordance with the following schedule based upon Bank's reported GAAP Return on Equity ("<u>ROE</u>") averaged over the 12 calendar quarters during the Performance Period as an absolute percentage and in relation to the median ROE reported over the Performance Period by all institutions comprising the Keefe, Bruyette & Woods Bank Index (BKX) or comparable successor index ("<u>KBW median</u>"). ROE for a quarter is calculated by dividing Net Income Available to Common Shareholders for the quarter by the average Common Shareholders' Equity for the quarter. If the 12-quarter average of the reported ROE of the Bank for the 12 quarters is less than either 10% or such median for peer group institutions, this 50% portion of the PSUs will not be earned to any extent.

| **Bank's 12-quarter average ROE during the performance period** | **Percentage of the 50% which vest** | **Percentage of total PSUs which vest** |
|---|---|---|
| Less than 10% or not above KBW median | 0 | 0 |
| At least 10% (but less than 10.25%) and above KBW median | 50% of 50% | 25% |
| At least 10.25% (but less than 10.5%) and above KBW median | 75% of 50% | 37.50% |
| At least 10.5% and above KBW median | 100% of 50% | 50% |

2. Leverage Capital Regulatory Requirement

The remaining 50% of the PSUs subject to the Target Award (22,500 PSUs) will be earned only if the quarterly reported Tier I Leverage Capital is maintained at a minimum level of 8.0% for the entire Performance Period. If the quarterly reported Tier I Leverage Capital is not maintained at this level or above for the entire Performance Period, this 50% portion of the PSUs will not be earned.

For purposes of determining the extent to which the Performance Goals have been achieved, the Committee shall appropriately adjust its evaluation of performance for the events described in clauses (1) through (8) of Section 9(a)(ii) of the Plan to the extent occurring during the Performance Period, as shown below:

The Committee shall appropriately adjust evaluation of performance under a Qualifying Performance Criteria to exclude the effect of any of the following events that occurs during a performance period: (1) asset impairments or write-downs; (2) litigation or claim judgments or settlements; (3) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (4) accruals for reorganization and restructuring programs; (5) any extraordinary nonrecurring items as described in Accounting Standards Codification (ASC) 225-20 and/or in managements' discussion and analysis of financial condition and results of operations appearing in the Bank's annual report to stockholders for the applicable year; (6) the operations of any business acquired by the Bank of any Affiliate or of any joint venture in which the Bank or any Affiliate participates; (7) the divestiture of one or more business operations or the assets thereof; or (8) the costs incurred in connection with such acquisitions or divestitures.

**Version One**

**EXHIBIT B**
**to**
**FIRST REPUBLIC BANK**
**2010 OMNIBUS AWARD PLAN**
**PERFORMANCE SHARE UNIT AGREEMENT**

**RESTRICTIVE COVENANTS**

(a) Covenants.

(i) Non Solicitation. You agree that for a period ending on the first anniversary following termination of your employment by Bank or any of its subsidiaries, you will not directly or indirectly Solicit for employment at any company other than Bank or its subsidiaries, any person who is an employee of Bank or any of its subsidiaries.

(ii) Non-Disparagement. You agree that you will not disparage, portray in a negative light, or make any statement which would be harmful to, or lead to unfavorable publicity for, Bank or any of its subsidiaries or any of its or their current or former directors, officers or associates, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on internet- or intranet-related sites; *provided that*, nothing in this paragraph (a)(ii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the Securities and Exchange Commission ("SEC"), or any other regulatory or law enforcement agency or self-regulatory organization ("SRO"); (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or its subsidiaries; (C) initiating testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law; or (D) responding to a duly served subpoena provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iii) Confidential and Proprietary Information. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank. You agree that during your employment with Bank and following your termination, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or to document its ownership of, any such property. You further agree not to challenge Bank's ownership rights in such intellectual property, or claim that such intellectual property is owned or co-owned by another person or entity, including yourself. Furthermore, you agree not to use such intellectual property in any way or to attempt to transfer such intellectual property to any other person or entity. The above requirements will not apply to any invention that you develop entirely on your own time and to which all of the following apply: (A) no equipment, supplies, facilities, software or Confidential Information (as defined below) of Bank or any of its subsidiaries are used; (B) it is not related to Bank's or Bank's actual or demonstrably anticipated research and development (or that of any of Bank's subsidiaries); and (C) it does not result from any work performed by you for Bank or any of its subsidiaries. You agree that Bank and its subsidiaries expend substantial time, effort and resources identifying customers with particular needs or characteristics which Bank and its subsidiaries seek to address and that information or lists of any kind pertaining to the identity, contact date, needs and characteristics of such customers and to the terms and conditions of such customers' business relationship with Bank or its subsidiaries constitutes Confidential Information (as defined below) and is proprietary to and a trade secret of Bank and its subsidiaries and may not be used by you for any purpose other than in your employment by Bank or its subsidiaries. You also agree that the provisions of the immediately sentence shall apply to information pertaining to prospective customers of Bank or its subsidiaries. You further agree that following any termination of employment, you will not, without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information to any person or copy, transmit or remove or attempt to use, copy, transmit or remove any Confidential Information for any purpose provided that, nothing in this paragraph (a)(iii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law, or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iv) Confidentiality. You also agree, that in the event your employment is terminated, you will not disclose the circumstances of your termination to any other party, *except that*, you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such circumstances confidential. Nothing in this paragraph (a)(iv) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

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

(vi) Covenant Not To Engage in Competitive Activities.

(a) General. While you are employed by Bank or any subsidiary, subject to subsection (b), below, you shall not, directly or indirectly, engage in any activities which shall be competitive with the business of Bank or any of its subsidiaries ("Competitive Business") nor be employed by, serve as a director of, render services as a consultant or adviser to, nor invest or participate in any manner or capacity in, any entity or person which directly or indirectly engages in a Competitive Business.

(b) Exception. Subsection (a) above shall not preclude investments in a corporation whose stock is traded on a public market and of which you own less than one percent of the outstanding voting shares.

(c) Reasonableness of Covenant. You agree that the covenants contained in Subsection (a) above are reasonable and necessary to protect the confidentiality of the customer lists, the terms, conditions and nature of customer relationships, and other trade secrets and Confidential Information concerning Bank and its subsidiaries, acquired by you and to avoid actual or apparent conflicts of interest.

(vii) Injunctive Relief. Without limiting any remedies available to Bank, you acknowledge and agree that a breach of the covenants contained in subparagraphs (i) and (iii) through (vi) of this paragraph (a) will result in injury to Bank and it subsidiaries for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Bank shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining you from engaging in activities prohibited by subparagraphs (i) and (iii) through (vi) of this paragraph (a) or such other relief as may be required specifically to enforce any of the covenants in subparagraphs (i) and (iii) through (vi) of this paragraph (a).

(b) Definitions. For purposes of these covenants, the following terms shall have the following meanings:

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

Solicit means any action on your part which directly or indirectly involves your contacting any person for the purpose of inducing such person to become an employee of any company other than Bank or any of its subsidiaries.

**Exhibit 10.3**

**FIRST REPUBLIC BANK**
**2010 OMNIBUS AWARD PLAN**

**PERFORMANCE SHARE UNIT AGREEMENT**

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

WHEREAS, Bank adopted the **First Republic Bank** 2010 Omnibus Award Plan, as amended and restated (the "Plan"), pursuant to which performance share unit awards may be granted with respect to Common Stock of Bank; and

WHEREAS, Bank desires to grant Participant a performance share unit award with respect to the number of shares of Common Stock provided for herein.

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

1. Grant of Performance Share Units. Pursuant to Sections 8 and 9(a) of the Plan, Bank hereby grants to Participant an Award for a target number of _____ performance share units ("Target Award"). Each performance share unit ("PSU") represents the right to receive one share of Common Stock of the Bank (each, a "Share") subject to the terms and conditions set forth in this Agreement and the Plan. The number of PSUs that Participant actually earns for the Restricted Period (up to the target number) will be determined by the level of achievement of the performance goals as described in section 2(a).

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

2. Terms and Conditions.

(a) Restricted Period. The period of time between the Date of Grant and the vesting of PSUs (and the termination of restrictions thereon) will be referred to herein as the "Restricted Period." Except as may otherwise be provided herein, 20% of the PSUs shall become vested on each twelve-month anniversary of the Date of Grant, subject to both (i) Bank's achievement of a 10% or greater core return on average tangible common equity ("ROATCE") in the 12-month period ending on the March 31 immediately preceding the vesting date, and (ii) Participant's continuous employment with Bank and the Affiliates through each such vesting date. ROATCE is computed as core net income available to common shareholders divided by average tangible common equity. Core net income is calculated excluding the impact from purchase accounting adjustments from the Bank's divestiture in 2010. For purposes of calculating core ROATCE, all averages shall be calculated using quarter end average numbers. Except as may otherwise be provided herein, if Participant's Service with Bank is terminated at any time for any reason prior to the lapse of the Restricted Period, all PSUs granted hereunder that have not vested on or prior to such termination of Service shall be forfeited by Participant. No additional PSUs vest after termination of Service for any reason.

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

(i) Substitution or Assumption by Successor. Upon a Change in Control, as defined in the Plan, in which this Award is assumed or substituted with an equivalent value award, the performance conditions described in Section 2(a) will be deemed to be met in full, and the Award (including any substitute or replacement award) will convert to a non-performance based award (without proration) and will vest on the vesting dates described in Section 2(a) in accordance with this Section 2 subject only to Continuous Service through each such date.

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

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

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

(ii) Involuntary Termination following Change in Control. If Participant's Continuous Service terminates during the Restricted Period within 24 months following a Change in Control as a result of Bank's termination of Participant without Cause, as defined in the Plan, or Participant's resignation for Good Reason, as defined below, the vesting of all of the outstanding PSUs will accelerate in full upon such termination.

For purposes of this Agreement, "Good Reason" means the occurrence of any of the following, without Participant's express written consent:

(1) A material reduction in Participant's authority, duties or responsibilities;

(2) A material reduction in Participant's base compensation; or

(3) A material change in the geographic location at which Participant must perform his services; provided that in no instance will the relocation of Participant to a facility or a location of thirty-five (35) miles or less from Participant's then current office location be deemed material for purposes of this Agreement;

provided, however, that a termination of employment shall not be considered for "Good Reason" unless Participant provides written notice of the initial occurrence of one of the foregoing events to Bank within ninety (90) days thereafter, and provides Bank thirty (30) days to cure, and then terminates employment within one hundred eighty (180) days following such initial occurrence.

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

(e) Dividend Equivalents. If a cash dividend is paid with respect to the Common Stock of Bank, a cash dividend equivalent equal to the total cash dividend Participant would have received had his or her outstanding PSUs been actual shares of Bank Common Stock will be accumulated and paid in cash to Participant through payroll if and when such PSUs become vested and settled. Neither the Participant nor any successors, heirs, assigns, or legal representatives of the Participant shall have any rights or interest in dividend equivalent amounts in respect of any PSUs which are forfeited.

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

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

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

(i) Compliance with Employment Policies. Notwithstanding anything to the contrary contained herein, the Participant agrees that his or her entitlement to retain any PSUs and to receive Shares (including any cash or other securities or property payable in lieu thereof and any dividend equivalents in respect thereof) upon settlement of the PSUs, shall be conditioned on the Participant's compliance with the restrictive covenants and other obligations set forth in Exhibit A hereto and otherwise in the employment policies of Bank, as such covenants, obligations and policies may be revised from time to time by Bank (collectively, the "Employment Policies"), and the Participant further agrees that the Committee may in its sole discretion cancel any PSU, in whole or in part, if the Participant, without the consent of Bank, shall fail to comply with any of the Employment Policies, or otherwise engages in activity that is in conflict with or adverse to the interest of Bank or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. The Participant agrees that Bank may condition the settlement of the PSUs upon the Participant's written certification of his or her compliance with the Employment Policies and the other provisions of this Section 2(i).

3. Miscellaneous.

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

(i) if to Bank:

First Republic Bank
111 Pine Street
San Francisco, CA 94111
Attention: Daniel A. Ben-Ora
Facsimile No.: (415) 262-4131

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

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

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

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

(e) Invalid Provision. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

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

(g) Code Section 409A. To the fullest extent applicable, this Agreement and the benefits payable hereunder are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A of the Code in accordance with the "short-term deferral" exception available under the regulations promulgated under Section 409A. In that regard, Shares (including any cash or securities or other property payable in lieu thereof) and any dividend equivalents shall be issued to Participant no later than March 15 following the calendar year in which Participant's right to receive such Shares or other amounts pursuant to this Agreement is no longer subject to a substantial risk of forfeiture within the meaning of Section 409A and the regulations thereunder. To the extent that any such benefit is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation in accordance with such regulations, this Agreement is intended to comply with the applicable requirements of Section 409A with respect to such benefits. This Agreement shall be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent, and any ambiguity as to its compliance with Section 409A will be read in such a manner so that all payments hereunder comply with Section 409A of the Code. If the Committee determines that any Shares issued or amounts payable hereunder will be taxable to Participant under Section 409A of the Code and related Department of Treasury guidance, prior to delivery to such Participant of such Shares or payment to such Participant of such amount, Bank may (a) adopt such amendments to this Agreement and the Plan, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the PSUs granted hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A of the Code. Finally, solely to the extent required by Section 409A of the Code, and notwithstanding any other provision of the Plan or this Agreement, any payments made hereunder on account of the "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code) of a Participant who is determined to be a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code) shall not actually be paid before the date which is six months after Participant's separation from service (or, if earlier, the date of death of Participant).

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

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

(j) Governing Law. This Agreement and the rights and obligations of Participant hereunder shall be construed and determined in accordance with the laws of the state in which the Participant's principal office for the performance of services to the Bank is located.

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

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

**[Remainder of page intentionally left blank]**

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto on the first date set forth above.

First Republic Bank

By: ______________________________

______________________________
[Participant]

**Version One**

# EXHIBIT A

## RESTRICTIVE COVENANTS

(a) Covenants.

(i) Non Solicitation. You agree that for a period ending on the first anniversary following termination of your employment by Bank or any of its subsidiaries, you will not directly or indirectly Solicit for employment at any company other than Bank or its subsidiaries, any person who is an employee of Bank or any of its subsidiaries.

(ii) Non-Disparagement. You agree that you will not disparage, portray in a negative light, or make any statement which would be harmful to, or lead to unfavorable publicity for, Bank or any of its subsidiaries or any of its or their current or former directors, officers or associates, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on internet- or intranet-related sites; *provided that*, nothing in this paragraph (a)(ii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the Securities and Exchange Commission ("SEC"), or any other regulatory or law enforcement agency or self-regulatory organization ("SRO"); (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or its subsidiaries; (C) initiating testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law; or (D) responding to a duly served subpoena provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iii) Confidential and Proprietary Information. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank. You agree that during your employment with Bank and following your termination, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or to document its ownership of, any such property. You further agree not to challenge Bank's ownership rights in such intellectual property, or claim that such intellectual property is owned or co-owned by another person or entity, including yourself. Furthermore, you agree not to use such intellectual property in any way or to attempt to transfer such intellectual property to any other person or entity. The above requirements will not apply to any invention that you develop entirely on your own time and to which all of the following apply: (A) no equipment, supplies, facilities, software or Confidential Information (as defined below) of Bank or any of its subsidiaries are used; (B) it is not related to Bank's or Bank's actual or demonstrably anticipated research and development (or that of any of Bank's subsidiaries); and (C) it does not result from any work performed by you for Bank or any of its subsidiaries. You agree that Bank and its subsidiaries expend substantial time, effort and resources identifying customers with particular needs or characteristics which Bank and its subsidiaries seek to address and that information or lists of any kind pertaining to the identity, contact date, needs and characteristics of such customers and to the terms and conditions of such customers' business relationship with Bank or its subsidiaries constitutes Confidential Information (as defined below) and is proprietary to and a trade secret of Bank and its subsidiaries and may not be used by you for any purpose other than in your employment by Bank or its subsidiaries. You also agree that the provisions of the immediately sentence shall apply to information pertaining to prospective customers of Bank or its subsidiaries. You further agree that following any termination of employment, you will not, without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information to any person or copy, transmit or remove or attempt to use, copy, transmit or remove any Confidential Information for any purpose provided that, nothing in this paragraph (a)(iii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law, or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iv) Confidentiality. You also agree, that in the event your employment is terminated, you will not disclose the circumstances of your termination to any other party, *except that*, you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such circumstances confidential. Nothing in this paragraph (a)(iv) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

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

(vi) Covenant Not To Engage in Competitive Activities.

(a) General. While you are employed by Bank or any subsidiary, subject to subsection (b), below, you shall not, directly or indirectly, engage in any activities which shall be competitive with the business of Bank or any of its subsidiaries ("Competitive Business") nor be employed by, serve as a director of, render services as a consultant or adviser to, nor invest or participate in any manner or capacity in, any entity or person which directly or indirectly engages in a Competitive Business.

(b) Exception. Subsection (a) above shall not preclude investments in a corporation whose stock is traded on a public market and of which you own less than one percent of the outstanding voting shares.

(c) Reasonableness of Covenant. You agree that the covenants contained in Subsection (a) above are reasonable and necessary to protect the confidentiality of the customer lists, the terms, conditions and nature of customer relationships, and other trade secrets and Confidential Information concerning Bank and its subsidiaries, acquired by you and to avoid actual or apparent conflicts of interest.

(vii) Injunctive Relief. Without limiting any remedies available to Bank, you acknowledge and agree that a breach of the covenants contained in subparagraphs (i) and (iii) through (vi) of this paragraph (a) will result in injury to Bank and it subsidiaries for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Bank shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining you from engaging in activities prohibited by subparagraphs (i) and (iii) through (vi) of this paragraph (a) or such other relief as may be required specifically to enforce any of the covenants in subparagraphs (i) and (iii) through (vi) of this paragraph (a).

(b) Definitions. For purposes of these covenants, the following terms shall have the following meanings:

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

Solicit means any action on your part which directly or indirectly involves your contacting any person for the purpose of inducing such person to become an employee of any company other than Bank or any of its subsidiaries.

**Version Two**

# EXHIBIT A

## RESTRICTIVE COVENANTS

(a) Covenants.

(i) Non Solicitation. You agree that for a period ending on the first anniversary following termination of your employment by Bank or any of its subsidiaries, you will not directly or indirectly Solicit for employment at any company other than Bank or its subsidiaries, any person who is an employee of Bank or any of its subsidiaries.

(ii) Non-Disparagement. You agree that you will not disparage, portray in a negative light, or make any statement which would be harmful to, or lead to unfavorable publicity for, Bank or any of its subsidiaries or any of its or their current or former directors, officers or associates, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on internet- or intranet-related sites; *provided that*, nothing in this paragraph (a)(ii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the Securities and Exchange Commission ("SEC"), or any other regulatory or law enforcement agency or self-regulatory organization ("SRO"); (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or its subsidiaries; (C) initiating testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law; or (D) responding to a duly served subpoena provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iii) Confidential and Proprietary Information. You agree that all inventions, copyrightable material, trade secrets or other work conceived, developed or otherwise performed by you in the scope of your employment (during or after business hours) that are related to the financial services industry or related to Bank products, services or supporting activities were disclosed to your manager, are the sole property of Bank and its subsidiaries and are "works for hire" that are owned by Bank. You agree that during your employment with Bank and following your termination, you will do whatever Bank deems necessary to transfer to Bank or its subsidiaries, or to document its ownership of, any such property. You further agree not to challenge Bank's ownership rights in such intellectual property, or claim that such intellectual property is owned or co-owned by another person or entity, including yourself. Furthermore, you agree not to use such intellectual property in any way or to attempt to transfer such intellectual property to any other person or entity. The above requirements will not apply to any invention that you develop entirely on your own time and to which <u>all</u> of the following apply: (A) no equipment, supplies, facilities, software or Confidential Information (as defined below) of Bank or any of its subsidiaries are used; (B) it is not related to Bank's or Bank's actual or demonstrably anticipated research and development (or that of any of Bank's subsidiaries); and (C) it does not result from any work performed by you for Bank or any of its subsidiaries. You agree that Bank and its subsidiaries expend substantial time, effort and resources identifying customers with particular needs or characteristics which Bank and its subsidiaries seek to address and that information or lists of any kind pertaining to the identity, contact date, needs and characteristics of such customers and to the terms and conditions of such customers' business relationship with Bank or its subsidiaries constitutes Confidential Information (as defined below) and is proprietary to and a trade secret of Bank and its subsidiaries and may not be used by you for any purpose other than in your employment by Bank or its subsidiaries. You also agree that the provisions of the immediately sentence shall apply to information pertaining to prospective customers of Bank or its subsidiaries. You further agree that following any termination of employment, you will not, without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information to any person or copy, transmit or remove or attempt to use, copy, transmit or remove any Confidential Information for any purpose provided that, nothing in this paragraph (a)(iii) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law, or (D) responding to a duly served subpoena, <u>provided</u> that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

(iv) <u>Confidentiality</u>. You also agree, that in the event your employment is terminated, you will not disclose the circumstances of your termination to any other party, *except that*, you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such circumstances confidential. Nothing in this paragraph (a)(iv) shall prohibit or restrict you from (A) providing information to, or otherwise assisting in, an internal investigation, an investigation by Congress, the SEC, or any other regulatory or law enforcement agency or SRO, (B) testifying, participating, or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the SEC or any SRO or other regulatory agency or in an internal investigation by Bank or a subsidiary, (C) initiating, testifying, participating, or otherwise assisting in any case, administrative investigation or proceeding relating to an alleged violation of any discrimination or wage law or other law or (D) responding to a duly served subpoena, provided that you promptly give Bank written notice thereof to allow it to contest compliance with any such subpoena.

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

(vi) Covenant Not To Engage in Competitive Activities.

(a) General. While you are employed by Bank or any subsidiary, subject to subsection (b), below, you shall not, directly or indirectly, engage in any activities which shall be competitive with the business of Bank or any of its subsidiaries ("Competitive Business") nor be employed by, serve as a director of, render services as a consultant or adviser to, nor invest or participate in any manner or capacity in, any entity or person which directly or indirectly engages in a Competitive Business. You further agree that upon the termination of your employment by Bank or any subsidiary (A) you shall, upon request by Bank or its subsidiary, and its undertaking to pay you an amount equal to your then base monthly salary (subject to any withholdings required by law) during such period, maintain yourself available to consult with Bank or its subsidiary as they shall request for 60 days for the purpose of assuring an orderly transition of your duties and responsibilities to another employee of Bank and during such period, you shall not engage in any Competitive Business, and (B) for a period of six months after the later of the termination of your employment or the end of the period specified in clause (A) of this sentence, if applicable, you shall not take any action, directly or indirectly, that causes or could reasonably be expected to cause any customer (or prospective customer) of Bank or any subsidiary to whom you provided services or with whom you otherwise had contact to become a customer of any business other than Bank or a subsidiary.

(b) Exception. Subsection (a) above shall not preclude investments in a corporation whose stock is traded on a public market and of which you own less than one percent of the outstanding voting shares.

(c) Reasonableness of Covenant. You agree that the covenants contained in Subsection (a) above are reasonable and necessary to protect the confidentiality of the customer lists, the terms, conditions and nature of customer relationships, and other trade secrets and Confidential Information concerning Bank and its subsidiaries, acquired by you and to avoid actual or apparent conflicts of interest.

(vii) Injunctive Relief. Without limiting any remedies available to Bank, you acknowledge and agree that a breach of the covenants contained in subparagraphs (i) and (iii) through (vi) of this paragraph (a) will result in injury to Bank and it subsidiaries for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Bank shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining you from engaging in activities prohibited by subparagraphs (i) and (iii) through (vi) of this paragraph (a) or such other relief as may be required specifically to enforce any of the covenants in subparagraphs (i) and (iii) through (vi) of this paragraph (a).

(b) Definitions. For purposes of these covenants, the following terms shall have the following meanings:

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

Solicit means any action on your part which directly or indirectly involves your contacting any person for the purpose of inducing such person to become an employee of any company other than Bank or any of its subsidiaries.

**EXHIBIT 11**

# FIRST REPUBLIC BANK
## STATEMENT OF COMPUTATION OF EARNINGS PER COMMON SHARE

| (in thousands, except per share amounts) | Quarter Ended June 30, 2015 | Quarter Ended June 30, 2014 | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| **Basic EPS:** | | | | |
| Net income | $ 131,345 | $ 120,832 | $ 247,257 | $ 235,536 |
| Less: Dividends on preferred stock | 14,411 | 13,889 | 28,300 | 27,778 |
| Net income available to common shareholders | $ 116,934 | $ 106,943 | $ 218,957 | $ 207,758 |
| Weighted average common shares outstanding | 141,927 | 137,279 | 140,276 | 135,091 |
| Net income per common share—basic | $ 0.82 | $ 0.78 | $ 1.56 | $ 1.54 |
| **Diluted EPS:** | | | | |
| Net income available to common shareholders | $ 116,934 | $ 106,943 | $ 218,957 | $ 207,758 |
| Weighted average shares: | | | | |
| Common shares outstanding | 141,927 | 137,279 | 140,276 | 135,091 |
| Dilutive effect of stock options | 3,270 | 3,856 | 3,335 | 3,910 |
| Dilutive effect of restricted stock awards, restricted stock units and performance share units | 516 | 338 | 539 | 391 |
| Weighted average diluted common shares outstanding | 145,713 | 141,473 | 144,150 | 139,392 |
| Net income per common share—diluted | $ 0.80 | $ 0.76 | $ 1.52 | $ 1.49 |

**EXHIBIT 12**

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

| | Quarter Ended | | Six Months Ended | | Year Ended | | | | Six Months Ended | |
|---|---|---|---|---|---|---|---|---|---|---|
| **($ in thousands)** | **June 30, 2015** | **June 30, 2014** | **June 30, 2015** | **June 30, 2014** | **December 31, 2014** | **December 31, 2013** | **December 31, 2012** | **December 31, 2011** | **December 31, 2010** | **June 30, 2010** |
| **Earnings before adjustment for fixed charges:** | | | | | | | | | | |
| Income before income taxes and noncontrolling interest in subsidiaries | $ 175,180 | $ 165,523 | $ 330,558 | $ 322,652 | $ 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 | $ 175,180 | $ 165,523 | $ 330,558 | $ 322,652 | $ 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 | $ 22,348 | $ 22,272 | $ 45,244 | $ 43,649 | $ 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 | 5,704 | 4,469 | 10,626 | 9,060 | 18,733 | 17,658 | 16,777 | 12,884 | 5,653 | 6,113 |
| Total fixed charges, excluding interest on deposits | 28,052 | 26,741 | 55,870 | 52,709 | 110,528 | 88,684 | 89,858 | 54,608 | 18,642 | 15,541 |
| Preferred stock dividend requirements | 25,062 | 24,155 | 49,217 | 48,310 | 96,619 | 70,732 | 32,597 | — | — | — |
| Fixed charges and preferred stock dividend requirements | $ 53,114 | $ 50,896 | $ 105,087 | $ 101,019 | $ 207,147 | $ 159,416 | $ 122,455 | $ 54,608 | $ 18,642 | $ 15,541 |
| Earnings, including fixed charges | $ 203,232 | $ 192,264 | $ 386,428 | $ 375,361 | $ 780,411 | $ 752,243 | $ 675,329 | $ 611,486 | $ 258,147 | $ 239,754 |
| **Ratio of earnings to fixed charges** | 7.24x | 7.19x | 6.92x | 7.12x | 7.06x | 8.48x | 7.52x | 11.20x | 13.85x | 15.43x |
| **Ratio of earnings to fixed charges and preferred stock dividend requirements** | 3.83x | 3.78x | 3.68x | 3.72x | 3.77x | 4.72x | 5.51x | 11.20x | 13.85x | 15.43x |
| II. Including interest on deposits: | | | | | | | | | | |
| Interest on borrowings | $ 22,348 | $ 22,272 | $ 45,244 | $ 43,649 | $ 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 | 5,704 | 4,469 | 10,626 | 9,060 | 18,733 | 17,658 | 16,777 | 12,884 | 5,653 | 6,113 |
| Interest on deposits | 14,543 | 14,818 | 28,531 | 30,049 | 60,454 | 60,817 | 56,981 | 83,268 | 45,116 | 90,339 |
| Total fixed charges, including interest on deposits | 42,595 | 41,559 | 84,401 | 82,758 | 170,982 | 149,501 | 146,839 | 137,876 | 63,758 | 105,880 |
| Preferred stock dividend requirements | 25,062 | 24,155 | 49,217 | 48,310 | 96,619 | 70,732 | 32,597 | — | — | — |
| Fixed charges and preferred stock dividend requirements | $ 67,657 | $ 65,714 | $ 133,618 | $ 131,068 | $ 267,601 | $ 220,233 | $ 179,436 | $ 137,876 | $ 63,758 | $ 105,880 |
| Earnings, including fixed charges | $ 217,775 | $ 207,082 | 414,959 | 405,410 | $ 840,865 | $ 813,060 | $ 732,310 | $ 694,754 | $ 303,263 | $ 330,093 |
| **Ratio of earnings to fixed charges** | 5.11x | 4.98x | 4.92x | 4.90x | 4.92x | 5.44x | 4.99x | 5.04x | 4.76x | 3.12x |
| **Ratio of earnings to fixed charges and preferred stock dividend requirements** | 3.22x | 3.15x | 3.11x | 3.09x | 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: August 6, 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: August 6, 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 June 30, 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: August 6, 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 June 30, 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: August 6, 2015

/s/ Michael J. Roffler

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