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, 2016

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 29, 2016 was 149,841,800.

FIRST REPUBLIC BANK
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

FIRST REPUBLIC BANK
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share amounts)	June 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$ 1,564,057	$ 1,131,110
Securities purchased under agreements to resell	100	100
Investment securities available-for-sale	1,482,765	2,910,801
Investment securities held-to-maturity (fair value of $10,846,412 and $7,893,024 at June 30, 2016 and December 31, 2015, respectively)	10,110,596	7,540,678
Loans	47,607,606	44,083,569
Less: Allowance for loan losses	(278,731)	(261,058)
Loans, net	47,328,875	43,822,511
Loans held for sale	438,911	48,681
Investments in life insurance	1,238,646	1,168,596
Tax credit investments	1,058,761	1,006,836
Prepaid expenses and other assets	971,136	817,410
Premises, equipment and leasehold improvements, net	181,647	172,008
Goodwill	171,616	171,616
Other intangible assets	124,354	137,400
Mortgage servicing rights	57,203	53,538
Other real estate owned	1,196	—
Total Assets	$ 64,729,863	$ 58,981,285
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking	$ 19,586,815	$ 18,252,007
Interest-bearing checking	12,866,658	12,027,363
Money market checking	6,511,313	5,756,821
Money market savings and passbooks	7,701,456	7,270,396
Certificates of deposit	4,495,001	4,586,878
Total Deposits	51,161,243	47,893,465
Short-term borrowings	950,000	100,000
Long-term FHLB advances	5,050,000	4,000,000
Senior notes	397,555	397,159
Debt related to variable interest entities	27,199	29,643
Other liabilities	837,653	855,335
Total Liabilities	58,423,650	53,275,602
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 1,139,525 and 989,525 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	1,139,525	989,525
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 149,722,408 and 146,109,790 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	1,497	1,461
Additional paid-in capital	2,959,168	2,770,265
Retained earnings	2,192,313	1,949,652
Accumulated other comprehensive income (loss)	13,710	(5,220)
Total Shareholders' Equity	6,306,213	5,705,683
Total Liabilities and Shareholders' Equity	$ 64,729,863	$ 58,981,285

See accompanying notes to financial statements.

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

($ in thousands, except per share amounts)	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Interest income:				
Loans	$ 383,431	$ 333,966	$ 751,681	$ 655,841
Investments	91,653	63,412	177,041	120,771
Other	2,931	13,811	5,746	18,375
Cash and cash equivalents	1,397	766	4,497	1,871
Total interest income	479,412	411,955	938,965	796,858
Interest expense:				
Deposits	16,390	14,543	32,898	28,531
Borrowings	21,404	22,348	40,134	45,244
Total interest expense	37,794	36,891	73,032	73,775
Net interest income	441,618	375,064	865,933	723,083
Provision for loan losses	14,200	17,005	18,692	28,892
Net interest income after provision for loan losses	427,418	358,059	847,241	694,191
Noninterest income:				
Investment management fees	55,168	43,502	107,928	84,713
Brokerage and investment fees	7,230	4,407	15,090	8,106
Trust fees	2,991	2,501	5,976	4,886
Foreign exchange fee income	5,244	5,023	10,562	10,171
Deposit fees	5,122	4,870	10,080	9,499
Gain on sale of loans	822	3,476	2,225	5,288
Loan servicing fees, net	3,512	2,923	7,261	6,153
Loan and related fees	3,498	3,428	6,738	6,149
Income from investments in life insurance	9,513	8,451	18,539	17,630
Gain (loss) on investment securities, net	(187)	1,112	3,081	1,412
Other income	544	543	1,227	1,148
Total noninterest income	93,457	80,236	188,707	155,155
Noninterest expense:				
Salaries and employee benefits	183,281	138,758	369,198	278,706
Information systems	36,170	28,282	71,207	54,134
Occupancy	28,269	27,533	55,917	53,105
Professional fees	12,105	20,048	25,476	39,561
FDIC assessments	9,800	8,700	19,400	17,050
Advertising and marketing	8,257	6,564	15,447	11,778
Amortization of intangibles	6,386	4,941	13,047	10,096
Other expenses	35,814	28,289	69,584	54,358
Total noninterest expense	320,082	263,115	639,276	518,788
Income before provision for income taxes	200,793	175,180	396,672	330,558
Provision for income taxes	35,796	43,835	74,180	83,301
Net income	164,997	131,345	322,492	247,257
Dividends on preferred stock	17,376	14,411	33,836	28,300
Net income available to common shareholders	$ 147,621	$ 116,934	$ 288,656	$ 218,957
Net income	$ 164,997	$ 131,345	$ 322,492	$ 247,257
Other comprehensive income, net of tax:				
Net unrealized gain (loss) on securities available-for-sale	3,434	(5,787)	21,167	(175)
Reclassification of (gain) loss on securities available-for-sale to net income	107	(639)	(1,767)	(812)
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	(442)	—	(470)	—
Reclassification of loss on cash flow hedges to net income	—	—	—	19
Other comprehensive income (loss)	3,099	(6,426)	18,930	(968)
Comprehensive income	$ 168,096	$ 124,919	$ 341,422	$ 246,289
Basic earnings per common share	$ 1.00	$ 0.82	$ 1.97	$ 1.56
Diluted earnings per common share	$ 0.97	$ 0.80	$ 1.90	$ 1.52
Dividends per common share	$ 0.16	$ 0.15	$ 0.31	$ 0.29

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(in thousands, except share amounts)	Common Stock Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 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**
Balance at December 31, 2015	**146,109,790**	**$ 989,525**	**$ 1,461**	**$ 2,770,265**	**$ 1,949,652**	**$ (5,220)**	**$ 5,705,683**
Net income	—	—	—	—	322,492	—	322,492
Other comprehensive income	—	—	—	—	—	18,930	18,930
Issuance of preferred stock, net	—	150,000	—	(4,816)	—	—	145,184
Issuance of common stock, net	2,875,000	—	29	202,137	—	—	202,166
Stock compensation expense	—	—	—	22,797	—	—	22,797
Net issuance of common stock under stock plans	737,618	—	7	(31,215)	—	—	(31,208)
Dividends on preferred stock	—	—	—	—	(33,836)	—	(33,836)
Dividends on common stock	—	—	—	—	(45,995)	—	(45,995)
Balance at June 30, 2016	**149,722,408**	**$ 1,139,525**	**$ 1,497**	**$ 2,959,168**	**$ 2,192,313**	**$ 13,710**	**$ 6,306,213**

See accompanying notes to financial statements.

FIRST REPUBLIC BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Six Months Ended June 30, 2016	2015
Operating Activities:		
Net income	$ 322,492	$ 247,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	18,692	28,892
Accretion of loan discounts	(14,957)	(23,830)
Depreciation and amortization	35,123	30,047
Amortization of mortgage servicing rights	5,962	6,253
Loans originated for sale	(289,323)	(368,188)
Proceeds from sales and principal repayments of loans held for sale	234,765	442,067
Deferred income taxes	30,402	11,090
Gain on sale of loans	(2,225)	(5,288)
Gain on investment securities, net	(3,081)	(1,412)
Other net (gains) losses	911	(4)
Noncash cost of stock plans	22,797	14,909
Excess tax benefits on stock compensation	—	(16,462)
Increase in other assets	(99,662)	(33,711)
Decrease in other liabilities	(32,767)	(38,302)
Net Cash Provided by Operating Activities	229,129	293,318
Investing Activities:		
Loan originations, net of principal collections	(5,022,829)	(4,125,548)
Loans purchased	(113,662)	(81,362)
Loans sold	1,174,664	1,035,735
Purchases of securities available-for-sale	(613,000)	(778,982)
Proceeds from sales of securities available-for-sale	1,352,633	893,954
Proceeds from paydowns of securities available-for-sale	59,451	97,334
Purchases of securities held-to-maturity	(2,685,063)	(1,438,433)
Proceeds from sales, calls and paydowns of securities held-to-maturity	897,135	168,280
Purchases of FHLB stock	(83,160)	—
Proceeds from redemptions of FHLB stock	17,078	57,347
Purchases of investments in life insurance	(51,371)	—
Net change in securities purchased under agreements to resell	—	(3,150)
Net change in tax credit investments	(92,771)	(73,953)
Additions to premises, equipment and leasehold improvements, net	(35,733)	(21,254)
Proceeds from sales of other assets	—	16
Net Cash Used for Investing Activities	(5,196,628)	(4,270,016)
Financing Activities:		
Net increase in deposits	3,266,339	4,756,565
Net increase in short-term borrowings	850,000	100,000
Proceeds from long-term FHLB advances	1,250,000	—
Repayment of long-term FHLB advances	(200,000)	(550,000)
Decrease in debt related to variable interest entities	(2,444)	(4,931)
Net proceeds from issuance of preferred stock	145,184	96,590
Net proceeds from issuance of common stock	202,166	203,286
Proceeds from issuance of common stock under employee stock purchase plan	3,959	2,850
Proceeds from stock options exercised	131	165
Excess tax benefits on stock compensation	—	16,462
Payments of employee taxes withheld from shared-based awards	(35,058)	(24,182)
Dividends on preferred stock	(33,836)	(28,300)
Dividends on common stock	(45,995)	(41,078)
Net Cash Provided by Financing Activities	5,400,446	4,527,427
Increase in Cash and Cash Equivalents	432,947	550,729
Cash and Cash Equivalents at the Beginning of Period	1,131,110	817,150
Cash and Cash Equivalents at the End of Period	$ 1,564,057	$ 1,367,879
Supplemental Disclosure of Cash Flow Items		
Cash paid during period:		
Interest	$ 72,735	$ 74,324
Income taxes	$ 46,138	$ 62,048
Transfer of loans to held for sale	$ 1,517,803	$ 1,005,904
Transfer of loans to securities available-for-sale	$ 109,707	$ 70,356
Transfer of securities from available-for-sale to held-to-maturity	$ 781,165	$ —
Transfer of repossessed assets from loans to other assets	$ 1,307	$ —

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 31 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, 2015, included in the Bank's Annual Report on Form 10-K filed with the FDIC (the "2015 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 management services through FRIM, which earns fee income from the management of equity, fixed income, balanced and alternative investments for its clients. First Republic Trust Company, a division of First Republic, and FRTC Delaware, provide trust and custody services. FRSC is a registered broker-dealer that performs brokerage and investment activities for clients. The Bank offers money market mutual funds to clients through third-party providers and also conducts foreign exchange activities on behalf of customers.

Use of Estimates

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

Reclassifications

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

Accounting Standards Adopted in 2016

Amendments to ASC 718: In March 2016, the Financial Accounting Standards Board ("FASB") issued amendments to Accounting Standards Codification ("ASC") 718, "Compensation—Stock Compensation," which simplifies certain aspects of accounting for share-based payments. The amendments include the following:

- Excess tax benefits and deficiencies resulting from exercise or vesting of stock awards are recorded as income tax expense or benefit on the income statement, resulting in such items impacting net income. Previously, excess tax benefits and certain tax deficiencies were recorded in additional paid-in capital. This guidance is required to be applied prospectively upon adoption.
- For diluted earnings per share calculations, excess tax benefits are no longer included in assumed proceeds when determining average diluted shares outstanding under the treasury stock method, resulting in changes to average diluted shares outstanding. This guidance is required to be applied prospectively upon adoption.
- Excess tax benefits or deficiencies are included as income tax expense as discrete items in the period in which they occur, which impact the effective tax rate in each reporting period; however, these discrete items are not included in the projected annual effective tax rate calculation. This guidance is required to be applied prospectively upon adoption.
- Excess tax benefits are presented as cash flows from operating activities. Previously, excess tax benefits were included as a cash inflow from financing activities. This guidance may be applied either prospectively or retrospectively upon adoption. The Bank has elected to apply the guidance prospectively.
- Cash paid by an employer to taxing authorities when withholding shares for tax withholding purposes is presented as cash outflows from financing activities. Previously, there was no specific guidance on cash flow presentation, and these outflows were presented within cash flows from operating activities. This guidance is required to be applied retrospectively upon adoption.

The amendments are effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. Any adjustments from the amendments are required to be applied as of the beginning of the year of adoption. The Bank adopted this new guidance during the quarter ended June 30, 2016, and has retroactively applied the guidance effective as of January 1, 2016. None of the amendments under ASC 718 resulted in a cumulative effect adjustment to retained earnings as of January 1, 2016. The impact of the above amendments on the Bank's financial statements as of or for the quarter ended March 31, 2016 is presented in the table below:

(in thousands, except per share amounts)	As of or for the Quarter Ended March 31, 2016 As Previously Reported	As of or for the Quarter Ended March 31, 2016 As Reported Under New Guidance
Statement of Income		
Provision for income taxes	$ 47,013	$ 38,384
Net income	$ 148,866	$ 157,495
Net income available to common shareholders	$ 132,406	$ 141,035
Basic earnings per common share	$ 0.91	$ 0.97
Diluted earnings per common share	$ 0.88	$ 0.93
Weighted average diluted shares	149,719	151,701
Balance Sheet		
Additional paid-in capital	$ 2,773,255	$ 2,764,626
Retained earnings	$ 2,059,871	$ 2,068,500
Statement of Cash Flows		
Net cash provided by operating activities	$ 106,439	$ 127,769
Net cash provided by financing activities	$ 2,958,381	$ 2,937,051

The following table presents the impact of changes to the Bank's statement of cash flows for the six months ended June 30, 2015, as a result of changes in presentation for cash paid by an employer to taxing authorities when withholding shares for tax withholding purposes:

($ in thousands)	Six Months Ended June 30, 2015 As Previously Reported	Six Months Ended June 30, 2015 As Reported Under New Guidance
Statement of Cash Flows		
Net cash provided by operating activities	$ 269,136	$ 293,318
Net cash provided by financing activities	$ 4,551,609	$ 4,527,427

Other amendments under ASC 718 include changes to the tax rate an employer can withhold for income taxes on vested awards without triggering application of liability accounting, and accounting for forfeitures. There was no impact of the adoption of these amendments to the Bank's consolidated financial statements.

Other Accounting Standards: In addition to ASC 718, during the six months ended June 30, 2016, the Bank adopted the following accounting standards:

- 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. The adoption of this guidance did not have an impact on the Bank's consolidated financial statements.

- 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. In addition, the amendments require all software licenses to be capitalized and amortized over the estimated useful life of the software. The amendments are effective for interim and annual periods beginning after December 15, 2015 and the Bank has applied this guidance prospectively. The adoption of this guidance did not have a significant impact on the Bank's consolidated financial statements.

- In September 2015, the FASB issued amendments to ASC 805, "Business Combinations," which require that entities with adjustments related to a business combination recognize these measurement period adjustments in earnings in the period the adjustment is determined, rather than retrospectively adjusting prior period financial statements, which is the current requirement. The amendments are effective for interim and annual periods beginning after December 15, 2015, and are applied prospectively. The adoption of this guidance did not have an impact on the Bank's consolidated financial statements.

Recent Accounting Standards

The following standards 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. The 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 consolidated financial statements.

- 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 consolidated financial statements.

- In January 2016, the FASB issued ASC 825, "Recognition and Measurement of Financial Assets and Financial Liabilities," which revises certain aspects of the recognition, measurement, presentation and disclosure requirements related to financial assets and financial liabilities. The amendments require equity investments with readily determinable fair values to be measured at fair value, with changes in fair value recognized in net income. There are no changes to accounting for debt securities. In addition, the amendments require disclosure of fair value of financial instruments measured at amortized cost to be presented based on the exit price notion and require separate presentation of financial assets and financial liabilities by measurement category and form. The amendments are effective for interim and annual periods beginning after December 15, 2017 and are applied prospectively. The Bank is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

- In February 2016, the FASB issued ASC 842, "Leases," which replaces existing lease guidance. For lessees, ASC 842 requires leases that were previously classified as operating leases under existing GAAP to be recognized on the balance sheet. Lessees will recognize a lease liability for the liability to make lease payments, and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. For operating leases, ASC 842 does not significantly change the recognition or measurement of lease expense on the income statement, or the presentation on the statement of cash flows, compared to existing GAAP. Lessor accounting also remains relatively unchanged. Quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows from leases are also required. This guidance is effective for public companies for interim and annual periods beginning after December 15, 2018 and is applied using a modified retrospective approach. Early adoption is permitted. The Bank is currently evaluating the impact of this guidance on its consolidated financial statements. Upon adoption of this guidance, the Bank will record a lease liability and right-of-use asset on its consolidated balance sheets.

- In March 2016, the FASB issued amendments to ASC 323-10, "Investments—Equity Method and Joint Ventures," which simplifies how the equity method of accounting is applied when this method of accounting is triggered subsequent to the initial acquisition of an investment due to changes in ownership interests or other factors. The amendments require an investor to apply the equity method of accounting prospectively. Previously, such change in accounting was required to be applied retrospectively. The amendments are effective for interim and annual periods beginning 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 consolidated financial statements.

- In June 2016, the FASB issued ASC 326, "Financial Instruments—Credit Losses," which revises the methodology for estimating credit losses on loans receivable, held-to-maturity debt securities, unfunded loan commitments, and certain other financial assets measured at amortized cost. Under ASC 326, the current expected credit losses ("CECL") model is based on lifetime expected losses, rather than incurred losses, and requires the recognition of credit loss expense in the statement of income and a related allowance for credit losses on the balance sheet at the time of origination or purchase of a loan receivable or held-to-maturity debt security. Subsequent changes in this estimate are recorded through credit loss expense and related allowance. The CECL model requires the use of not only relevant historical experience and current conditions, but also reasonable and supportable forecasts of future events and circumstances, thus incorporating a broad range of information in developing credit loss estimates, which could result in significant changes to both the timing and amount of credit loss expense and allowance.

  Under ASC 326, available-for-sale debt securities are evaluated for impairment if fair value is less than amortized cost. Estimated credit losses are recorded if the present value of expected future cash flows is less than amortized cost, and are recorded through a credit loss expense and an allowance, rather than a write-down of the investment. Changes in fair value that are not credit-related will continue to be recorded in other comprehensive income.

  Certain additional disclosures are required, including further disaggregation of credit quality indicators for loans receivable by year of origination. This guidance is effective for public companies that are SEC filers for interim and annual periods beginning after December 15, 2019 and are applied using a modified retrospective approach, with certain aspects requiring a prospective approach (if applicable). Early adoption is permitted. The Bank is currently evaluating the impact of this guidance on its consolidated financial statements.

Note 2. Investment Securities

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

($ in thousands)	June 30, 2016 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Agency residential mortgage-backed securities ("MBS")	$ 59,486	$ 767	$ (233)	$ 60,020
Other residential MBS	9,496	—	(228)	9,268
Agency commercial MBS	1,349,973	15,372	—	1,365,345
Securities of U.S. states and political subdivisions—taxable	47,242	217	—	47,459
Marketable equity securities	480	193	—	673
Total	$ 1,466,677	$ 16,549	$ (461)	$ 1,482,765
Held-to-maturity:				
U.S. Government-sponsored agency securities	$ 842,663	$ 2,391	$ (15)	$ 845,039
Agency residential MBS	1,658,095	34,712	—	1,692,807
Other residential MBS	2,224	52	(53)	2,223
Agency commercial MBS	1,734,000	19,474	(386)	1,753,088
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	5,666,872	659,325	(5)	6,326,192
Tax-exempt nonprofit debentures	153,676	6,319	(97)	159,898
Taxable municipal securities	53,066	14,099	—	67,165
Total	$ 10,110,596	$ 736,372	$ (556)	$ 10,846,412

($ in thousands)	December 31, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury securities	$ 149,683	$ —	$ (292)	$ 149,391
Agency residential MBS	639,395	2,459	(1,749)	640,105
Other residential MBS	10,695	—	(184)	10,511
Agency commercial MBS	2,072,388	1,697	(11,406)	2,062,679
Securities of U.S. states and political subdivisions—taxable	47,238	198	—	47,436
Marketable equity securities	480	199	—	679
Total	$ 2,919,879	$ 4,553	$ (13,631)	$ 2,910,801
Held-to-maturity:				
U.S. Government-sponsored agency securities	$ 817,125	$ 370	$ (6,923)	$ 810,572
Agency residential MBS	1,830,353	3,347	(10,135)	1,823,565
Other residential MBS	2,482	34	(15)	2,501
Agency commercial MBS	109,365	451	—	109,816
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	4,573,397	350,487	(2,042)	4,921,842
Tax-exempt nonprofit debentures	154,865	6,346	(28)	161,183
Taxable municipal securities	53,091	10,454	—	63,545
Total	$ 7,540,678	$ 371,489	$ (19,143)	$ 7,893,024

During the quarter ended March 31, 2016, the Bank transferred $781.2 million of agency commercial MBS from the available-for-sale category to the held-to-maturity category. The transferred securities had a total unrealized gain (net of taxes) of $4.9 million in accumulated other comprehensive income on the date of transfer, which will be amortized into interest income over the remaining life of the securities.

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, 2016 and December 31, 2015, the carrying value of investment securities pledged was $5.4 billion and $3.7 billion, respectively, of which $349.8 million and $362.5 million of collateral was required to be pledged under such arrangements as of June 30, 2016 and December 31, 2015, respectively.

In addition, as of June 30, 2016, held-to-maturity tax-exempt municipal securities with a carrying value of $103.4 million and a fair value of $115.1 million have been sold under an agreement to repurchase ("repurchase agreement"). 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 the repurchase agreement was $100.0 million as of June 30, 2016, and matures in the second quarter of 2017. The Bank has nominal credit risk under this arrangement because of the requirement that the Bank maintain a specified collateral amount with its counterparty, 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, 2016						
	Less than 12 months		12 months or more		Total		
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Number of Securities
Available-for-sale:							
Agency residential MBS	$ (99)	$ 20,912	$ (134)	$ 8,652	$ (233)	$ 29,564	26
Other residential MBS	—	—	(228)	9,267	(228)	9,267	3
Total	$ (99)	$ 20,912	$ (362)	$ 17,919	$ (461)	$ 38,831	29
Held-to-maturity:							
U.S. Government-sponsored agency securities	$ (15)	$ 49,985	$ —	$ —	$ (15)	$ 49,985	2
Other residential MBS	(37)	1,160	(16)	401	(53)	1,561	4
Agency commercial MBS	(386)	25,250	—	—	(386)	25,250	1
Securities of U.S. states and political subdivisions:							
Tax-exempt municipal securities	(5)	902	—	—	(5)	902	2
Tax-exempt nonprofit debentures	(97)	28,694	—	—	(97)	28,694	2
Total	$ (540)	$ 105,991	$ (16)	$ 401	$ (556)	$ 106,392	11

	December 31, 2015						
	Less than 12 months		12 months or more		Total		
($ in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Number of Securities
Available-for-sale:							
U.S. Treasury securities	$ (292)	$ 149,391	$ —	$ —	$ (292)	$ 149,391	3
Agency residential MBS	(1,272)	371,532	(477)	8,746	(1,749)	380,278	25
Other residential MBS	(11)	957	(173)	9,554	(184)	10,511	3
Agency commercial MBS	(11,406)	1,546,645	—	—	(11,406)	1,546,645	38
Total	$ (12,981)	$2,068,525	$ (650)	$ 18,300	$ (13,631)	$2,086,825	69
Held-to-maturity:							
U.S. Government-sponsored agency securities	$ (6,923)	$ 617,500	$ —	$ —	$ (6,923)	$ 617,500	17
Agency residential MBS	(10,135)	1,442,115	—	—	(10,135)	1,442,115	39
Other residential MBS	(13)	1,714	(2)	72	(15)	1,786	4
Securities of U.S. states and political subdivisions:							
Tax-exempt municipal securities	(1,978)	153,844	(64)	4,902	(2,042)	158,746	34
Tax-exempt nonprofit debentures	(28)	7,084	—	—	(28)	7,084	1
Total	$ (19,077)	$2,222,257	$ (66)	$ 4,974	$ (19,143)	$2,227,231	95

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.

There were no other-than-temporary impairment charges on securities during the quarters and six months ended June 30, 2016 and 2015.

During the six months ended June 30, 2016, the Bank sold a tax-exempt municipal security from the held-to-maturity portfolio with a carrying value of $8.6 million. The sale was in response to the issuer's request to restructure a security owned by the Bank followed by an immediate purchase by the Bank of the newly issued security from the same issuer, and not due to a change in the issuer's credit rating.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2016	2015	2016	2015
Available-for-sale:				
Sales proceeds	$ 346,067	$ 351,987	$ 1,352,633	$ 893,954
Held-to-maturity:				
Sales proceeds	$ —	$ —	$ 8,614	$ —

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

($ in thousands)	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Available-for-sale:				
Gross realized gains on sales	$ 275	$ 1,479	$ 5,030	$ 2,181
Gross realized losses on sales	(462)	(367)	(1,957)	(769)
Held-to-maturity:				
Gross realized gains on sales	—	—	8	—
Total gain (loss) on investment securities, net	$ (187)	$ 1,112	$ 3,081	$ 1,412

The following table presents interest income on investment securities:

($ in thousands)	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Interest income on tax-exempt securities	$ 53,859	$ 39,551	$ 103,359	$ 75,742
Interest income on taxable securities	37,794	23,861	73,682	45,029
Total	$ 91,653	$ 63,412	$ 177,041	$ 120,771

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 their mortgage obligations, with or without penalties, prior to contractual maturity.

($ in thousands)	June 30, 2016 Amortized Cost	June 30, 2016 Fair Value	December 31, 2015 Amortized Cost	December 31, 2015 Fair Value
Available-for-sale:				
Due in one year or less	$ 102	$ 102	$ 50,112	$ 50,037
Due after one year through five years	11,218	11,412	105,919	105,701
Due after five years through ten years	433,453	434,945	255,889	254,833
Due after ten years	1,021,424	1,035,633	2,507,479	2,499,551
Total debt securities	$ 1,466,197	$ 1,482,092	$ 2,919,399	$ 2,910,122
Held-to-maturity:				
Due in one year or less	$ 40,019	$ 40,722	$ 33,550	$ 34,186
Due after one year through five years	193,774	211,732	139,352	151,446
Due after five years through ten years	374,956	382,280	700,021	699,998
Due after ten years	9,501,847	10,211,678	6,667,755	7,007,394
Total debt securities	$ 10,110,596	$ 10,846,412	$ 7,540,678	$ 7,893,024

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, 2016, approximately 52% of the total loan portfolio was secured by California real estate, compared to 53% at December 31, 2015. At June 30, 2016 and December 31, 2015, approximately 70% of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years.

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, 2016			
($ in thousands)	Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Single family (1-4 units)	$ 24,115,915	$ (62,840)	$ 72,632	$ 24,125,707
Home equity lines of credit	2,588,603	(5,567)	15,822	2,598,858
Multifamily (5+ units)	6,034,725	(6,642)	(8,394)	6,019,689
Commercial real estate	5,034,136	(13,788)	(9,416)	5,010,932
Single family construction	450,183	(177)	(1,673)	448,333
Multifamily/commercial construction	792,205	(59)	(5,796)	786,350
Total real estate mortgages	39,015,767	(89,073)	63,175	38,989,869
Business	6,397,488	(4,249)	(11,085)	6,382,154
Stock secured	780,434	—	1,346	781,780
Other secured	619,343	(31)	462	619,774
Unsecured loans and lines of credit	833,305	(176)	900	834,029
Total other loans	8,630,570	(4,456)	(8,377)	8,617,737
Total loans	$ 47,646,337	$ (93,529)	$ 54,798	$ 47,607,606
Less:				
Allowance for loan losses				(278,731)
Loans, net				47,328,875
Single family loans held for sale				438,911
Total				$ 47,767,786

	December 31, 2015			
($ in thousands)	Principal	Net Unaccreted Discount	Net Deferred Fees and Costs	Total
Single family (1-4 units)	$ 23,092,346	$ (70,892)	$ 66,881	$ 23,088,335
Home equity lines of credit	2,370,188	(6,404)	14,110	2,377,894
Multifamily (5+ units)	5,371,484	(7,463)	(8,516)	5,355,505
Commercial real estate	4,462,834	(18,418)	(8,783)	4,435,633
Single family construction	436,774	(278)	(2,101)	434,395
Multifamily/commercial construction	693,364	(59)	(6,647)	686,658
Total real estate mortgages	36,426,990	(103,514)	54,944	36,378,420
Business	6,232,378	(4,751)	(10,452)	6,217,175
Stock secured	521,005	—	984	521,989
Other secured	541,637	(37)	343	541,943
Unsecured loans and lines of credit	423,795	(197)	444	424,042
Total other loans	7,718,815	(4,985)	(8,681)	7,705,149
Total loans	$ 44,145,805	$ (108,499)	$ 46,263	$ 44,083,569
Less:				
Allowance for loan losses				(261,058)
Loans, net				43,822,511
Single family loans held for sale				48,681
Total				$ 43,871,192

The Bank had pledged $26.0 billion and $24.9 billion of loans to secure borrowings of $5.9 billion and $4.0 billion from the FHLB as of June 30, 2016 and December 31, 2015, respectively, although only approximately $6.6 billion and $4.5 billion of collateral, respectively, was required in connection with the outstanding FHLB advances.

Purchased Credit-Impaired Loans

At June 30, 2016 and December 31, 2015, purchased credit-impaired loans subject to ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality," had an unpaid principal balance of $59.8 million and $64.0 million, respectively, and a carrying value of $55.8 million and $59.0 million, respectively.

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)	**2016**	**2015**	**2016**	**2015**
Accretable yield:				
Balance at beginning of period	$ 6,223	$ 6,932	$ 5,890	$ 8,073
Accretion	(1,256)	(1,435)	(2,364)	(2,809)
Reclassification from nonaccretable difference for loans with improving cash flows	779	27	808	337
Increase in expected cash flows	(13)	1,935	1,399	2,001
Resolutions/payments in full	(471)	(136)	(471)	(279)
Balance at end of period	$ 5,262	$ 7,323	$ 5,262	$ 7,323

	At or for the Quarter Ended June 30,		At or for the Six Months Ended June 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
Allowance:				
Balance at beginning of period	$ 21	$ 91	$ 20	$ 168
Provision	—	30	1	30
Reversal of provision	(21)	(68)	(21)	(150)
Recoveries	—	9	—	14
Balance at end of period	$ —	$ 62	$ —	$ 62

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, 2016 and December 31, 2015. Of the loans on nonaccrual status, at June 30, 2016, $24.7 million were current, compared to $35.5 million at December 31, 2015.

The Bank has 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.

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, 2016								
Single Family (1-4 units):								
Purchased non-impaired	$ 1,603	$ 2,438	$ 689	$ 4,730	$ 2,048,660	$ 2,053,390	$ 451	$ 1,243
Purchased non-impaired that subsequently became impaired	—	1,543	7,827	9,370	11,617	20,987	—	16,276
Purchased credit-impaired	—	—	—	—	9,382	9,382	—	—
Originated post June 30, 2010 non-impaired	626	4,947	—	5,573	22,028,126	22,033,699	—	—
Originated post June 30, 2010 impaired	—	—	6,355	6,355	1,894	8,249	—	6,884
	2,229	8,928	14,871	26,028	24,099,679	24,125,707	451	24,403
Home Equity Lines of Credit:								
Purchased non-impaired	1,735	232	465	2,432	364,765	367,197	—	659
Purchased non-impaired that subsequently became impaired	2,897	—	1,994	4,891	3,472	8,363	—	5,869
Purchased credit-impaired	—	—	—	—	1,371	1,371	—	—
Originated post June 30, 2010 non-impaired	3,847	—	—	3,847	2,214,818	2,218,665	—	—
Originated post June 30, 2010 impaired	—	1,928	501	2,429	833	3,262	—	3,262
	8,479	2,160	2,960	13,599	2,585,259	2,598,858	—	9,790
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	223,425	223,425	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	—	301	301	—	301
Purchased credit-impaired	—	—	—	—	18,300	18,300	—	—
Originated post June 30, 2010 non-impaired	1,490	—	—	1,490	5,770,097	5,771,587	—	—
Originated post June 30, 2010 impaired	—	2,625	—	2,625	3,451	6,076	—	6,076
	1,490	2,625	—	4,115	6,015,574	6,019,689	—	6,377
Commercial Real Estate:								
Purchased non-impaired	—	—	—	—	313,081	313,081	—	—
Purchased non-impaired that subsequently became impaired	—	—	5,483	5,483	—	5,483	—	5,483
Purchased credit-impaired	—	—	—	—	11,835	11,835	—	—
Originated post June 30, 2010 non-impaired	2,500	319	—	2,819	4,677,019	4,679,838	—	319
Originated post June 30, 2010 impaired	695	—	—	695	—	695	—	—
	3,195	319	5,483	8,997	5,001,935	5,010,932	—	5,802
Single Family Construction:								
Purchased non-impaired	—	—	—	—	2,921	2,921	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	445,412	445,412	—	—
	—	—	—	—	448,333	448,333	—	—

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, 2016								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,167	1,167	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	785,183	785,183	—	—
	—	—	—	—	786,350	786,350	—	—
Business:								
Purchased non-impaired	—	146	60	206	311,153	311,359	—	640
Purchased credit-impaired	—	—	—	—	14,337	14,337	—	1,496
Originated post June 30, 2010 non-impaired	14	—	—	14	6,047,334	6,047,348	—	174
Originated post June 30, 2010 impaired	—	—	—	—	9,110	9,110	—	8,855
	14	146	60	220	6,381,934	6,382,154	—	11,165
Stock Secured:								
Purchased non-impaired	—	—	—	—	4,269	4,269	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	777,511	777,511	—	—
	—	—	—	—	781,780	781,780	—	—
Other Secured:								
Purchased non-impaired	—	—	—	—	12,392	12,392	—	—
Originated post June 30, 2010 non-impaired	—	15	—	15	607,367	607,382	—	—
	—	15	—	15	619,759	619,774	—	—
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	16	—	—	16	26,538	26,554	—	416
Purchased credit-impaired	—	—	—	—	554	554	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	806,921	806,921	—	—
	16	—	—	16	834,013	834,029	—	416
Total	$ 15,423	$ 14,193	$ 23,374	$ 52,990	$ 47,554,616	$ 47,607,606	$ 451	$ 57,953

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, 2015								
Single Family (1-4 units):								
Purchased non-impaired	$ 453	$ 2,320	$ 1,009	$ 3,782	$ 2,249,283	$ 2,253,065	$ —	$ 1,249
Purchased non-impaired that subsequently became impaired	—	—	4,327	4,327	18,290	22,617	—	15,596
Purchased credit-impaired	—	—	—	—	10,436	10,436	—	—
Originated post June 30, 2010 non-impaired	2,560	10,862	4,200	17,622	20,778,745	20,796,367	4,199	—
Originated post June 30, 2010 impaired	—	—	3,940	3,940	1,910	5,850	—	4,485
	3,013	13,182	13,476	29,671	23,058,664	23,088,335	4,199	21,330
Home Equity Lines of Credit:								
Purchased non-impaired	762	—	442	1,204	424,590	425,794	—	442
Purchased non-impaired that subsequently became impaired	—	3,008	1,678	4,686	5,079	9,765	—	8,009
Purchased credit-impaired	—	—	—	—	1,114	1,114	—	—
Originated post June 30, 2010 non-impaired	502	501	—	1,003	1,937,458	1,938,461	—	—
Originated post June 30, 2010 impaired	—	—	—	—	2,760	2,760	—	2,760
	1,264	3,509	2,120	6,893	2,371,001	2,377,894	—	11,211
Multifamily (5+ units):								
Purchased non-impaired	—	—	—	—	239,770	239,770	—	—
Purchased non-impaired that subsequently became impaired	—	—	—	—	2,714	2,714	—	706
Purchased credit-impaired	—	—	—	—	19,104	19,104	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	5,087,933	5,087,933	—	2,704
Originated post June 30, 2010 impaired	—	—	370	370	5,614	5,984	—	5,280
	—	—	370	370	5,355,135	5,355,505	—	8,690
Commercial Real Estate:								
Purchased non-impaired	—	—	—	—	374,109	374,109	—	—
Purchased non-impaired that subsequently became impaired	5,519	—	—	5,519	733	6,252	—	5,519
Purchased credit-impaired	—	—	—	—	12,584	12,584	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	4,042,688	4,042,688	—	—
	5,519	—	—	5,519	4,430,114	4,435,633	—	5,519
Single Family Construction:								
Purchased non-impaired	—	—	—	—	3,733	3,733	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	430,662	430,662	—	—
	—	—	—	—	434,395	434,395	—	—

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, 2015								
Multifamily/Commercial Construction:								
Purchased non-impaired	—	—	—	—	1,163	1,163	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	673,895	673,895	—	—
Originated post June 30, 2010 impaired	—	—	11,600	11,600	—	11,600	—	11,600
	—	—	11,600	11,600	675,058	686,658	—	11,600
Business:								
Purchased non-impaired	—	—	—	—	279,188	279,188	—	608
Purchased credit-impaired	—	—	—	—	15,253	15,253	—	1,730
Originated post June 30, 2010 non-impaired	440	—	—	440	5,908,971	5,909,411	—	290
Originated post June 30, 2010 impaired	—	—	6,136	6,136	7,187	13,323	—	12,098
	440	—	6,136	6,576	6,210,599	6,217,175	—	14,726
Stock Secured:								
Purchased non-impaired	—	—	—	—	4,283	4,283	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	517,706	517,706	—	—
	—	—	—	—	521,989	521,989	—	—
Other Secured:								
Purchased non-impaired	—	—	—	—	12,909	12,909	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	529,034	529,034	—	—
	—	—	—	—	541,943	541,943	—	—
Unsecured Loans and Lines of Credit:								
Purchased non-impaired	23	27	—	50	27,869	27,919	—	469
Purchased credit-impaired	—	—	—	—	549	549	—	—
Originated post June 30, 2010 non-impaired	—	—	—	—	395,574	395,574	—	—
	23	27	—	50	423,992	424,042	—	469
Total	$ 10,259	$ 16,718	$ 33,702	$ 60,679	$ 44,022,890	$ 44,083,569	$ 4,199	$ 73,545

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)	**2016**	**2015**	**2016**	**2015**
Actual interest income recognized	$ —	$ 14	$ —	$ 33
Interest income under original terms	$ 668	$ 578	$ 1,280	$ 1,013

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, 2016 and December 31, 2015:

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At June 30, 2016					
Single Family (1-4 units):					
Purchased non-impaired	$ 2,031,655	$ 4,935	$ 16,800	$ —	$ 2,053,390
Purchased non-impaired that subsequently became impaired	3,868	—	17,119	—	20,987
Purchased credit-impaired	9,382	—	—	—	9,382
Originated post June 30, 2010 non-impaired	22,024,304	2,002	7,393	—	22,033,699
Originated post June 30, 2010 impaired	1,366	—	6,883	—	8,249
	24,070,575	6,937	48,195	—	24,125,707
Home Equity Lines of Credit:					
Purchased non-impaired	361,657	1,253	4,287	—	367,197
Purchased non-impaired that subsequently became impaired	802	—	7,561	—	8,363
Purchased credit-impaired	1,371	—	—	—	1,371
Originated post June 30, 2010 non-impaired	2,217,797	—	868	—	2,218,665
Originated post June 30, 2010 impaired	—	—	3,262	—	3,262
	2,581,627	1,253	15,978	—	2,598,858
Multifamily (5+ units):					
Purchased non-impaired	217,753	—	5,672	—	223,425
Purchased non-impaired that subsequently became impaired	—	—	301	—	301
Purchased credit-impaired	11,869	6,431	—	—	18,300
Originated post June 30, 2010 non-impaired	5,769,961	—	1,626	—	5,771,587
Originated post June 30, 2010 impaired	—	—	6,076	—	6,076
	5,999,583	6,431	13,675	—	6,019,689
Commercial Real Estate:					
Purchased non-impaired	292,090	3,861	17,130	—	313,081
Purchased non-impaired that subsequently became impaired	—	—	5,483	—	5,483
Purchased credit-impaired	11,039	—	796	—	11,835
Originated post June 30, 2010 non-impaired	4,648,408	22,548	8,882	—	4,679,838
Originated post June 30, 2010 impaired	—	—	695	—	695
	4,951,537	26,409	32,986	—	5,010,932
Single Family Construction:					
Purchased non-impaired	—	—	2,921	—	2,921
Originated post June 30, 2010 non-impaired	445,412	—	—	—	445,412
	445,412	—	2,921	—	448,333
Multifamily/Commercial Construction:					
Purchased non-impaired	—	—	1,167	—	1,167
Originated post June 30, 2010 non-impaired	783,349	1,834	—	—	785,183
	783,349	1,834	1,167	—	786,350
Business:					
Purchased non-impaired	292,293	5,300	13,126	640	311,359
Purchased credit-impaired	12,843	—	1,494	—	14,337
Originated post June 30, 2010 non-impaired	6,039,340	5,340	2,502	166	6,047,348
Originated post June 30, 2010 impaired	—	—	9,110	—	9,110
	6,344,476	10,640	26,232	806	6,382,154
Stock Secured:					
Purchased non-impaired	4,269	—	—	—	4,269
Originated post June 30, 2010 non-impaired	777,511	—	—	—	777,511
	781,780	—	—	—	781,780
Other Secured:					
Purchased non-impaired	12,392	—	—	—	12,392
Originated post June 30, 2010 non-impaired	607,375	—	7	—	607,382
	619,767	—	7	—	619,774
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	26,138	—	—	416	26,554
Purchased credit-impaired	535	—	19	—	554
Originated post June 30, 2010 non-impaired	805,648	—	1,273	—	806,921
	832,321	—	1,292	416	834,029
Total	$ 47,410,427	$ 53,504	$ 142,453	$ 1,222	$ 47,607,606

Credit Quality Indicators:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At December 31, 2015					
Single Family (1-4 units):					
Purchased non-impaired	$ 2,235,191	$ 542	$ 17,332	$ —	$ 2,253,065
Purchased non-impaired that subsequently became impaired	4,021	—	18,596	—	22,617
Purchased credit-impaired	10,436	—	—	—	10,436
Originated post June 30, 2010 non-impaired	20,786,923	2,024	7,420	—	20,796,367
Originated post June 30, 2010 impaired	1,365	—	4,485	—	5,850
	23,037,936	2,566	47,833	—	23,088,335
Home Equity Lines of Credit:					
Purchased non-impaired	420,095	620	5,079	—	425,794
Purchased non-impaired that subsequently became impaired	802	—	8,963	—	9,765
Purchased credit-impaired	1,114	—	—	—	1,114
Originated post June 30, 2010 non-impaired	1,937,605	—	856	—	1,938,461
Originated post June 30, 2010 impaired	—	—	2,760	—	2,760
	2,359,616	620	17,658	—	2,377,894
Multifamily (5+ units):					
Purchased non-impaired	233,748	5,589	433	—	239,770
Purchased non-impaired that subsequently became impaired	—	2,008	706	—	2,714
Purchased credit-impaired	11,994	7,031	79	—	19,104
Originated post June 30, 2010 non-impaired	5,081,719	154	6,060	—	5,087,933
Originated post June 30, 2010 impaired	—	—	5,984	—	5,984
	5,327,461	14,782	13,262	—	5,355,505
Commercial Real Estate:					
Purchased non-impaired	355,973	3,595	14,541	—	374,109
Purchased non-impaired that subsequently became impaired	—	—	6,252	—	6,252
Purchased credit-impaired	11,774	—	810	—	12,584
Originated post June 30, 2010 non-impaired	4,023,976	11,440	7,272	—	4,042,688
	4,391,723	15,035	28,875	—	4,435,633
Single Family Construction:					
Purchased non-impaired	880	—	2,853	—	3,733
Originated post June 30, 2010 non-impaired	430,662	—	—	—	430,662
	431,542	—	2,853	—	434,395
Multifamily/Commercial Construction:					
Purchased non-impaired	—	—	1,163	—	1,163
Originated post June 30, 2010 non-impaired	663,289	10,606	—	—	673,895
Originated post June 30, 2010 impaired	—	—	11,600	—	11,600
	663,289	10,606	12,763	—	686,658
Business:					
Purchased non-impaired	260,752	8,093	9,734	609	279,188
Purchased credit-impaired	13,497	—	1,756	—	15,253
Originated post June 30, 2010 non-impaired	5,891,268	14,528	3,325	290	5,909,411
Originated post June 30, 2010 impaired	—	—	13,323	—	13,323
	6,165,517	22,621	28,138	899	6,217,175
Stock Secured:					
Purchased non-impaired	4,283	—	—	—	4,283
Originated post June 30, 2010 non-impaired	517,706	—	—	—	517,706
	521,989	—	—	—	521,989
Other Secured:					
Purchased non-impaired	12,909	—	—	—	12,909
Originated post June 30, 2010 non-impaired	529,025	—	9	—	529,034
	541,934	—	9	—	541,943
Unsecured Loans and Lines of Credit:					
Purchased non-impaired	27,450	—	—	469	27,919
Purchased credit-impaired	532	—	17	—	549
Originated post June 30, 2010 non-impaired	394,404	46	1,124	—	395,574
	422,386	46	1,141	469	424,042
Total	$ 43,863,393	$ 66,276	$ 152,532	$ 1,368	$ 44,083,569

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

As of June 30, 2016, the Bank had $1.2 million of residential real estate owned (acquired through foreclosure), compared to none at December 31, 2015.

The carrying amount of residential mortgage loans in the process of foreclosure was $6.4 million and $4.9 million at June 30, 2016 and December 31, 2015, respectively.

Allowance for Loan Losses

The Bank's allowance for loan losses is evaluated based on its five classes of loans: (1) purchased non-impaired; (2) purchased non-impaired that subsequently became impaired under ASC 310-10-35; (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 are subject to 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	Business	Stock Secured	Other Secured	Unsecured Loans and Lines of Credit	Unallocated	Total
At or for the Quarter Ended June 30, 2016												
Allowance for loan losses:												
Beginning balance	$ 29,018	$ 5,839	$ 26,221	$ 27,654	$ 633	$ 4,586	$ 86,782	$ 2,298	$ 7,158	$ 9,775	$ 65,615	$ 265,579
Provision (reversal of provision)	1,122	491	1,798	740	36	(151)	2,144	419	430	3,275	3,896	14,200
Charge-offs	(1,024)	(44)	—	—	—	—	(25)	—	—	(8)	—	(1,101)
Recoveries	3	26	—	—	—	—	6	—	—	18	—	53
Ending balance	$ 29,119	$ 6,312	$ 28,019	$ 28,394	$ 669	$ 4,435	$ 88,907	$ 2,717	$ 7,588	$ 13,060	$ 69,511	$ 278,731
At or for the Six Months Ended June 30, 2016												
Allowance for loan losses:												
Beginning balance	$ 27,614	$ 5,530	$ 25,416	$ 24,690	$ 644	$ 4,218	$ 92,568	$ 1,809	$ 6,610	$ 6,918	$ 65,041	$ 261,058
Provision (reversal of provision)	2,522	774	2,603	3,704	25	217	(3,650)	908	978	6,141	4,470	18,692
Charge-offs	(1,024)	(44)	—	—	—	—	(25)	—	—	(19)	—	(1,112)
Recoveries	7	52	—	—	—	—	14	—	—	20	—	93
Ending balance	$ 29,119	$ 6,312	$ 28,019	$ 28,394	$ 669	$ 4,435	$ 88,907	$ 2,717	$ 7,588	$ 13,060	$ 69,511	$ 278,731
Ending balance: purchased loans evaluated collectively for impairment	$ 902	$ 297	$ 289	$ 1,153	$ 133	$ 2	$ 2,406	$ —	$ —	$ 416	$ —	$ 5,598
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ —	$ 265	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 265
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 28,217	$ 5,700	$ 27,599	$ 27,241	$ 536	$ 4,433	$ 86,316	$ 2,717	$ 7,588	$ 12,644	$ 69,511	$ 272,502
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ —	$ 50	$ 131	$ —	$ —	$ —	$ 185	$ —	$ —	$ —	$ —	$ 366
Loans:												
Ending balance	$ 24,125,707	$ 2,598,858	$ 6,019,689	$ 5,010,932	$ 448,333	$ 786,350	$ 6,382,154	$ 781,780	$ 619,774	$ 834,029		$ 47,607,606
Ending balance: purchased loans evaluated collectively for impairment	$ 2,053,390	$ 367,197	$ 223,425	$ 313,081	$ 2,921	$ 1,167	$ 311,359	$ 4,269	$ 12,392	$ 26,554		$ 3,315,755
Ending balance: purchased loans evaluated individually for impairment under ASC 310-10-35	$ 20,987	$ 8,363	$ 301	$ 5,483	$ —	$ —	$ —	$ —	$ —	$ —		$ 35,134
Ending balance: purchased credit-impaired loans evaluated individually for impairment	$ 9,382	$ 1,371	$ 18,300	$ 11,835	$ —	$ —	$ 14,337	$ —	$ —	$ 554		$ 55,779
Ending balance: loans originated post June 30, 2010 evaluated collectively for impairment	$ 22,033,699	$ 2,218,665	$ 5,771,587	$ 4,679,838	$ 445,412	$ 785,183	$ 6,047,348	$ 777,511	$ 607,382	$ 806,921		$ 44,173,546
Ending balance: loans originated post June 30, 2010 evaluated individually for impairment	$ 8,249	$ 3,262	$ 6,076	$ 695	$ —	$ —	$ 9,110	$ —	$ —	$ —		$ 27,392

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	Business	Stock Secured	Other 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	$ 1,055	$ 6,072	$ 4,343	$ 52,861	$ 219,216
Provision	1,215	522	1,149	988	70	1,102	5,963	231	292	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	$ 1,286	$ 6,364	$ 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	$ 984	$ 5,081	$ 4,145	$ 49,878	$ 207,342
Provision	1,282	128	1,799	2,835	32	1,275	11,320	302	1,283	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	$ 1,286	$ 6,364	$ 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	$ 1,286	$ 6,364	$ 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	$ 372,501	$ 538,962	$ 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	$ 4,281	$ 29,764	$ 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	$ 368,220	$ 509,198	$ 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

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, 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 based on historical utilization statistics specific to that portfolio segment. Construction commitments are assumed to be fully funded, since the construction projects are expected to be completed. Additionally, for unfunded commitments, the Bank applies a loss factor that is consistent with that applied against the funded balance for each portfolio segment. The reserve for unfunded commitments was $12.1 million and $12.4 million at June 30, 2016 and December 31, 2015, 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)	**2016**	**2015**	**2016**	**2015**
Average total loans for the period	$ 46,361,287	$ 39,684,421	$ 45,360,510	$ 38,866,411
Total loans at period end	$ 47,607,606	$ 40,965,853	$ 47,607,606	$ 40,965,853
Ratios:				
Net charge-offs to:				
Average total loans (annualized)	0.01%	0.00%	0.00%	0.00%
Allowance for loan losses to:				
Total loans	0.59%	0.58%	0.59%	0.58%
Nonaccrual loans	481.0%	422.2%	481.0%	422.2%

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, 2016		Six Months Ended June 30, 2016		At June 30, 2016						
					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	$ 10,179	$ 141	$ 10,290	$ 294	$ 9,382	$ 10,102	$ 9,382	$ 10,102	$ —	$ —	$ —
Purchased non-impaired that subsequently became impaired	21,094	48	21,477	108	20,987	21,614	20,987	21,614	—	—	—
Originated post June 30, 2010 impaired	9,022	12	7,475	13	8,249	8,214	8,249	8,214	—	—	—
	40,295	201	39,242	415	38,618	39,930	38,618	39,930	—	—	—
Home Equity Lines of Credit:											
Purchased credit-impaired	1,308	24	1,234	49	1,371	1,469	1,371	1,469	—	—	—
Purchased non-impaired that subsequently became impaired	9,227	42	9,420	61	8,363	8,442	6,582	6,640	1,781	1,802	265
Originated post June 30, 2010 impaired	3,257	1	3,045	3	3,262	3,305	2,762	2,805	500	500	50
	13,792	67	13,699	113	12,996	13,216	10,715	10,914	2,281	2,302	315
Multifamily (5+ units):											
Purchased credit-impaired	18,742	288	18,860	681	18,300	19,019	18,300	19,019	—	—	—
Purchased non-impaired that subsequently became impaired	401	—	530	—	301	301	301	301	—	—	—
Originated post June 30, 2010 impaired	7,140	—	6,232	—	6,076	6,076	3,451	3,451	2,625	2,625	131
	26,283	288	25,622	681	24,677	25,396	22,052	22,771	2,625	2,625	131
Commercial Real Estate:											
Purchased credit-impaired	12,027	575	12,262	834	11,835	12,548	11,835	12,548	—	—	—
Purchased non-impaired that subsequently became impaired	6,168	—	7,059	43	5,483	5,483	5,483	5,483	—	—	—
Originated post June 30, 2010 impaired	696	7	698	14	695	698	695	698	—	—	—
	18,891	582	20,019	891	18,013	18,729	18,013	18,729	—	—	—
Multifamily/Commercial Construction:											
Originated post June 30, 2010 impaired	—	—	3,086	—	—	—	—	—	—	—	—
Business:											
Purchased credit-impaired	14,615	225	15,040	497	14,337	15,960	14,337	15,960	—	—	—
Originated post June 30, 2010 impaired	9,917	6	10,849	90	9,110	9,111	7,879	7,879	1,231	1,232	185
	24,532	231	25,889	587	23,447	25,071	22,216	23,839	1,231	1,232	185
Unsecured Loans and Lines of Credit:											
Purchased credit-impaired	554	13	553	31	554	717	554	717	—	—	—
Total	$ 124,347	$ 1,382	$ 128,110	$ 2,718	$ 118,305	$ 123,059	$ 112,168	$ 116,900	$ 6,137	$ 6,159	$ 631

Impaired Loans:

	At December 31, 2015						
	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	$ 10,436	$ 11,270	$ 10,436	$ 11,270	$ —	$ —	$ —
Purchased non-impaired that subsequently became impaired	22,617	23,191	15,128	15,515	7,489	7,676	2
Originated post June 30, 2010 impaired	5,850	5,829	5,850	5,829	—	—	—
	38,903	40,290	31,414	32,614	7,489	7,676	2
Home Equity Lines of Credit:							
Purchased credit-impaired	1,114	1,233	1,114	1,233	—	—	—
Purchased non-impaired that subsequently became impaired	9,765	9,877	2,826	2,882	6,939	6,995	246
Originated post June 30, 2010 impaired	2,760	2,803	1,966	1,993	794	810	5
	13,639	13,913	5,906	6,108	7,733	7,805	251
Multifamily (5+ units):							
Purchased credit-impaired	19,104	19,967	19,104	19,967	—	—	—
Purchased non-impaired that subsequently became impaired	2,714	2,729	705	705	2,009	2,024	20
Originated post June 30, 2010 impaired	5,984	5,987	5,984	5,987	—	—	—
	27,802	28,683	25,793	26,659	2,009	2,024	20
Commercial Real Estate:							
Purchased credit-impaired	12,584	13,791	12,584	13,791	—	—	—
Purchased non-impaired that subsequently became impaired	6,252	6,254	5,519	5,519	733	735	16
	18,836	20,045	18,103	19,310	733	735	16
Multifamily/Commercial Construction:							
Originated post June 30, 2010 impaired	11,600	11,600	11,600	11,600	—	—	—
Business:							
Purchased credit-impaired	15,253	17,055	15,236	16,478	17	577	20
Originated post June 30, 2010 impaired	13,323	13,402	11,769	11,776	1,554	1,626	244
	28,576	30,457	27,005	28,254	1,571	2,203	264
Unsecured Loans and Lines of Credit:							
Purchased credit-impaired	549	723	549	723	—	—	—
Total	$ 139,905	$ 145,711	$ 120,370	$ 125,268	$ 19,535	$ 20,443	$ 553

Impaired Loans:

($ in thousands)	Quarter Ended June 30, 2015 Average Recorded Investment	Quarter Ended June 30, 2015 Interest Income Recognized	Six Months Ended June 30, 2015 Average Recorded Investment	Six Months Ended June 30, 2015 Interest Income Recognized
Single Family (1-4 units):				
Purchased credit-impaired	$ 10,517	$ 178	$ 10,753	$ 363
Purchased non-impaired that subsequently became impaired	25,746	57	25,870	171
Originated post June 30, 2010 impaired	7,712	15	5,601	31
	43,975	250	42,224	565
Home Equity Lines of Credit:				
Purchased credit-impaired	3,571	51	3,874	124
Purchased non-impaired that subsequently became impaired	10,240	19	9,525	39
Originated post June 30, 2010 impaired	5,323	—	6,384	—
	19,134	70	19,783	163
Multifamily (5+ units):				
Purchased credit-impaired	20,138	332	20,156	664
Purchased non-impaired that subsequently became impaired	2,734	37	1,562	49
Originated post June 30, 2010 impaired	1,102	7	1,110	15
	23,974	376	22,828	728
Commercial Real Estate:				
Purchased credit-impaired	25,529	525	25,765	1,007
Purchased non-impaired that subsequently became impaired	6,509	10	6,194	14
	32,038	535	31,959	1,021
Business:				
Purchased credit-impaired	21,077	361	21,663	669
Originated post June 30, 2010 impaired	4,130	—	2,737	1
	25,207	361	24,400	670
Unsecured Loans and Lines of Credit:				
Purchased credit-impaired	568	9	572	18
Originated post June 30, 2010 impaired	250	—	143	—
	818	9	715	18
Total	$ 145,146	$ 1,601	$ 141,909	$ 3,165

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, 2016			At December 31, 2015		
($ in thousands)	Restructured - Nonaccrual	Restructured - Accruing	Total	Restructured - Nonaccrual	Restructured - Accruing	Total
Single Family (1-4 units):						
Purchased non-impaired that subsequently became impaired	$ 6,906	$ 3,868	$ 10,774	$ 9,229	$ 4,021	$ 13,250
Purchased credit-impaired	—	2,831	2,831	—	2,762	2,762
Originated post June 30, 2010 impaired	—	1,366	1,366	—	1,366	1,366
	6,906	8,065	14,971	9,229	8,149	17,378
Home Equity Lines of Credit:						
Purchased non-impaired	—	267	267	—	267	267
Purchased non-impaired that subsequently became impaired	485	2,491	2,976	2,365	1,756	4,121
Purchased credit-impaired	—	126	126	—	134	134
Originated post June 30, 2010 impaired	2,762	—	2,762	2,760	—	2,760
	3,247	2,884	6,131	5,125	2,157	7,282
Multifamily (5+ units):						
Purchased non-impaired that subsequently became impaired	301	—	301	706	2,009	2,715
Purchased credit-impaired	—	649	649	—	876	876
Originated post June 30, 2010 impaired	—	—	—	370	—	370
	301	649	950	1,076	2,885	3,961
Commercial Real Estate:						
Purchased non-impaired	—	224	224	—	225	225
Purchased non-impaired that subsequently became impaired	5,483	—	5,483	5,519	610	6,129
	5,483	224	5,707	5,519	835	6,354
Business:						
Purchased credit-impaired	1,496	—	1,496	1,729	17	1,746
Originated post June 30, 2010 impaired	4,776	—	4,776	292	—	292
	6,272	—	6,272	2,021	17	2,038
Total	$ 22,209	$ 11,822	$ 34,031	$ 22,970	$ 14,043	$ 37,013

During the quarter and six months ended June 30, 2016 and 2015, troubled debt restructurings were primarily modified through payment deferrals and reductions in interest rate, both temporary and permanent. The following table summarizes the recorded investment in loans modified in troubled debt restructurings, by portfolio segment and by class, for modifications during the periods indicated:

Troubled Debt Restructurings:

($ in thousands)	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Multifamily (5+ units):				
Purchased non-impaired	$ —	$ —	$ —	$ 747
Business:				
Originated post June 30, 2010 impaired	4,799	—	4,799	—
Total	$ 4,799	$ —	$ 4,799	$ 747

The majority of the Bank's restructured loans are considered impaired and are evaluated individually for impairment under ASC 310-10-35. The resulting impairment, if any, would have an impact on the allowance for loan losses as a specific reserve and be measured under the same criteria as all other impaired loans. For those restructured loans that are purchased credit-impaired, any required allowance is evaluated based upon ASC 310-30. Certain restructured accruing loans may be deemed non-impaired and would therefore be evaluated for estimated losses under ASC 450. No loans defaulted during the quarter and six months ended June 30, 2016 or 2015 that were modified in the previous twelve months.

Note 4. Mortgage Banking Activities

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

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

($ in thousands)	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Total loans originated	$ 6,509,026	$ 5,848,043	$ 11,310,673	$ 10,097,073
Single family loans originated	$ 2,933,128	$ 2,436,464	$ 4,745,945	$ 4,134,907
Loans sold:				
Flow sales	$ 101,843	$ 232,322	$ 213,646	$ 359,975
Bulk sales	818,920	654,926	1,184,819	1,101,945
Total loans sold	$ 920,763	$ 887,248	$ 1,398,465	$ 1,461,920
Gain on sale of loans:				
Amount	$ 822	$ 3,476	$ 2,225	$ 5,288
Gain as a percentage of loans sold	0.09%	0.39%	0.16%	0.36%

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)	**2016**	**2015**	**2016**	**2015**
Loans serviced for others:				
Beginning balance	$ 10,653,859	$ 9,840,202	$ 10,531,418	$ 9,590,361
Loans sold	920,763	887,248	1,398,465	1,461,920
Repayments	(513,996)	(417,987)	(865,334)	(736,998)
Loans purchased	—	(4,125)	(3,923)	(4,125)
Loans repurchased	—	(370)	—	(6,190)
Ending balance	$ 11,060,626	$ 10,304,968	$ 11,060,626	$ 10,304,968
MSRs:				
Beginning balance	$ 54,225	$ 50,249	$ 53,538	$ 49,023
Additions due to new loans sold	6,110	5,776	9,642	9,957
Amortization expense	(3,132)	(3,336)	(5,962)	(6,253)
Reductions due to purchases	—	(3)	(15)	(3)
Reductions due to repurchases	—	(1)	—	(39)
Ending balance	$ 57,203	$ 52,685	$ 57,203	$ 52,685
Estimated fair value of MSRs	$ 81,643	$ 68,639	$ 81,643	$ 68,639
MSRs as a percent of loans serviced	0.52%	0.51%	0.52%	0.51%
Weighted average servicing fee collected for the period	0.25%	0.25%	0.25%	0.25%
MSRs as a multiple of weighted average servicing fee	2.05x	2.02x	2.05x	2.02x

There was no valuation allowance related to MSRs as of or during the quarters and six months ended June 30, 2016 and 2015.

The following table presents loan servicing fees:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
Contractually specified servicing fees	$ 6,644	$ 6,259	$ 13,223	$ 12,406
Late charges and ancillary fees, net of costs	$ 1,090	$ 1,142	$ 1,852	$ 1,928

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, 2016**	**December 31, 2015**
Fair value of MSRs	$ 81,643	$ 80,604
Weighted average prepayment speed (CPR)	14.2%	12.4%
Impact on fair value of 10% adverse change	$ (3,770)	$ (4,057)
Impact on fair value of 20% adverse change	$ (7,129)	$ (7,725)
Weighted average discount rate	12.9%	12.5%
Impact on fair value of 10% adverse change	$ (2,873)	$ (2,981)
Impact on fair value of 20% adverse change	$ (5,546)	$ (5,752)

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

Refer to Note 6, "Goodwill and Other Intangible Assets," for disclosures of the gross carrying value, accumulated amortization and estimated future amortization expense of MSRs.

Note 5. Variable Interest Entities

The Bank's involvement with VIEs includes its interests purchased in securitizations, tax credit investments and other 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, 2016 and December 31, 2015, 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 debt holders of the REMICs have no recourse to the Bank.

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.

In addition, as of June 30, 2016 and December 31, 2015, the Bank has variable interests in other investments, which are accounted for under the cost method and are not consolidated. 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, 2016		
	VIEs		
($ in thousands)	Not consolidated	Consolidated	Total
Assets:			
Investment securities held-to-maturity	$ 2,224	$ —	$ 2,224
Loans	—	51,405	51,405
Tax credit investments	1,058,761	—	1,058,761
Other investments	6,969	—	6,969
Total Assets	1,067,954	51,405	1,119,359
Liabilities:			
Debt	—	27,199	27,199
Unfunded commitments—tax credit investments	499,721	—	499,721
Unfunded commitments—other investments	3,918	—	3,918
Total Liabilities	503,639	27,199	530,838
Net Assets	$ 564,315	$ 24,206	$ 588,521

	December 31, 2015		
	VIEs		
($ in thousands)	Not consolidated	Consolidated	Total
Assets:			
Investment securities held-to-maturity	$ 2,482	$ —	$ 2,482
Loans	—	55,041	55,041
Tax credit investments	1,006,836	—	1,006,836
Other investments	6,969	—	6,969
Total Assets	1,016,287	55,041	1,071,328
Liabilities:			
Debt	—	29,643	29,643
Unfunded commitments—tax credit investments	489,522	—	489,522
Unfunded commitments—other investments	4,467	—	4,467
Total Liabilities	493,989	29,643	523,632
Net Assets	$ 522,298	$ 25,398	$ 547,696

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 $1.1 billion at June 30, 2016 and $1.0 billion at December 31, 2015.

Note 6. Goodwill and Other Intangible Assets

The following table presents the Bank's intangible assets and goodwill:

	June 30, 2016			December 31, 2015		
($ in thousands)	Gross Carrying Value	Accumulated Amortization	Carrying Value	Gross Carrying Value	Accumulated Amortization	Carrying Value
Intangible assets:						
Customer relationship intangibles	$ 133,100	$ (65,828)	$ 67,272	$ 133,100	$ (56,507)	$ 76,593
Core deposit intangibles	87,550	(73,368)	14,182	87,550	(69,643)	17,907
Trade name	42,900	—	42,900	42,900	—	42,900
Intangible assets (excluding MSRs)	$ 263,550	$ (139,196)	$ 124,354	$ 263,550	$ (126,150)	$ 137,400
MSRs, before valuation allowance	$ 104,305	$ (47,102)	$ 57,203	$ 94,799	$ (41,261)	$ 53,538
Goodwill	$ 171,616			$ 171,616		

The following table presents goodwill by business segment:

($ in thousands)	Commercial Banking	Wealth Management	Total
Balance as of December 31, 2014	$ 24,604	$ 81,945	$ 106,549
Additions due to Constellation Wealth Advisors asset purchase	—	65,067	65,067
Balance as of December 31, 2015 and June 30, 2016	$ 24,604	$ 147,012	$ 171,616

The following table presents the estimated future amortization for amortizable intangible assets as of June 30, 2016. The projections of amortization expense are based on existing asset balances as of June 30, 2016. Future amortization expense may vary from these projections.

($ in thousands)	Customer relationship intangibles	Core deposit intangibles	MSRs
July 1 - December 31, 2016	$ 8,662	$ 3,293	$ 6,360
2017	15,343	5,282	10,677
2018	12,703	3,545	8,435
2019	10,063	1,809	6,664
2020	7,504	253	5,264
2021	5,527	—	4,159

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. Short-term borrowings have an original maturity of one year or less. Long-term debt has an original maturity in excess of one year. The following table presents the carrying values, interest expense and components of short-term borrowings and long-term debt:

	Carrying Values		Interest Expense			
			Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	June 30, 2016	December 31, 2015	2016	2015	2016	2015
Short-term borrowings:						
Federal funds purchased	$ —	$ —	$ 11	$ 5	$ 11	$ 5
FHLB advances	850,000	—	1,549	119	1,555	119
Securities sold under agreements to repurchase	100,000	100,000	389	104	763	104
Total	950,000	100,000	1,949	228	2,329	228
Long-term debt:						
FHLB advances	5,050,000	4,000,000	16,746	19,421	32,390	39,611
Senior notes	397,555	397,159	2,573	2,567	5,145	5,135
Total	5,447,555	4,397,159	19,319	21,988	37,535	44,746
Other long-term debt:						
Debt related to VIEs	27,199	29,643	136	132	270	270
Total borrowings	$ 6,424,754	$ 4,526,802	$ 21,404	$ 22,348	$ 40,134	$ 45,244

Securities Sold under Agreements to Repurchase

As of June 30, 2016, securities sold under agreements to repurchase were $100.0 million. The repurchase agreement matures in the second quarter of 2017 and is collateralized by tax-exempt municipal securities.

FHLB Advances

FHLB advances may be either adjustable-rate in nature or fixed for a specific term. At June 30, 2016, the Bank had short-term FHLB advances of $850.0 million, which were repaid in July 2016. At June 30, 2016, all of the long-term FHLB advances were fixed-rate for a specific term. At June 30, 2016, the contractual maturities and weighted average contractual rates of long-term FHLB advances were as follows:

($ in thousands)	June 30, 2016	
FHLB advances maturing in:	Amount	Rate
July 1 - December 31, 2016	$ 750,000	1.60%
2017	1,450,000	1.49%
2018	1,475,000	1.61%
2019	1,175,000	1.38%
2020	—	—%
2021	200,000	1.50%
Total	$ 5,050,000	1.51%

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $201.2 million and $135.1 million at June 30, 2016 and December 31, 2015, respectively. At June 30, 2016 and December 31, 2015, the Bank was required to own FHLB stock at least equal to 2.7% of outstanding FHLB advances.

Senior Notes

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, the Bank recognizes all derivatives on the balance sheet at fair value. The Bank has elected to present its derivative assets and derivative liabilities on a gross basis on its balance sheet. 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 currently does not have any derivatives designated as hedging instruments.

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 Bank does retain credit risk, both to the customer and the financial institution counterparty, which is evaluated and managed by the Bank in the normal course of its operations. Management does not currently anticipate non-performance by any of the counterparties. The amounts presented in the table below include the foreign exchange contracts with both the 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:

($ in thousands)	June 30, 2016 Notional or Contractual Amount	June 30, 2016 Fair value Derivative Assets (1)	June 30, 2016 Fair value Derivative Liabilities (2)	December 31, 2015 Notional or Contractual Amount	December 31, 2015 Fair value Derivative Assets (1)	December 31, 2015 Fair value Derivative Liabilities (2)
Foreign exchange contracts	$ 2,501,087	$ 34,319	$ 39,413	$ 1,790,232	$ 40,093	$ 39,535
Interest rate contracts with borrowers	$ 83,782	406	—	$ 83,349	—	149
Forward loan sale commitments	$ 520,986	82	488	$ 131,819	149	—
Total		$ 34,807	$ 39,901		$ 40,242	$ 39,684

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

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

($ in thousands)	Total: Gross Amounts Recognized	Contracts Not Subject to Master Netting Arrangements: Gross Amounts Recognized	Contracts Subject to Master Netting Arrangements: Gross Amounts Recognized	Gross Amounts Offset on the Balance Sheet	Net Amounts Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet: Derivative Amount	Gross Amounts Not Offset on the Balance Sheet: Cash Collateral (1)	Net Amount
June 30, 2016								
Derivative assets:								
Foreign exchange contracts	$ 34,319	$ 14,483	$ 19,836	$ —	$ 19,836	$ 19,836	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 39,413	$ 14,463	$ 24,950	$ —	$ 24,950	$ 19,836	$ 5,114	$ —
December 31, 2015								
Derivative assets:								
Foreign exchange contracts	$ 40,093	$ 24,464	$ 15,629	$ —	$ 15,629	$ 15,629	$ —	$ —
Derivative liabilities:								
Foreign exchange contracts	$ 39,535	$ 14,101	$ 25,434	$ —	$ 25,434	$ 15,629	$ 9,805	$ —

(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.

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, which typically involve application of the lower-of-cost-or-market accounting or write-downs of individual assets. Nonrecurring fair value adjustments of loans held for sale, MSRs and other real estate owned result from the application of lower-of-cost-or-market accounting. 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.

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 estimated at June 30, 2016 and December 31, 2015 to reflect subsequent changes in market conditions; 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.

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.

Recurring Fair Value Measurements

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

Available-for-sale 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 is determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

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.

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, 2016			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities available-for-sale:				
Agency residential MBS	$ —	$ 60,020	$ —	$ 60,020
Other residential MBS	—	9,268	—	9,268
Agency commercial MBS	—	1,365,345	—	1,365,345
Securities of U.S. states and political subdivisions—taxable	—	—	47,459	47,459
Marketable equity securities	673	—	—	673
Derivative assets	—	34,807	—	34,807
Total	$ 673	$ 1,469,440	$ 47,459	$ 1,517,572
Liabilities:				
Derivative liabilities	$ —	$ 39,901	$ —	$ 39,901

	Fair Value Measurements on a Recurring Basis December 31, 2015			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investment securities available-for-sale:				
U.S. Treasury securities	$ 149,391	$ —	$ —	$ 149,391
Agency residential MBS	—	640,105	—	640,105
Other residential MBS	—	10,511	—	10,511
Agency commercial MBS	—	2,062,679	—	2,062,679
Securities of U.S. states and political subdivisions—taxable	—	—	47,436	47,436
Marketable equity securities	679	—	—	679
Derivative assets	—	40,242	—	40,242
Total	$ 150,070	$ 2,753,537	$ 47,436	$ 2,951,043
Liabilities:				
Derivative liabilities	$ —	$ 39,684	$ —	$ 39,684

There were no transfers in or out of Levels 1 and 2 in the quarter and six months ended June 30, 2016 and 2015.

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

($ in thousands)	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Available-for-sale securities of U.S. states and political subdivisions—taxable:				
Balance at beginning of period	$ 47,436	$ 47,431	$ 47,436	$ 47,521
Unrealized gains (losses) included in other comprehensive income	21	17	19	(75)
Accretion included in interest income	2	2	4	4
Balance at end of period	$ 47,459	$ 47,450	$ 47,459	$ 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, 2016 and 2015.

Nonrecurring Fair Value Measurements

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

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

Loans held for sale: The fair value of loans held for sale is derived from quoted market prices of loans with similar terms or actual prices at which loans were committed for sale.

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

Other real estate owned: Other real estate owned includes foreclosed properties securing mortgage loans. Fair value is generally based upon independent market prices or appraised values of the collateral.

The tables below present the assets measured at fair value on a nonrecurring basis that were held on the balance sheet at June 30, 2016 and December 31, 2015:

	Fair Value Measurements on a Nonrecurring Basis June 30, 2016			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Real estate secured mortgages	$ —	$ —	$ 6,849	$ 6,849
Other real estate owned	—	1,196	—	1,196
Total	$ —	$ 1,196	$ 6,849	$ 8,045

	Fair Value Measurements on a Nonrecurring Basis December 31, 2015			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Real estate secured mortgages	$ —	$ —	$ 5,409	$ 5,409

The following table presents losses related to nonrecurring fair value measurements. The 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)	2016	2015	2016	2015
Assets:				
Real estate secured mortgages	$ (68)	$ —	$ (68)	$ —
Other real estate owned	(197)	—	(197)	—
Total	$ (265)	$ —	$ (265)	$ —

Level 3 Inputs

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

	June 30, 2016			
($ in thousands)	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,459	Discounted cash flow	Liquidity risk yield premium	50 bps

	December 31, 2015			
($ in thousands)	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Available-for-sale securities of U.S. states and political subdivisions—taxable	$ 47,436	Discounted cash flow	Liquidity risk yield premium	50 bps

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

Fair Value of Financial Instruments

The following is a description of valuation methodologies used for estimating the fair value of financial instruments presented in the tables below.

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.

Held-to-maturity investment securities: The Bank uses quoted prices obtained through third-party valuation sources for its held-to-maturity securities. 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 is determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

Loans: 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 market and internal 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.

FHLB stock: FHLB stock has no trading market, is required as part of membership and is redeemable at par. FHLB stock is recorded at cost, which approximates fair value.

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.

Short-term FHLB advances: The fair value of short-term FHLB advances approximates the carrying amount reported on the balance sheet due to the short time between the origination of the instrument and its expected maturity.

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.

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, 2016				
	Carrying Amount	Fair Value			
($ in thousands)		Total	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 1,564,057	$ 1,564,057	$ 1,564,057	$ —	$ —
Securities purchased under agreements to resell	100	100	100	—	—
Investment securities held-to-maturity:					
U.S. Government-sponsored agency securities	842,663	845,039	—	845,039	—
Agency residential MBS	1,658,095	1,692,807	—	1,692,807	—
Other residential MBS	2,224	2,223	—	2,223	—
Agency commercial MBS	1,734,000	1,753,088	—	1,753,088	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	5,666,872	6,326,192	—	6,199,518	126,674
Tax-exempt nonprofit debentures	153,676	159,898	—	—	159,898
Taxable municipal securities	53,066	67,165	—	67,165	—
Loans, net:					
Real estate secured mortgages	38,861,116	38,456,067	—	24,096,776	14,359,291
Other loans	8,467,759	7,925,205	—	—	7,925,205
Loans held for sale	438,911	440,721	—	440,721	—
Investments in life insurance	1,238,646	1,238,646	—	—	1,238,646
MSRs	57,203	81,643	—	—	81,643
FHLB stock	201,150	201,150	—	—	201,150
Liabilities:					
Deposits:					
Deposits with no maturity	$ 46,666,242	$ 46,666,242	$ —	$46,666,242	$ —
Certificates of deposit	4,495,001	4,537,632	—	—	4,537,632
Short-term FHLB advances	850,000	850,000	—	850,000	—
Securities sold under agreements to repurchase	100,000	100,000	—	100,000	—
Long-term FHLB advances	5,050,000	5,095,326	—	5,095,326	—
Senior notes	397,555	405,168	—	405,168	—
Debt related to VIEs	27,199	24,169	—	24,169	—

	December 31, 2015				
	Carrying Amount	Fair Value			
($ in thousands)		Total	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 1,131,110	$ 1,131,110	$ 1,131,110	$ —	$ —
Securities purchased under agreements to resell	100	100	100	—	—
Investment securities held-to-maturity:					
U.S. Government-sponsored agency securities	817,125	810,572	—	810,572	—
Agency residential MBS	1,830,353	1,823,565	—	1,823,565	—
Other residential MBS	2,482	2,501	—	2,501	—
Agency commercial MBS	109,365	109,816	—	109,816	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	4,573,397	4,921,842	—	4,794,376	127,466
Tax-exempt nonprofit debentures	154,865	161,183	—	—	161,183
Taxable municipal securities	53,091	63,545	—	63,545	—
Loans, net:					
Real estate secured mortgages	36,261,361	35,684,948	—	22,963,339	12,721,609
Other loans	7,561,150	7,045,289	—	—	7,045,289
Loans held for sale	48,681	48,762	—	48,762	—
Investments in life insurance	1,168,596	1,168,596	—	—	1,168,596
MSRs	53,538	80,604	—	—	80,604
FHLB stock	135,068	135,068	—	—	135,068
Liabilities:					
Deposits:					
Deposits with no maturity	$ 43,306,587	$ 43,306,587	$ —	$ 43,306,587	$ —
Certificates of deposit	4,586,878	4,633,782	—	—	4,633,782
Securities sold under agreements to repurchase	100,000	100,000	—	100,000	—
Long-term FHLB advances	4,000,000	4,022,943	—	4,022,943	—
Senior notes	397,159	400,296	—	400,296	—
Debt related to VIEs	29,643	27,663	—	27,663	—

Note 10. Preferred Stock

At June 30, 2016, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 1,139,525 shares were issued and outstanding. Each share of preferred stock has a liquidation preference of $1,000. The following table presents the authorized, issued and outstanding shares for each series of the Bank's preferred stock:

(in thousands, except share amounts)	June 30, 2016	December 31, 2015
6.70% Noncumulative Perpetual Series A Preferred Stock—199,525 shares authorized, issued and outstanding	$ 199,525	$ 199,525
6.20% Noncumulative Perpetual Series B Preferred Stock—150,000 shares authorized, issued and outstanding	150,000	150,000
5.625% Noncumulative Perpetual Series C Preferred Stock—172,500 shares authorized; 150,000 shares issued and outstanding	150,000	150,000
5.50% Noncumulative Perpetual Series D Preferred Stock—200,000 shares authorized; 190,000 shares issued and outstanding	190,000	190,000
7.00% Noncumulative Perpetual Series E Preferred Stock—200,000 shares authorized, issued and outstanding	200,000	200,000
5.70% Noncumulative Perpetual Series F Preferred Stock—115,000 shares authorized; 100,000 shares issued and outstanding	100,000	100,000
5.50% Noncumulative Perpetual Series G Preferred Stock—172,500 shares authorized; 150,000 shares and no shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	150,000	—
Total	$ 1,139,525	$ 989,525

The Bank's preferred stock issuance activity for 2016 was as follows:

The 5.50% Noncumulative Perpetual Series G Preferred Stock ("Series G Preferred Stock") was issued on February 10, 2016. Net proceeds, after underwriting discounts and expenses, were approximately $145.2 million. The public offering consisted of 6,000,000 depositary shares, each representing a 1/40th interest in a share of the Series G Preferred Stock, at a public offering price of $25.00 per depositary share. The Series G Preferred Stock is redeemable at the option of the Bank, subject to required regulatory approvals, on or after March 30, 2021.

Dividends on each series of the Bank's preferred stock are paid each March 30, June 30, September 30 and December 30. The following table presents dividends paid on preferred stock:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2016	2015	2016	2015
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	1,425	522	2,850	522
5.50% Noncumulative Perpetual Series G Preferred Stock	2,062	—	3,208	—
Total	$ 17,376	$ 14,411	$ 33,836	$ 28,300

Note 11. Common Stock and Stock Plans

Common Stock

At June 30, 2016, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At June 30, 2016, the Bank had 149,722,408 shares issued and outstanding. During the second quarter of 2016, the Bank sold approximately 2.9 million new shares of common stock in an underwritten offering, which added approximately $202.2 million to common equity.

First Republic Bank Employee Stock Purchase Plan

Under the Bank's Employee Stock Purchase Plan (the "Purchase Plan"), the Bank is authorized to sell 2,000,000 shares of common stock to its full-time and part-time employees who are regularly employed for 20 hours or more per week. For 2016, employees could purchase shares of the Bank's common stock at 90% of the closing price of the common stock on the New York Stock Exchange on the date of purchase or the nearest prior trading day, subject to an annual limitation of common stock valued at $25,000. For the six months ended June 30, 2016, a total of 67,201 shares were sold to employees and compensation expense for the Purchase Plan was approximately $440,000.

First Republic Bank 2010 Omnibus Award Plan

Under the 2010 Omnibus Award Plan, as amended in 2012 and 2015 ("the Stock Award Plan"), the Bank is authorized to grant 21,427,273 shares of common stock in the form of stock options, stock appreciation rights, shares of restricted stock, restricted stock units or performance share units. The Bank has awarded stock options, restricted stock awards, restricted stock units and performance share units to its employees, officers and directors. Upon termination of service, unvested awards are generally forfeited. At June 30, 2016, the Bank had 721,373 shares reserved for future awards under the Stock Award Plan.

Stock Options

At June 30, 2016, the Bank had stock options outstanding, less forfeitures, of 5,699,324. Under the Bank's stock option agreements, the exercise price of each option equals the market price of the Bank's common stock at the grant date. Generally, stock options vest over a period of up to four years from the grant date and have a maximum contractual life of ten years. The Bank has granted options that have time vesting requirements ("Time Options"), performance vesting criteria ("Performance Options") and market vesting conditions ("Market Options"). All options were granted on or after July 1, 2010. As of June 30, 2016, all options are fully vested.

The following tables present information related to outstanding stock options:

	Time Options			
	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Options outstanding as of December 31, 2015	4,088,364	$15.01		
Granted	—	—		
Canceled or forfeited	—	—		
Exercised	(435,176)	$15.11		
Options outstanding as of June 30, 2016	3,653,188	$15.00	4.0 years	$ 200,876,498

	Performance Options			
	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Options outstanding as of December 31, 2015	2,329,144	$16.08		
Granted	—	—		
Canceled or forfeited	—	—		
Exercised	(283,008)	$16.42		
Options outstanding as of June 30, 2016	2,046,136	$16.03	4.1 years	$110,412,143

All Market Options were exercised as of December 31, 2015, therefore, none were outstanding as of June 30, 2016. At June 30, 2016, the weighted average exercise price of outstanding Time and Performance Options was $15.37 and the weighted average remaining contractual term was 4.0 years.

The intrinsic value of Time and Performance Options exercised was $37.9 million for the six months ended June 30, 2016. Stock option exercises are satisfied by issuing shares from the Bank's authorized shares. The number of shares of common stock issued from stock option exercises are generally net of shares withheld to pay the exercise price or taxes due upon the exercise.

Restricted Stock Units

The Bank has granted restricted stock units ("RSUs") to certain of its employees, officers and directors. Upon vesting, one share of common stock is issued from the Bank's authorized shares for each RSU. The number of shares of common stock issued at the time of vesting is generally net of shares withheld to pay taxes due upon vesting. Participants are entitled to dividends and voting rights only upon vesting.

RSUs have time-based vesting requirements ("Time RSUs") or both time-based and performance-based vesting requirements ("Performance RSUs"). RSUs generally vest 25% per annum over four years, however, certain RSUs vest evenly over a period that ranges from one year to five years from the date of grant. Performance RSUs vest over these periods, provided that certain performance criteria, such as return on average tangible common equity, are met, based on performance periods that are specified for each grant. The following table presents information related to Performance RSUs and Time RSUs:

	Performance RSUs			Time RSUs		
	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2015	1,388,869	$54.70		124,154	$37.07	
Granted	765,150	$70.51		633,577	$67.27	
Vested	(382,780)	$52.10		(118,679)	$37.24	
Canceled or forfeited	(52,175)	$55.53		(6,850)	$60.69	
Nonvested awards as of June 30, 2016	1,719,064	$62.29	3.4 years	632,202	$67.05	3.2 years

The total fair value of Performance RSUs and Time RSUs that vested in the six months ended June 30, 2016 was approximately $26.4 million and $8.4 million, respectively. No cash consideration was received in connection with the vesting of these awards.

Performance Share Units

The Bank has granted performance share units ("PSUs") to certain of its employees and officers. Upon vesting, one share of common stock is issued from the Bank's authorized shares for each PSU. The number of shares of common stock issued at the time of vesting is generally net of shares withheld to pay taxes due upon vesting. Participants are entitled to dividends and voting rights only upon vesting. Certain PSUs vest in full after three years, subject to achieving certain performance criteria, while other PSUs vest evenly over five years from the date of grant, provided that certain performance criteria are met. Performance criteria include metrics such as return on equity, return on average tangible common equity and the Tier 1 leverage ratio, and are based on performance periods that are specified for each grant. The following table presents information related to PSUs:

	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2015	522,500	$51.15	
Granted	322,500	$70.54	
Vested	(127,000)	$43.09	
Canceled or forfeited	—	—	
Nonvested awards as of June 30, 2016	718,000	$61.29	3.2 years

The total fair value of PSUs that vested in the six months ended June 30, 2016 was approximately $8.9 million. No cash consideration was received in connection with the vesting of these awards.

Restricted Stock Awards

The Bank previously granted restricted stock awards ("RSAs") to certain of its employees and officers. Upon grant, one share of common stock is issued from the Bank's authorized shares for each RSA. Upon vesting, common stock shares are transferred to the employee or officer. At the time of vesting, shares are generally withheld to pay the taxes due upon vesting. Participants are entitled to dividends and voting rights for all RSAs, regardless of whether the award has vested.

RSAs have time-based vesting requirements ("Time RSAs") or both time-based and performance-based vesting requirements ("Performance RSAs"). The majority of Performance RSAs generally vest on a quarterly basis through the end of 2019. Time RSAs and certain Performance RSAs generally vest 25% per annum over four years. Performance RSAs vest over these periods, provided that certain performance criteria are achieved, such as return on average tangible common equity, return on average tangible assets and nonperforming asset ratios, for performance periods that are specified for each grant. The following table presents information related to Performance RSAs and Time RSAs:

	Performance RSAs			Time RSAs		
	Number of Awards	**Weighted Average Grant Date Fair Value**	**Weighted Average Remaining Contractual Term**	**Number of Awards**	**Weighted Average Grant Date Fair Value**	**Weighted Average Remaining Contractual Term**
Nonvested awards as of December 31, 2015	220,000	$32.72		28,250	$31.50	
Granted	—	—		—	—	
Vested	(82,500)	$33.03		(28,250)	$31.50	
Canceled or forfeited	—	—		—	—	
Nonvested awards as of June 30, 2016	137,500	$32.54	2.7 years	—	—	—

The total fair value of Performance RSAs and Time RSAs that vested during the six months ended June 30, 2016 was $5.6 million and $1.9 million, respectively. No cash consideration was received in connection with the vesting of these awards.

Compensation Expense

The compensation cost of stock options is measured based on the estimated fair value of the options at the grant date using a Black-Scholes valuation model, and compensation expense is recognized over the requisite service period. As of June 30, 2016, all compensation costs related to stock options have been fully recognized. RSUs, PSUs and RSAs are valued at the closing market price of the Bank's common stock at the grant date, and compensation expense is recognized over the vesting period. The Bank accounts for forfeitures of stock awards in the period they occur.

The following tables present information regarding share-based compensation expense:

	June 30, 2016	
($ in thousands)	**Unrecognized Expense**	**Weighted Average Expected Recognition Period**
RSUs	$ 141,981	3.4 years
PSUs	35,775	3.7 years
RSAs	3,594	2.9 years
Total	$ 181,350	

	Quarter Ended June 30, 2016		Six Months Ended June 30, 2016	
($ in thousands)	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit
Stock Options	$ 28	$ 12	$ 115	$ 49
RSUs	9,548	4,057	15,778	6,705
PSUs	2,186	929	4,125	1,753
RSAs	1,070	455	2,339	994
Total	$ 12,832	$ 5,453	$ 22,357	$ 9,501

Excess Tax Benefits

During the second quarter of 2016, the Bank adopted the amendments to ASC 718, retroactively effective as of January 1, 2016. As a result of this new guidance, excess tax benefits from exercise or vesting of share-based awards are now included as a reduction in provision for income taxes in the period in which the exercise or vesting occurs. The following table presents excess tax benefits recognized, by award type:

	Quarter Ended June 30, 2016		Six Months Ended June 30, 2016	
($ in thousands)	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit
Stock Options	388,485	$ 8,021	718,184	$ 14,266
RSUs	391,709	3,380	501,459	4,641
PSUs	127,000	1,452	127,000	1,452
RSAs	31,250	531	110,750	1,654
Total	938,444	$ 13,384	1,457,393	$ 22,013

Note 12. Accumulated Other Comprehensive Income

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

	Quarter Ended June 30, 2015			Six Months Ended June 30, 2015				
($ in thousands)	**Securities Available-For-Sale**	**Securities Transferred from Available-For-Sale to Held-to-Maturity**	**Total**	**Securities Available-For-Sale**	**Securities Transferred from Available-For-Sale to Held-to-Maturity**	**Cash Flow Hedges**	**Total**	**Statement of Income Line Item for Reclassified Items**
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**	

	Quarter Ended June 30, 2016			Six Months Ended June 30, 2016				
($ in thousands)	**Securities Available-For-Sale**	**Securities Transferred from Available-For-Sale to Held-to-Maturity**	**Total**	**Securities Available-For-Sale**	**Securities Transferred from Available-For-Sale to Held-to-Maturity**	**Cash Flow Hedges**	**Total**	**Statement of Income Line Item for Reclassified Items**
Beginning balance	**$ 5,709**	**$ 4,902**	**$10,611**	**$ (5,220)**	**$ —**	**$ —**	**$ (5,220)**	
Net unrealized gain on securities available-for-sale	5,973	—	5,973	36,813	—	—	36,813	
Related tax effect	(2,539)	—	(2,539)	(15,646)	—	—	(15,646)	
Reclassification of gain (loss) on securities available-for-sale to net income	187	—	187	(3,073)	—	—	(3,073)	Gain (loss) on investment securities, net
Related tax effect	(80)	—	(80)	1,306	—	—	1,306	Provision for income taxes
Unrealized gains on securities transferred from available-for-sale to held-to-maturity	—	—	—	(8,574)	8,574	—	—	
Related tax effect	—	—	—	3,644	(3,644)	—	—	
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity	—	(769)	(769)	—	(819)	—	(819)	Interest on investments
Related tax effect	—	327	327	—	349	—	349	Provision for income taxes
Other comprehensive income (loss)	3,541	(442)	3,099	14,470	4,460	—	18,930	
Ending balance	**$ 9,250**	**$ 4,460**	**$13,710**	**$ 9,250**	**$ 4,460**	**$ —**	**$13,710**	

Note 13. Earnings Per Common Share ("EPS")

The Bank adopted the amendments to ASC 718 during the quarter ended June 30, 2016, retroactively effective as of January 1, 2016. Under this new guidance, excess tax benefits from exercise or vesting of share-based awards are recorded as a reduction in provision for income taxes in the quarter of exercise or vesting. In addition, excess tax benefits are no longer included in assumed proceeds when determining average diluted shares outstanding under the treasury stock method, resulting in changes to average diluted shares outstanding.

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)	**2016**	**2015**	**2016**	**2015**
Basic EPS:				
Net income	$ 164,997	$ 131,345	$ 322,492	$ 247,257
Less: Dividends on preferred stock	17,376	14,411	33,836	28,300
Net income available to common shareholders	$ 147,621	$ 116,934	$ 288,656	$ 218,957
Weighted average common shares outstanding	147,208	141,927	146,586	140,276
Net income per common share—basic	$ 1.00	$ 0.82	$ 1.97	$ 1.56
Diluted EPS:				
Net income available to common shareholders	$ 147,621	$ 116,934	$ 288,656	$ 218,957
Weighted average shares:				
Common shares outstanding	147,208	141,927	146,586	140,276
Dilutive effect of stock options	4,537	3,270	4,661	3,335
Dilutive effect of restricted stock awards, restricted stock units and performance share units	857	516	905	539
Weighted average diluted common shares outstanding	152,602	145,713	152,152	144,150
Net income per common share—diluted	$ 0.97	$ 0.80	$ 1.90	$ 1.52

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)	**2016**	**2015**	**2016**	**2015**
Restricted stock units and performance share units	300	—	169	154

Note 14. 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 (i) the investment management activities of FRIM, which manages assets for individuals and institutions in equities, fixed income, balanced and alternative investment accounts; (ii) First Republic Trust Company, a division of the Bank that offers personal trust and custody services; (iii) FRTC Delaware, a wholly-owned subsidiary of the Bank that provides personal trust and custody services; (iv) the Bank's mutual fund activities through third-party providers; (v) the brokerage activities of FRSC; and (vi) the Bank's foreign exchange activities conducted on behalf of customers. In addition, the wealth management segment is allocated a portion of interest income that is earned on deposits gathered by wealth management professionals, including sweep deposit accounts.

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

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

($ in thousands)	At or for the Quarter Ended June 30, 2016 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 427,253	$ 14,365	$ —	$ 441,618
Provision for loan losses	14,200	—	—	14,200
Noninterest income	22,551	76,965	(6,059)	93,457
Amortization of intangibles	1,809	4,577	—	6,386
Other noninterest expense	254,204	65,551	(6,059)	313,696
Income before provision for income taxes	179,591	21,202	—	200,793
Provision for income taxes	27,725	8,071	—	35,796
Segment net income	$ 151,866	$ 13,131	$ —	$ 164,997
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 64,324,510	$ 468,883	$ (63,530)	$ 64,729,863

($ in thousands)	At or for the Quarter Ended June 30, 2015 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

($ in thousands)	At or for the Six Months Ended June 30, 2016 Commercial Banking	Wealth Management	Reconciling Items	Total
Net interest income	$ 839,653	$ 26,280	$ —	$ 865,933
Provision for loan losses	18,692	—	—	18,692
Noninterest income	48,624	151,685	(11,602)	188,707
Amortization of intangibles	3,726	9,321	—	13,047
Other noninterest expense	507,130	130,701	(11,602)	626,229
Income before provision for income taxes	358,729	37,943	—	396,672
Provision for income taxes	59,259	14,921	—	74,180
Segment net income	$ 299,470	$ 23,022	$ —	$ 322,492
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 64,324,510	$ 468,883	$ (63,530)	$ 64,729,863

($ in thousands)	At or for the Six Months Ended June 30, 2015 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

The reconciling items for revenues include intercompany management fees related to the training and licensing of the Bank's licensed representatives by FRSC and fees for managing the Bank's investment portfolio by FRIM. 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 15. Concentration of Deposits

At June 30, 2016, approximately 1% of our deposit relationships hold approximately 44% of total deposits, compared to 43% at December 31, 2015.

Note 16. Subsequent Events

The Bank evaluated the effects of subsequent events that have occurred subsequent to the quarter ended June 30, 2016.

On August 1, 2016, the Bank completed a public offering of unsecured subordinated notes of $400 million. Net proceeds based on the public offering price, after underwriting discounts and estimated expenses, were approximately $387 million. The subordinated notes bear a contractual fixed rate of 4.375% and will mature on August 1, 2046.

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, 2015 (the "2015 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;
- Economic and market conditions affecting the valuation of our investment securities portfolio, which could result in other-than-temporary impairment if the general economy deteriorates, credit ratings decline, the financial condition of issuers deteriorates, interest rates increase or the liquidity for securities is limited;
- 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 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;
- Projections regarding costs, including the impact on our efficiency ratio;
- The regulatory environment in which we operate, our regulatory compliance and future regulatory requirements;
- 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;
- The impact of new accounting standards;
- Future Federal Deposit Insurance Corporation ("FDIC") special assessments or changes to regular assessments;
- Our ability to successfully execute on initiatives relating to enhancements of our technology infrastructure, including client-facing systems and applications; 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 2015 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, 2016	At or for the Quarter Ended June 30, 2015	At or for the Six Months Ended June 30, 2016	At or for the Six Months Ended June 30, 2015
Selected Financial Data:				
Interest income	$ 479,412	$ 411,955	$ 938,965	$ 796,858
Interest expense	37,794	36,891	73,032	73,775
Net interest income	441,618	375,064	865,933	723,083
Provision for loan losses	14,200	17,005	18,692	28,892
Net interest income after provision for loan losses	427,418	358,059	847,241	694,191
Noninterest income	93,457	80,236	188,707	155,155
Noninterest expense	320,082	263,115	639,276	518,788
Net income (1)	164,997	131,345	322,492	247,257
Dividends on preferred stock	17,376	14,411	33,836	28,300
Net income available to common shareholders (1)	$ 147,621	$ 116,934	$ 288,656	$ 218,957
Selected Ratios:				
Basic earnings per common share ("EPS") (1)	$ 1.00	$ 0.82	$ 1.97	$ 1.56
Diluted EPS (1)	$ 0.97	$ 0.80	$ 1.90	$ 1.52
Net income to average assets (1), (2)	1.05%	1.01%	1.04%	0.98%
Net income available to common shareholders to average common equity (1), (2)	11.84%	10.97%	11.79%	10.66%
Average total equity to average total assets	9.70%	9.99%	9.67%	9.91%
Dividends per common share	$ 0.16	$ 0.15	$ 0.31	$ 0.29
Dividend payout ratio	16.5%	18.7%	16.3%	19.1%
Book value per common share	$ 34.51	$ 30.03	$ 34.51	$ 30.03
Tangible book value per common share	$ 32.53	$ 28.58	$ 32.53	$ 28.58
Net interest margin (2), (3)	3.21%	3.30%	3.20%	3.26%
Core net interest margin (non-GAAP) (2), (3), (4)	3.16%	3.12%	3.14%	3.11%
Efficiency ratio (5)	59.8%	57.8%	60.6%	59.1%
Selected Asset Quality Ratios:				
Nonperforming assets to total assets	0.09%	0.11%	0.09%	0.11%
Net loan charge-offs to average total loans (2)	0.01%	0.00%	0.00%	0.00%
Capital Ratios:				
Tier 1 leverage ratio (6)	9.58%	9.86%	9.58%	9.86%
Common Equity Tier 1 ratio (6)	10.74%	10.87%	10.74%	10.87%
Tier 1 risk-based capital ratio (6)	13.23%	13.47%	13.23%	13.47%
Total risk-based capital ratio (6)	13.86%	14.13%	13.86%	14.13%

(1) During the second quarter of 2016, we adopted the amendments to Accounting Standards Codification ("ASC") 718 and have retroactively applied this guidance effective as of January 1, 2016. Certain amounts or ratios presented herein for 2016 periods reflect the adoption of this new guidance. See "—Current Accounting Developments" and Note 1, "Summary of Significant Accounting Policies—Accounting Standards Adopted in 2016," in "Item 1. Financial Statements" for additional information.

(2) Ratios are annualized.

(3) Calculated on a fully taxable-equivalent basis.

(4) For a reconciliation of the core net interest margin to its equivalent ratio under Generally Accepted Accounting Principles ("GAAP"), see "—Use of Non-GAAP Financial Measures."

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

(6) Ratios under the Basel III Capital Rules will be phased in through the end of 2018. See "—Capital Resources" for the fully phased-in ratios.

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 management, 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.

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, mortgage servicing rights, goodwill, identifiable intangible assets, fair value measurements, and income taxes. We base these estimates on our historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We consider these to be critical accounting policies because of the significance to our financial condition and results of operations and the difficult and subjective judgments, assumptions and estimates involved. Actual results may differ from these estimates under different assumptions or conditions. For a discussion of our critical accounting policies and estimates, refer to "—Critical Accounting Policies and the Impact of Accounting Estimates" in Item 7 of our 2015 Form 10-K.

Current Accounting Developments

First Republic Bank ("First Republic" or the "Bank") adopted the amendments to ASC 718, "Compensation—Stock Compensation," which simplifies certain aspects of accounting for share-based payments. The Bank adopted this new guidance during the quarter ended June 30, 2016, retroactively effective January 1, 2016. The most significant impact of the new guidance resulted in recognition of excess tax benefits within provision for income taxes, which resulted in an increase to net income and earnings per share. For further discussion, see Note 1, "Summary of Significant Accounting Policies—Accounting Standards Adopted in 2016," in "Item 1. Financial Statements."

For discussion of accounting standards recently issued but not yet effective, refer to Note 1, "Summary of Significant Accounting Policies—Recent Accounting Standards," in "Item 1. Financial Statements."

Key Factors Affecting Our Business and Financial Statements

Regulatory and Supervisory Matters

Our results of operations are affected by the regulatory environment and requirements imposed on us by regulators. The extensive regulation and supervision that govern our business continue to evolve as the legal and regulatory framework changes and as our business grows. As described in our 2015 Form 10-K under "Item 1. Business—Supervision and Regulation," the Dodd-Frank Act significantly restructured the financial regulatory regime in the United States.

In addition, financial institutions with greater than $50 billion in total consolidated assets are generally subject to enhanced supervision, both formally and informally, including heightened standards relating to capital stress testing, and the establishment and maintenance of a formal resolution plan and an enhanced Volcker Rule compliance program. We became such a financial institution as of September 30, 2015 based on our average of total consolidated assets over the previous four quarters. As such, we are now subject to the requirements and standards applicable to banks regulated by the FDIC and the California Department of Business Oversight's Division of Financial Institutions with greater than $50 billion in total consolidated assets. In response to the current operating environment, heightened expectations from regulators and the imposition of more stringent regulatory obligations as our business continues to grow, we have incurred and expect to continue to incur 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 are not applicable to us because we are a California-chartered, non-member bank without a bank holding company. Regardless of the applicability of these requirements and standards, we nevertheless continue to develop 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 requirements and standards and ensure our continued safety and soundness. Adhering to these self-imposed standards has resulted, and will continue to result, in costs similar to those described above.

As described in our 2015 Form 10-K under "Item 1. Business—Supervision and Regulation—"De Novo" Banking Institution," our status as a "de novo" banking institution with the FDIC was previously in effect, with certain regulatory conditions applicable to us through June 30, 2017. On April 6, 2016, the FDIC announced the rescission of Financial Institution Letter 50-2009, "Enhanced Supervisory Procedures for Newly Insured FDIC-Supervised Depository Institutions," which imposed a seven-year de novo period for newly organized, state nonmember institutions. As a result of such rescission, we were formally notified on May 4, 2016 that we are no longer considered a de novo banking institution by the FDIC and are no longer subject to the corresponding regulatory conditions previously in effect.

Financial Highlights

Our total assets were $64.7 billion at June 30, 2016, compared to $53.1 billion at June 30, 2015, a 22% increase.

At June 30, 2016, total investment securities were $11.6 billion, a 49% increase compared to $7.8 billion at June 30, 2015. Total investment securities represented 18% of total assets at June 30, 2016, compared to 15% at June 30, 2015. The increase in investments securities was primarily due to an increase in investments that are considered high-quality liquid assets ("HQLA") from a regulatory perspective and in municipal securities. Our holdings of assets that are considered HQLA from a regulatory perspective, including eligible cash, totaled $6.3 billion at June 30, 2016, compared to $4.1 billion at June 30, 2015.

At June 30, 2016, loans outstanding, excluding loans held for sale, were $47.6 billion, a 16% increase, compared to $41.1 billion at June 30, 2015. Our single family mortgage loans, including loans held for sale and home equity lines of credit ("HELOCs"), were $27.1 billion and represented 56% of total loans at June 30, 2016, compared to $24.2 billion, or 59% of total loans at June 30, 2015.

Loan origination volume was $6.5 billion for the second quarter of 2016, compared to $5.8 billion for the second quarter of 2015, an increase of 11%, primarily due to an increase in originations of single family loans and HELOCs, unsecured, stock and other secured and multifamily loans, offset by a reduction in business lending.

Total deposits were $51.2 billion at June 30, 2016, an increase of 22%, compared to $41.9 billion at June 30, 2015. Deposits increased as a result of expanding existing client relationships, referrals from existing clients, and new deposit clients. At June 30, 2016, balances in business and personal checking accounts were $32.5 billion, or 63% of total deposits, compared to $25.4 billion, or 61% 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 91% of total deposits at June 30, 2016, compared to 90% at June 30, 2015. At June 30, 2016, business deposits were $27.2 billion and represented 53% of total deposits, compared to $22.2 billion, or 53% of total deposits at June 30, 2015.

Our Common Equity Tier 1 and total risk-based capital ratios at June 30, 2016 were 10.74% and 13.86%, respectively. As described in our 2015 Form 10-K under "Item 1. Business—Supervision and Regulation—Basel III

Capital Rules," the Basel III Capital Rules are subject to a phase-in period through the end of 2018. If fully phased-in, our Common Equity Tier 1 and total risk-based capital ratios at June 30, 2016 would have been 10.62% and 13.74%, respectively. We continue to exceed regulatory guidelines for well-capitalized institutions. Refer to "—Capital Resources" for further discussion of capital ratios and our capital requirements.

Book value per common share was $34.51 at June 30, 2016, a 15% increase during the last twelve months. Tangible book value per common share was $32.53 at June 30, 2016, a 14% increase during the last twelve months.

During the second quarter of 2016, we sold approximately 2.9 million new shares of common stock in an underwritten offering, which added approximately $202.2 million to common equity.

Cash dividends paid in the second quarter of 2016 were $0.16 per share of common stock to shareholders of record as of April 28, 2016, compared to $0.15 in the second quarter of 2015. On July 14, 2016, we declared a cash dividend for the second quarter of $0.16 per share, which is payable on August 11, 2016 to shareholders of record as of July 28, 2016. Any future payment of dividends will be subject to ongoing regulatory oversight and board approval.

Wealth management assets under management ("AUM") and assets under administration ("AUA") increased $18.2 billion, or 32%, to $75.8 billion at June 30, 2016, from $57.6 billion at June 30, 2015. The increase in AUM and AUA was primarily due to net new assets from both existing and new clients and also includes the AUM of $8.6 billion from the purchase of substantially all of the assets of Constellation Wealth Advisors ("Constellation") in the fourth quarter of 2015.

Purchase Accounting Accretion and Amortization

The following table presents the remaining balances of the loans that were impacted by purchase accounting and the remaining unaccreted purchase accounting discount from the re-establishment of First Republic as an independent institution on July 1, 2010:

($ in thousands)	June 30, 2016	December 31, 2015	June 30, 2015
Acquired loans (unpaid principal balance)	$ 3,503,618	$ 3,834,321	$ 4,322,752
Purchase accounting discount	(93,455)	(108,235)	(128,630)
Total	$ 3,410,163	$ 3,726,086	$ 4,194,122

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

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2016	2015	2016	2015
Accretion/amortization to net interest income:				
Loans	$ 7,532	$ 11,708	$ 14,957	$ 23,830
Deposits	—	278	—	1,006
Total	$ 7,532	$ 11,986	$ 14,957	$ 24,836
Amortization to noninterest expense:				
Intangible assets	$ 2,688	$ 3,327	$ 5,536	$ 6,816
Net pre-tax impact of purchase accounting	$ 4,844	$ 8,659	$ 9,421	$ 18,020

Loan discount accretion decreased for the quarter and six months ended June 30, 2016 compared to the quarter and six months ended June 30, 2015 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.

Results of Operations—Quarter Ended June 30, 2016 Compared to Quarter Ended June 30, 2015

Overview

Net income was $165.0 million and $131.3 million for the second quarter of 2016 and 2015, respectively, an increase of $33.7 million, or 26%. Diluted EPS were $0.97, compared to $0.80 for the second quarter of 2015. Net income for the second quarter of 2016 includes a $13.4 million positive impact and diluted EPS for the second quarter of 2016 includes an $0.08 per share positive impact from our adoption of new accounting guidance for share-based compensation under ASC 718. ASC 718 is retroactively effective as of January 1, 2016, therefore did not impact net income or diluted EPS for the second quarter of 2015. Diluted EPS for the second quarter of 2015 includes a $0.04 per share after-tax positive impact of the one-time special dividend of $9.1 million received from the Federal Home Loan Bank ("FHLB").

Net income for the Commercial Banking segment was $151.9 million and $120.4 million for the second quarter of 2016 and 2015, respectively. The Wealth Management segment had net income of $13.1 million and $10.9 million for the second quarter of 2016 and 2015, respectively. For a discussion of segment results, see "—Business Segments."

Net Interest Income

Net interest income was $441.6 million for the second quarter of 2016, an increase of $66.6 million, or 18%, compared to $375.1 million for the second quarter of 2015. Included in the second quarter of 2015 was 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 $7.5 million for the second quarter of 2016, compared to $11.7 million for the second quarter of 2015. Fully taxable-equivalent net interest income was $483.5 million for the second quarter of 2016, compared to $407.2 million for the second quarter of 2015, an increase of 19%.

On an average basis, interest-earning assets and interest-bearing liabilities for the second quarter of 2016 each increased 22% from the second quarter of 2015.

Yields/Rates (Fully Taxable-Equivalent Basis)

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 FHLB dividend in the second quarter of 2015 (core net interest margin) to its equivalent GAAP ratio on a fully taxable-equivalent basis.

	Quarter Ended June 30,	
	2016	**2015**
Interest-earning assets	3.47 %	3.60 %
Interest-bearing liabilities	(0.27)%	(0.32)%
Net interest margin (GAAP)	3.21 %	3.30 %
Purchase accounting accretion/amortization	(0.05)%	(0.10)%
One-time special FHLB dividend	— %	(0.08)%
Core net interest margin (non-GAAP)	3.16 %	3.12 %

The following table presents the distribution of average assets, liabilities and equity, interest income and resulting yields on average interest-earning assets, and interest expense and rates on average interest-bearing liabilities on a fully taxable-equivalent basis. 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 certificates of deposit ("CDs") include accretion/amortization of purchase accounting discounts/premiums.

	Quarter Ended June 30,					
	2016			2015		
($ in thousands)	Average Balance	Interest [1]	Yields/ Rates [2]	Average Balance	Interest [1]	Yields/ Rates [2]
Assets:						
Cash and cash equivalents	$ 1,214,206	$ 1,397	0.46%	$ 1,269,880	$ 766	0.24%
Investment securities:						
U.S. Treasury and other U.S. Government agency securities	—	—	—%	11,068	78	2.82%
U.S. Government-sponsored agency securities	912,859	6,621	2.90%	977,887	7,542	3.08%
Mortgage-backed securities ("MBS"):						
Agency residential and commercial MBS	5,048,472	30,051	2.38%	2,541,644	15,157	2.39%
Other residential and commercial MBS	11,846	78	2.65%	14,019	84	2.40%
Municipal securities [1]	5,706,128	85,891	6.02%	4,076,107	63,386	6.22%
Other investment securities [3]	935	—	0.00%	1,726	—	0.00%
Total investment securities	11,680,240	122,641	4.20%	7,622,451	86,247	4.52%
Loans:						
Residential real estate	26,843,749	198,563	2.96%	23,806,806	179,029	3.01%
Multifamily	5,788,130	53,530	3.66%	4,921,840	46,997	3.78%
Commercial real estate	4,901,870	53,174	4.29%	4,097,172	45,655	4.41%
Construction	1,179,583	13,330	4.47%	948,197	10,652	4.44%
Business [1]	6,076,803	62,567	4.07%	5,179,506	53,292	4.07%
Other	2,055,796	13,133	2.53%	1,104,784	7,654	2.74%
Total loans [4]	46,845,931	394,297	3.35%	40,058,305	343,279	3.41%
FHLB stock [5]	162,320	2,931	7.26%	216,034	13,811	25.64%
Total interest-earning assets	59,902,697	521,266	3.47%	49,166,670	444,103	3.60%
Noninterest-earning assets:						
Noninterest-earning cash	273,438			255,702		
Goodwill and other intangibles	299,036			208,846		
Other assets	2,965,006			2,453,750		
Total noninterest-earning assets	3,537,480			2,918,298		
Total Assets	$ 63,440,177			$ 52,084,968		
Liabilities and Equity:						
Deposits:						
Checking	$ 31,969,559	579	0.01%	$ 24,099,157	281	0.00%
Money market checking and savings	13,687,722	2,749	0.08%	12,451,743	2,188	0.07%
CDs [4]	4,423,240	13,062	1.19%	3,893,313	12,074	1.24%
Total deposits	50,080,521	16,390	0.13%	40,444,213	14,543	0.14%
Borrowings:						
Short-term borrowings	1,621,978	1,949	0.48%	280,478	228	0.33%
Long-term FHLB advances	4,225,824	16,746	1.59%	4,922,802	19,421	1.58%
Senior notes [6]	397,458	2,573	2.59%	396,675	2,567	2.59%
Other borrowings	28,788	136	1.88%	32,289	132	1.64%
Total borrowings	6,274,048	21,404	1.37%	5,632,244	22,348	1.59%
Total interest-bearing liabilities	56,354,569	37,794	0.27%	46,076,457	36,891	0.32%
Noninterest-bearing liabilities	932,418			804,458		
Preferred equity	1,139,525			927,987		
Common equity	5,013,665			4,276,066		
Total Liabilities and Equity	$ 63,440,177			$ 52,084,968		
Net interest spread [7]			3.20%			3.28%
Net interest income (fully taxable-equivalent basis) and net interest margin [8]		$ 483,472	3.21%		$ 407,212	3.30%
Core net interest income (fully taxable-equivalent basis) and core net interest margin (non-GAAP) [9]		$ 475,940	3.16%		$ 386,092	3.12%

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(1) Presented on a fully taxable-equivalent basis. Reported interest income was increased by $31.0 million for the second quarter of 2016 and $22.8 million for the second quarter of 2015 to determine the yield on tax-exempt investment securities on a fully taxable-equivalent basis. Reported interest income was increased by $10.9 million for the second quarter of 2016 and $9.3 million for the second quarter of 2015 to determine the yield on tax-exempt loans on a fully taxable-equivalent basis.

(2) Yields/rates are annualized.

(3) Includes marketable equity securities and securities purchased under agreements to resell.

(4) Average balances are presented net of purchase accounting discounts or premiums. Interest income and interest expense include accretion/amortization of purchase accounting discounts/premiums. For CDs, the premiums were fully amortized as of June 30, 2015; therefore there was no amortization in 2016.

(5) Yield for 2015 includes a $9.1 million one-time special FHLB dividend received in the second quarter of 2015.

(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 represents net interest income on a fully taxable-equivalent basis divided 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 $49.5 million, or 15%, to $383.4 million for the second quarter of 2016, from $334.0 million for the second quarter of 2015 due to continued growth in average loan balances. Included in interest income on loans is loan discount accretion of $7.5 million for the second quarter of 2016, compared to $11.7 million for the second quarter of 2015. The decrease in discount accretion was 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. Fully taxable-equivalent interest income on loans was $394.3 million for the second quarter of 2016, compared to $343.3 million for the second quarter of 2015, an increase of 15%.

Average loan balances were $46.8 billion for the second quarter of 2016, compared to $40.1 billion for the second quarter of 2015, an increase of 17%. The average yield on loans, including the accretion of loan discounts, was 3.35%, a decrease of 6 basis points from 3.41% for the second quarter of 2015. The average contractual yield earned on loans was 3.28% for both the second quarter of 2016 and 2015. 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 $3.5 million and $4.6 million for the second quarter of 2016 and 2015, respectively. The decrease was primarily due to lower prepayments on single family loans.

Our yield on loans is affected by a number of factors: market interest rates, the level of adjustable-rate loan indices, interest rate floors and caps, the repayment rate of loans with higher fixed rates, portfolio mix and the level of nonaccrual loans. Our weighted average contractual loan rate was 3.16% at June 30, 2016, compared to 3.17% at December 31, 2015 and 3.14% at June 30, 2015. 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, 2016, approximately 39% of our total loans were adjustable-rate or mature within one year, compared to 38% at June 30, 2015.

Investments

Interest income on investments was $91.7 million for the second quarter of 2016, compared to $63.4 million for the second quarter of 2015, an increase of $28.2 million, or 45%. The increase was due to the purchases of new investments. Average investment balances were $11.7 billion for the second quarter of 2016, compared to $7.6 billion for the second quarter of 2015, an increase of 53%, primarily due to an increase in investments that are considered HQLA from a regulatory perspective and in municipal securities. The average yield on investment securities, calculated on a fully taxable-equivalent basis, was 4.20%, compared to 4.52% for the second quarter of 2015, a decline of 32 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 agency mortgage-backed securities, which are considered HQLA from a regulatory perspective, while the percentage of higher-yielding municipal securities that are part of the total portfolio decreased. Fully taxable-equivalent interest income on investments was $122.6 million during the second quarter of 2016, compared to $86.2 million during the second quarter of 2015, an increase of 42%.

FHLB Stock

Dividends on FHLB stock were $2.9 million for the second quarter of 2016, compared to $13.8 million for the second quarter of 2015, a decrease of $10.9 million. The average yield on FHLB stock was 7.26% for the second quarter of 2016, compared to 25.64% for the second quarter of 2015. The decline in dividend income and yield was primarily due to a one-time special FHLB dividend of $9.1 million in the second quarter of 2015, as well as lower average FHLB stock balances. Average FHLB stock balances were $162.3 million for the second quarter of 2016, compared to $216.0 million for the second quarter of 2015, a decrease of 25%.

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 2016 increased 2% to $37.8 million, from $36.9 million for the second quarter of 2015. The increase was the result of an increase of 22% in average interest-bearing liabilities, which were $56.4 billion, compared to $46.1 billion for the second quarter of 2015, partially offset by a decline in the average cost of interest-bearing liabilities to 0.27% from 0.32% for the second quarter of 2015.

Deposits

Interest expense on deposits was $16.4 million for the second quarter of 2016, compared to $14.5 million for the second quarter of 2015, an increase of $1.8 million, or 13%. Interest expense on deposits for the second quarter of 2015 was reduced by $278,000 for the amortization of premiums on CDs. There was no purchase accounting amortization on CDs in the second quarter of 2016. The average interest rate paid on deposits was 0.13% for the second quarter of 2016, compared to 0.14% for the second quarter of 2015.

Average deposit balances were $50.1 billion for the second quarter of 2016, an increase of 24% from $40.4 billion for the second quarter of 2015. Average checking account balances comprised 64% of average total deposits for the second quarter of 2016, compared to 60% for the second quarter of 2015. Average money market checking and savings accounts were 27% of average total deposits for the second quarter of 2016, compared to 31% for the second quarter of 2015. Average CD balances were 9% of average total deposits for both the second quarter of 2016 and 2015.

At June 30, 2016 and 2015, the weighted average contractual rate paid on total deposits was 0.14% and 0.15%, respectively. At June 30, 2016, our total deposits were $51.2 billion, compared to $41.9 billion at June 30, 2015, an increase of 22%. We will continue to focus on growth in our core deposit base to fund a significant percentage of our future asset growth, although there can be no assurance we will be successful. If we are not successful, we may need to use other sources of funding, such as FHLB advances or unsecured term senior notes, which are generally higher in cost.

Borrowings

Interest expense on borrowings was $21.4 million for the second quarter of 2016, compared to $22.3 million for the second quarter of 2015, a decrease of $944,000, or 4%.

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. At June 30, 2016, short-term borrowings were $950.0 million, compared to $100.0 million at June 30, 2015. Interest expense on short-term borrowings was $1.9 million for the second quarter of 2016, compared to $228,000 for the second quarter of 2015, an increase of $1.7 million. The increase was primarily due to an increase in average short-term borrowings to $1.6

billion, compared to $280.5 million for the second quarter of 2015. The average cost of short-term borrowings was 0.48% for the second quarter of 2016, compared to 0.33% for the second quarter of 2015.

At June 30, 2016, long-term FHLB advances outstanding were $5.1 billion, compared to $4.7 billion at June 30, 2015. Interest expense on long-term FHLB advances was $16.7 million for the second quarter of 2016, compared to $19.4 million for the second quarter of 2015, a decrease of $2.7 million, or 14%. The decrease was primarily due to a decrease in average long-term FHLB advances to $4.2 billion, compared to $4.9 billion for the second quarter of 2015, a decrease of 14%. The average cost of long-term FHLB advances was 1.59% for the second quarter of 2016, compared to 1.58% for the second quarter of 2015. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 7% for the second quarter of 2016, compared to 11% for the second quarter of 2015.

At June 30, 2016, the carrying value of unsecured senior notes issued in June 2014 was $397.6 million, compared to $396.8 million at June 30, 2015. Interest expense on our fixed-rate senior notes for both the second quarter of 2016 and 2015 was $2.6 million, and includes interest at a coupon rate of 2.375%, increased by 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 $14.2 million for the second quarter of 2016, compared to $17.0 million for the second quarter of 2015. The provision for loan losses is related primarily to growth in loans outstanding and reflects management's continuing assessment of the credit quality of the Bank's loan portfolio and our overall allowance methodology, which considers, among other things, the Bank's loan growth, level and type of loans originated and trends in the Bank's markets.

Noninterest Income

The following table presents noninterest income:

($ in thousands)	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015
Investment management fees	$ 55,168	$ 43,502
Brokerage and investment fees	7,230	4,407
Trust fees	2,991	2,501
Foreign exchange fee income	5,244	5,023
Deposit fees	5,122	4,870
Gain on sale of loans	822	3,476
Loan servicing fees, net	3,512	2,923
Loan and related fees	3,498	3,428
Income from investments in life insurance	9,513	8,451
Gain (loss) on investment securities, net	(187)	1,112
Other income	544	543
Total noninterest income	$ 93,457	$ 80,236

Noninterest income for the second quarter of 2016 was $93.5 million, an increase of $13.2 million, or 16%, compared to $80.2 million for the second quarter of 2015. The increase in noninterest income was primarily due to increases in investment management fees and brokerage and investment fees, partially offset by a lower gain on sale of loans.

Investment management fees. Investment management fees were $55.2 million for the second quarter of 2016, a 27% increase from $43.5 million for the second quarter of 2015. The increase in investment management fees was due to an increase in AUM from the addition of assets from both existing and new clients and from fees earned from assets acquired in the Constellation asset purchase, which were earned beginning in the fourth quarter of 2015. The addition of client assets was the result of 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 management fees vary with the amount of assets managed by our investment management 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 AUM, conditions in the equity markets and our ability to attract new clients.

Brokerage and investment fees. Brokerage and investment fees were $7.2 million for the second quarter of 2016, an increase of 64%, compared to $4.4 million for the second quarter of 2015. The increase was primarily due to increased trading volume and higher balances of AUA. The future level of these fees depends on the level and mix of AUA, conditions in the equity markets and our ability to attract new clients.

Trust fees. Trust fees for the second quarter of 2016 were $3.0 million compared to $2.5 million for the second quarter of 2015, a 20% increase. The increase was primarily due to increases in assets under custody or administration from existing and new clients. 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 $5.2 million on foreign exchange business for the second quarter of 2016, compared to $5.0 million for the second quarter of 2015, an increase of 4%. The amount of foreign exchange fees is primarily driven by volume of activity from both existing and new clients.

We execute foreign exchange trades with customers and then offset those trades with other financial institution counterparties, such as major investment banks or large commercial banks. We do not retain significant foreign exchange risk associated with these transactions, as the trades with the customer and the financial institution counterparty are matched on our books. We do retain credit risk, both to 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 $5.1 million for the second quarter of 2016, an increase of 5% from $4.9 million for the second quarter of 2015.

Gain on sale of loans. For the second quarter of 2016, the gain on the sale of $920.8 million of loans was $822,000 (9 basis points on the loans sold), compared to net gains for the second quarter of 2015 of $3.5 million on loan sales of $887.2 million (39 basis points on the loans sold). The lower level of gains was the result of lower margins. 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)	**2016**	**2015**
Contractually specified servicing fees	$ 6,644	$ 6,259
Amortization expense	(3,132)	(3,336)
Loan servicing fees, net	$ 3,512	$ 2,923

Contractual servicing fees were $6.6 million for the second quarter of 2016, compared to $6.3 million for the second quarter of 2015, an increase of 6%. The increase was primarily due to the growth in the servicing portfolio. The average servicing portfolio for the second quarter of 2016 was $10.5 billion, compared to $9.9 billion a year ago, an increase of 6%. The amount of contractual servicing fees depends upon the size of the servicing portfolio, the terms of the loans at origination, the interest rate environment and conditions in the secondary market when the loans are sold, as well as the rate of loan payoffs. Annualized weighted average servicing fees collected as a percentage of loans serviced were 0.25% for both the second quarter of 2016 and 2015.

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 2016, the overall annualized repayment speed experienced on loans serviced was 18%, compared to 16% for the second quarter of 2015. 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 $3.5 million for the second quarter of 2016, compared to $3.4 million for the second quarter of 2015. 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 for both the second quarter of 2016 and 2015.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $9.5 million for the second quarter of 2016, an increase of 13%, compared to $8.5 million for the second quarter of 2015. The book value of this portfolio of tax-exempt investments was $1.2 billion at June 30, 2016, compared to $1.0 billion at June 30, 2015. The increase was primarily due to additional purchases of bank-owned life insurance over the past twelve months.

Noninterest Expense

The following table presents noninterest expense:

	Quarter Ended June 30,	
($ in thousands)	**2016**	**2015**
Salaries and employee benefits	$ 183,281	$ 138,758
Information systems	36,170	28,282
Occupancy	28,269	27,533
Professional fees	12,105	20,048
FDIC assessments	9,800	8,700
Advertising and marketing	8,257	6,564
Amortization of intangibles	6,386	4,941
Other expenses	35,814	28,289
Total noninterest expense	$ 320,082	$ 263,115

Noninterest expense was $320.1 million for the second quarter of 2016, compared to $263.1 million for the second quarter of 2015, an increase of $57.0 million, or 22%. The increase in noninterest expense was primarily due to higher salaries and employee benefits and information systems costs, partially offset by lower professional fees. The increases in these expenses were primarily attributable to the growth of the overall franchise, client experience and expansion of wealth management.

Noninterest expense was reduced by certain general and administrative costs, primarily compensation costs directly related to loan originations, which have been capitalized in accordance with ASC 310-20, "Nonrefundable Fees and Other Costs." We capitalized loan origination costs of $27.9 million for the second quarter of 2016, compared to $23.8 million for the second quarter of 2015, an increase of $4.1 million, or 17%. 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, 2016, net deferred loan costs were $54.8 million, compared to $37.6 million at June 30, 2015.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 59.8% for the second quarter of 2016, compared to 57.8% for the second quarter of 2015. The increase in the efficiency ratio was primarily attributable to the growth of the overall franchise, client experience and expansion of wealth management.

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 $183.3 million for the second quarter of 2016, a 32% increase from $138.8 million for the second quarter of 2015. The increase was primarily the result of the addition of new personnel to support higher levels of total assets, deposit growth, expansion of wealth management 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, 2016, we had 3,349 full-time equivalent employees, including temporary employees and independent contractors, a 23% increase from 2,728 at June 30, 2015.

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 $36.2 million for the second quarter of 2016, a 28% increase from $28.3 million for the second quarter of 2015. 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.

Occupancy. Occupancy costs were $28.3 million for the second quarter of 2016, a 3% increase from $27.5 million for the second quarter of 2015. The increase was primarily due to 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 offices and our staffing levels.

Professional fees. Professional fees include legal services required to complete certain transactions, resolve legal matters or delinquent loans, and the cost of loan review professionals, co-sourced internal audit, external auditors and other consultants, including consulting services dedicated to enhancing regulatory compliance activities. Such expenses were $12.1 million for the second quarter of 2016, compared to $20.0 million for the second quarter of 2015, a decrease of $7.9 million, or 40%. The decrease in professional fees was primarily due to transitioning from consultant spending to permanent staffing for regulatory compliance activities.

FDIC assessments. FDIC assessments were $9.8 million for the second quarter of 2016, a 13% increase from $8.7 million for the second quarter of 2015. 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 growth in our Preferred Banking offices. Advertising and marketing expenses were $8.3 million for the second quarter of 2016 and $6.6 million for the second quarter of 2015, an increase of 26%. These expenses vary based on the level of advertising costs and costs associated with holding client events to support our growth. Such activities increased in the second quarter of 2016, compared to the second quarter of 2015.

Amortization of intangibles. Amortization expense for the second quarter of 2016 was $6.4 million, a 29% increase from $4.9 million for the second quarter of 2015. The increase in amortization expense was due to the addition of customer relationship intangible assets from the Constellation asset purchase in the fourth quarter of 2015.

Other expenses. Other expenses were $35.8 million for the second quarter of 2016, compared to $28.3 million for the second quarter of 2015, an increase of $7.5 million, or 27%. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanding operations. Other operating expenses include postage, charitable contributions, 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 AUM and AUA, 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)	**2016**	**2015**
Deposit client related costs	$ 6,027	$ 5,395
Travel and entertainment	4,304	3,138
Loan related costs	4,062	2,576
Subscriptions	2,520	1,805
Insurance expense	2,380	2,382
Recruiting fees	1,925	1,456
Other operating expenses	14,596	11,537
Total other expenses	$ 35,814	$ 28,289

Included in insurance expense are costs related to a parametric earthquake insurance policy (the “Policy”). As part of managing risk associated with earthquakes that may occur in California, we previously purchased the Policy from American International Reinsurance Company, Ltd. (the “Insurer”), a subsidiary of American International Group, Inc. (“AIG”) on June 30, 2014. Pursuant to this Policy, the Insurer is required to pay us: (i) $50 million upon the occurrence of an earthquake during the Policy’s term that measures at least 7.0 on the moment magnitude scale and has an epicenter within an 85-mile radius of 111 Pine Street in San Francisco, California (our headquarters); and/or (ii) $15 million upon the occurrence of an earthquake during the Policy’s term that measures at least 7.5 on the moment magnitude scale and has an epicenter within an 85-mile radius of 1888 Century Park East, Los Angeles, California (our Los Angeles office). The Bank is not required to incur any loss in order to receive proceeds under the Policy. The Policy’s term was scheduled to end on January 1, 2018.

On June 30, 2016, the Bank increased the payment under the Policy for San Francisco to $75 million and for Los Angeles to $30 million. In addition, the Policy term was extended to December 31, 2019.

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. During the second quarter of 2016, the Bank adopted the amendments to ASC 718, retroactively effective as of January 1, 2016. As a result of this new guidance, excess tax benefits from exercise or vesting of share-based awards are now included as a reduction in provision for income taxes in the period in which the exercise or vesting occurs. The impact of such excess tax benefits reduced the Bank’s effective tax rate for the second quarter of 2016 to 17.8%, from 24.5%. The effective tax rate for the second quarter of 2015 was 25.0%. For further discussion of ASC 718, see Note 1, “Summary of Significant Accounting Policies—Accounting Standards Adopted in 2016,” in “Item 1. Financial Statements.”

The effective tax rate will vary based on the level of tax credit investments, tax-exempt securities, tax-advantaged loans, bank-owned life insurance and, beginning in 2016, the amount of excess tax benefits.

Results of Operations—Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Overview

Net income was $322.5 million and $247.3 million for the six months ended June 30, 2016 and 2015, respectively, an increase of $75.2 million, or 30%. Diluted EPS were $1.90, compared to $1.52 for the six months ended June 30, 2015. Net income for the six months ended June 30, 2016 includes a $22.0 million positive impact and diluted EPS for the six months ended June 30, 2016 includes a $0.12 per share positive impact from our adoption of new accounting guidance for share-based compensation under ASC 718. ASC 718 is retroactively effective as of January 1, 2016, therefore did not impact net income or diluted EPS for the six months ended June 30, 2015.

Net income for the Commercial Banking segment was $299.5 million and $228.1 million for the six months ended June 30, 2016 and 2015, respectively. The Wealth Management segment had net income of $23.0 million and $19.1 million for the six months ended June 30, 2016 and 2015, respectively. For a discussion of segment results, see "—Business Segments."

Net Interest Income

Net interest income was $865.9 million for the six months ended June 30, 2016, an increase of $142.9 million, or 20%, compared to $723.1 million for the six months ended June 30, 2015. Included in net interest income for the six months ended June 30, 2015 was 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 $15.0 million for the six months ended June 30, 2016, compared to $23.8 million for the six months ended June 30, 2015. Fully taxable-equivalent net interest income was $947.2 million for the six months ended June 30, 2016, compared to $784.9 million for the six months ended June 30, 2015, an increase of 21%.

On an average basis, interest-earning assets and interest-bearing liabilities for the six months ended June 30, 2016 increased 22% and 23%, respectively, from the six months ended June 30, 2015.

Yields/Rates (Fully Taxable-Equivalent Basis)

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 on a fully taxable-equivalent basis.

	Six Months Ended June 30,	
	2016	**2015**
Interest-earning assets	3.45 %	3.56 %
Interest-bearing liabilities	(0.27)%	(0.33)%
Net interest margin (GAAP)	3.20 %	3.26 %
Purchase accounting accretion/amortization	(0.06)%	(0.11)%
One-time special FHLB dividend	— %	(0.04)%
Core net interest margin (non-GAAP)	3.14 %	3.11 %

The following table presents the distribution of average assets, liabilities and equity, interest income and resulting yields on average interest-earning assets, and interest expense and rates on average interest-bearing liabilities on a fully taxable-equivalent basis. 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 thousands)	Six Months Ended June 30, 2016 Average Balance	2016 Interest [1]	2016 Yields/ Rates [2]	2015 Average Balance	2015 Interest [1]	2015 Yields/ Rates [2]
Assets:						
Cash and cash equivalents	$ 1,858,535	$ 4,497	0.49%	$ 1,534,980	$ 1,871	0.25%
Investment securities:						
U.S. Treasury and other U.S. Government agency securities	10,669	50	0.94%	52,613	497	1.89%
U.S. Government-sponsored agency securities	829,406	12,307	2.97%	875,251	13,377	3.06%
MBS:						
Agency residential and commercial MBS	4,832,421	59,096	2.45%	2,366,574	29,014	2.45%
Other residential and commercial MBS	12,268	149	2.43%	13,820	148	2.14%
Municipal securities [1]	5,435,265	165,108	6.08%	3,870,397	121,500	6.28%
Other investment securities [3]	792	—	0.00%	1,461	—	0.00%
Total investment securities	11,120,821	236,710	4.26%	7,180,116	164,536	4.58%
Loans:						
Residential real estate	26,354,424	392,673	2.98%	23,406,779	354,149	3.03%
Multifamily	5,683,236	104,386	3.63%	4,826,729	90,675	3.74%
Commercial real estate	4,689,080	101,570	4.28%	3,977,678	90,659	4.53%
Construction	1,167,333	26,911	4.56%	908,752	21,284	4.66%
Business [1]	5,989,309	124,014	4.10%	5,014,079	102,763	4.08%
Other	1,848,598	23,746	2.54%	1,023,163	14,352	2.79%
Total loans [4]	45,731,980	773,300	3.36%	39,157,180	673,882	3.43%
FHLB stock [5]	147,380	5,746	7.84%	231,580	18,375	15.91%
Total interest-earning assets	58,858,716	1,020,253	3.45%	48,103,856	858,664	3.56%
Noninterest-earning assets:						
Noninterest-earning cash	271,311			254,341		
Goodwill and other intangibles	302,312			211,359		
Other assets	2,956,479			2,427,559		
Total noninterest-earning assets	3,530,102			2,893,259		
Total Assets	$ 62,388,818			$ 50,997,115		
Liabilities and Equity:						
Deposits:						
Checking	$ 31,876,177	1,112	0.01%	$ 23,243,052	605	0.01%
Money market checking and savings	13,608,463	5,071	0.07%	12,384,524	4,414	0.07%
CDs [4]	4,483,314	26,715	1.20%	3,845,075	23,512	1.23%
Total deposits	49,967,954	32,898	0.13%	39,472,651	28,531	0.15%
Borrowings:						
Short-term borrowings	863,736	2,329	0.54%	141,014	228	0.32%
Long-term FHLB advances	4,041,484	32,390	1.61%	5,069,475	39,611	1.58%
Senior notes [6]	397,359	5,145	2.59%	396,579	5,135	2.59%
Other borrowings	29,031	270	1.86%	33,368	270	1.62%
Total borrowings	5,331,610	40,134	1.51%	5,640,436	45,244	1.62%
Total interest-bearing liabilities	55,299,564	73,032	0.27%	45,113,087	73,775	0.33%
Noninterest-bearing liabilities	1,058,373			831,491		
Preferred equity	1,106,558			908,862		
Common equity	4,924,323			4,143,675		
Total Liabilities and Equity	$ 62,388,818			$ 50,997,115		
Net interest spread [7]			3.18%			3.23%
Net interest income (fully taxable-equivalent basis) and net interest margin [8]		$ 947,221	3.20%		$ 784,889	3.26%
Core net interest income (fully taxable-equivalent basis) and core net interest margin (non-GAAP) [9]		$ 932,264	3.14%		$ 750,919	3.11%

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(1) Presented on a fully taxable-equivalent basis. Reported interest income was increased by $59.7 million for the six months ended June 30, 2016 and $43.8 million for the six months ended June 30, 2015 to determine the yield on tax-exempt investment securities on a fully taxable-equivalent basis. Reported interest income was increased by $21.6 million for the six months ended June 30, 2016 and $18.0 million for the six months ended June 30, 2015 to determine the yield on tax-exempt loans on a fully taxable-equivalent basis.

(2) Yields/rates are annualized.

(3) Includes marketable equity securities and securities purchased under agreements to resell.

(4) Average balances are presented net of purchase accounting discounts or premiums. Interest income and interest expense include accretion/amortization of purchase accounting discounts/premiums. For CDs, the premiums were fully amortized as of June 30, 2015; therefore there was no amortization in 2016.

(5) Yield for 2015 includes a $9.1 million one-time special FHLB dividend received in the second quarter of 2015.

(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 represents net interest income on a fully taxable-equivalent basis divided 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 $95.8 million, or 15%, to $751.7 million for the six months ended June 30, 2016, from $655.8 million for the six months ended June 30, 2015 due to continued loan growth. Included in interest income on loans is loan discount accretion of $15.0 million for the six months ended June 30, 2016, compared to $23.8 million for the six months ended June 30, 2015. The decrease in discount accretion was 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. Fully taxable-equivalent interest income on loans was $773.3 million for the six months ended June 30, 2016, compared to $673.9 million for the six months ended June 30, 2015, an increase of 15%.

Average loan balances were $45.7 billion for the six months ended June 30, 2016, compared to $39.2 billion for the six months ended June 30, 2015, an increase of 17%. The average yield on loans, including the accretion of loan discounts, was 3.36%, a decrease of 7 basis points from 3.43% for the six months ended June 30, 2015. The average contractual yield earned on loans was 3.29% and 3.30% for the six months ended June 30, 2016 and 2015, respectively. 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 $6.0 million and $8.7 million for the six months ended June 30, 2016 and 2015, respectively. The decrease was primarily due to lower prepayments on single family and multifamily loans.

Investments

Interest income on investments increased $56.3 million, or 47%, to $177.0 million for the six months ended June 30, 2016, compared to $120.8 million for the six months ended June 30, 2015. The increase was due to the purchases of new investments. Average investment balances were $11.1 billion for the six months ended June 30, 2016, compared to $7.2 billion for the six months ended June 30, 2015, an increase of 55%, primarily due to an increase in investments that are considered HQLA from a regulatory perspective and municipal securities. The average yield on investment securities, calculated on a fully tax-equivalent basis, was 4.26% compared to 4.58% for the six months ended June 30, 2015, a decline of 32 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 agency mortgage-backed securities, which are considered HQLA from a regulatory perspective, while the percentage of higher-yielding municipal securities that are part of the total portfolio decreased, compared to the six months ended June 30, 2015. Fully taxable-equivalent interest income on investments was $236.7 million during the six months ended June 30, 2016, compared to $164.5 million during the six months ended June 30, 2015, an increase of 44%.

FHLB Stock

Dividends on FHLB stock were $5.7 million for the six months ended June 30, 2016, compared to $18.4 million for the six months ended June 30, 2015, a decrease of $12.6 million. The average yield on FHLB stock was 7.84% for the six months ended June 30, 2016, compared to 15.91% for the six months ended June 30, 2015. The decline in dividend income and yield was primarily due to a one-time special FHLB dividend of $9.1 million in the six months ended June 30, 2015, as well as lower average FHLB stock balances. Average FHLB stock balances were $147.4 million for the six months ended June 30, 2016, compared to $231.6 million for the six months ended June 30, 2015, a decrease of 36%.

Interest Expense

Total interest expense for the six months ended June 30, 2016 was $73.0 million, compared to $73.8 million for the six months ended June 30, 2015. The decrease was the result of a decline in the average cost of interest-bearing liabilities to 0.27% from 0.33% for the six months ended June 30, 2015, partially offset by an increase in average interest-bearing liabilities, which were $55.3 billion, compared to $45.1 billion for the six months ended June 30, 2015.

Deposits

Interest expense on deposits was $32.9 million for the six months ended June 30, 2016, an increase of $4.4 million, or 15%, from $28.5 million for the six months ended June 30, 2015. Interest expense on deposits for the six months ended June 30, 2015 was reduced by $1.0 million for the amortization of premiums on CDs. There was no purchase accounting amortization on CDs in the six months ended June 30, 2016. The average interest rate paid on deposits was 0.13% for the six months ended June 30, 2016, compared to 0.15% for the six months ended June 30, 2015.

Average deposit balances were $50.0 billion for the six months ended June 30, 2016, an increase of 27% from $39.5 billion for the six months ended June 30, 2015. Average checking account balances comprised 64% of average total deposits for the six months ended June 30, 2016, compared to 59% for the six months ended June 30, 2015. Average money market checking and savings accounts were 27% of average total deposits for the six months ended June 30, 2016, compared to 31% for the six months ended June 30, 2015. Average CD balances were 9% of average total deposits for the six months ended June 30, 2016, compared to 10% for the six months ended June 30, 2015.

Borrowings

Interest expense on borrowings was $40.1 million for the six months ended June 30, 2016, compared to $45.2 million for the six months ended June 30, 2015, a decrease of $5.1 million, or 11%.

Interest expense on short-term borrowings was $2.3 million for the six months ended June 30, 2016, compared to $228,000 for the six months ended June 30, 2015, an increase of $2.1 million. The increase was primarily due to an increase in average short-term borrowings to $863.7 million, compared to $141.0 million for the six months ended June 30, 2015. The average cost of short-term borrowings was 0.54% for the six months ended June 30, 2016, compared to 0.32% for the six months ended June 30, 2015.

Interest expense on long-term FHLB advances was $32.4 million for the six months ended June 30, 2016, compared to $39.6 million for the six months ended June 30, 2015, a decrease of $7.2 million, or 18%. The decrease was primarily due to a decrease in average long-term FHLB advances to $4.0 billion, compared to $5.1 billion for the six months ended June 30, 2015, a decrease of 20%. The average cost of long-term FHLB advances increased slightly to 1.61%, from 1.58% for the six months ended June 30, 2015. Average long-term FHLB advances were 7% of total average interest-bearing liabilities for the six months ended June 30, 2016, compared to 11% for the six months ended June 30, 2015.

Interest expense on our fixed-rate senior notes for both the six months ended June 30, 2016 and 2015 was $5.1 million, and includes interest at a coupon rate of 2.375%, increased by amortization of issuance discounts and offering costs.

Provision for Loan Losses

The provision for loan losses was $18.7 million for the six months ended June 30, 2016, compared to $28.9 million for the six months ended June 30, 2015. The provision for loan losses is related primarily to growth in loans outstanding and reflects management's continuing assessment of the credit quality of the Bank's loan portfolio 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)	**2016**	**2015**
Investment management fees	$ 107,928	$ 84,713
Brokerage and investment fees	15,090	8,106
Trust fees	5,976	4,886
Foreign exchange fee income	10,562	10,171
Deposit fees	10,080	9,499
Gain on sale of loans	2,225	5,288
Loan servicing fees, net	7,261	6,153
Loan and related fees	6,738	6,149
Income from investments in life insurance	18,539	17,630
Gain (loss) on investment securities, net	3,081	1,412
Other income	1,227	1,148
Total noninterest income	$ 188,707	$ 155,155

Noninterest income for the six months ended June 30, 2016 was $188.7 million, an increase of $33.6 million, or 22%, compared to $155.2 million for the six months ended June 30, 2015. The increase in noninterest income was primarily due to increases in investment management fees, brokerage and investment fees and gain on investment securities, partially offset by a decrease in gain on sale of loans.

Investment management fees. Investment management fees were $107.9 million for the six months ended June 30, 2016, a 27% increase from $84.7 million for the six months ended June 30, 2015. The increase in investment management fees was due to an increase in AUM from the addition of assets from both existing and new clients and from fees earned from assets acquired in the Constellation asset purchase, which were earned beginning in the fourth quarter of 2015. The addition of client assets was the result of 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.

Brokerage and investment fees. Brokerage and investment fees were $15.1 million for the six months ended June 30, 2016, an 86% increase from $8.1 million for the six months ended June 30, 2015. The increase was primarily due to increased trading volume and higher balances of AUA.

Trust fees. Trust fees for the six months ended June 30, 2016 were $6.0 million, an increase of 22%, compared to $4.9 million for the six months ended June 30, 2015. The increase was primarily due to increases in assets under custody or administration from existing and new clients. 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 $10.6 million on foreign exchange business for the six months ended June 30, 2016, a 4% increase from $10.2 million for the six months ended June 30, 2015. The amount of foreign exchange fees is 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 $10.1 million for the six months ended June 30, 2016, compared to $9.5 million for the six months ended June 30, 2015, an increase of 6%.

Gain on sale of loans. The gain on the sale of $1.4 billion of loans was $2.2 million, or approximately 16 basis points on the loans sold for the six months ended June 30, 2016, compared to net gains of $5.3 million on loan sales of $1.5 billion, or 36 basis points on the loans sold for the six months ended June 30, 2015. The lower level of gain on sales for the six months ended June 30, 2016 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)	**2016**	**2015**
Contractually specified servicing fees	$ 13,223	$ 12,406
Amortization expense	(5,962)	(6,253)
Loan servicing fees, net	$ 7,261	$ 6,153

Contractual servicing fees increased to $13.2 million for the six months ended June 30, 2016, compared to $12.4 million for the six months ended June 30, 2015, primarily due to the growth in the servicing portfolio. The average servicing portfolio for the six months ended June 30, 2016 was $10.5 billion, compared to $9.8 billion a year ago, an increase of 7%. The amount of contractual servicing fees depends upon the size of the servicing portfolio, the terms of the loans at origination, the interest rate environment and conditions in the secondary market when the loans are sold, as well as the rate of loan payoffs. Annualized weighted average servicing fees collected as a percentage of loans serviced were 0.25% for both the six months ended June 30, 2016 and 2015.

Loan and related fees. Loan and related fee income was $6.7 million for the six months ended June 30, 2016, an increase of 10%, compared to $6.1 million for the six months ended June 30, 2015. We collected prepayment penalty fees on loans serviced for others of $2.5 million for both the six months ended June 30, 2016 and 2015.

Income from investments in life insurance. Income from investments in bank-owned life insurance was $18.5 million for the six months ended June 30, 2016, compared to $17.6 million for the six months ended June 30, 2015, an increase of 5%. The increase was primarily due to additional purchases of bank-owned life insurance over the past twelve months.

Gain (loss) on investment securities, net. Net gain on investment securities was $3.1 million for the six months ended June 30, 2016, compared to $1.4 million for the six months ended June 30, 2015. The gain on investment securities for the six months ended June 30, 2016 was primarily due to the repositioning of a modest portion of the Bank's investment portfolio.

Noninterest Expense

The following table presents noninterest expense:

($ in thousands)	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Salaries and employee benefits	$ 369,198	$ 278,706
Information systems	71,207	54,134
Occupancy	55,917	53,105
Professional fees	25,476	39,561
FDIC assessments	19,400	17,050
Advertising and marketing	15,447	11,778
Amortization of intangibles	13,047	10,096
Other expenses	69,584	54,358
Total noninterest expense	$ 639,276	$ 518,788

Noninterest expense was $639.3 million for the six months ended June 30, 2016, compared to $518.8 million for the six months ended June 30, 2015, an increase of $120.5 million, or 23%. The increase in noninterest expense was primarily due to higher salaries and employee benefits and information systems costs, partially offset by lower professional fees. The increases in these expenses were primarily attributable to the growth of the overall franchise, client experience and expansion of wealth management.

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 $47.6 million for the six months ended June 30, 2016, compared to $40.4 million for the six months ended June 30, 2015, an increase of $7.2 million, or 18%.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 60.6% for the six months ended June 30, 2016, compared to 59.1% for the six months ended June 30, 2015. The increase in the efficiency ratio was primarily attributable to the growth of the overall franchise, client experience and expansion of wealth management.

Salaries and employee benefits. Salaries and employee benefit expenses were $369.2 million for the six months ended June 30, 2016, a 32% increase from $278.7 million for the six months ended June 30, 2015. The increase was primarily the result of the addition of new personnel to support higher levels of total assets, deposit growth, expansion of wealth management and higher incentive compensation related to the continued expansion of our franchise, as well as the addition of personnel supporting regulatory compliance activities.

Information systems. Expenses for information systems were $71.2 million for the six months ended June 30, 2016, a 32% increase from $54.1 million for the six months ended June 30, 2015. 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.

Occupancy. Occupancy costs were $55.9 million for the six months ended June 30, 2016, a 5% increase from $53.1 million for the six months ended June 30, 2015. The increase in occupancy costs was primarily due to expanding our office space in existing markets for new employees and increased rental costs in certain locations.

Professional fees. Professional fees were $25.5 million for the six months ended June 30, 2016, a decrease of 36%, compared to $39.6 million for the six months ended June 30, 2015. The decrease in professional fees was primarily due to transitioning from consultant spending to permanent staffing for regulatory compliance activities.

FDIC assessments. FDIC assessments were $19.4 million for the six months ended June 30, 2016, a 14% increase from $17.1 million for the six months ended June 30, 2015. 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 $15.4 million for the six months ended June 30, 2016, compared to $11.8 million for the six months ended June 30, 2015, an increase of 31%. These expenses vary based on the level of advertising costs and costs associated with holding client events to support our growth. Such activities increased in the six months ended June 30, 2016, compared to the six months ended June 30, 2015.

Amortization of intangibles. Amortization expense for the six months ended June 30, 2016 was $13.0 million, an increase of 29%, compared to $10.1 million for the six months ended June 30, 2015. The increase in amortization expense was due to the addition of customer relationship intangible assets from the Constellation asset purchase in the fourth quarter of 2015.

Other expenses. Other expenses were $69.6 million for the six months ended June 30, 2016, compared to $54.4 million for the six months ended June 30, 2015, an increase of $15.2 million, or 28%. These expenses include costs related to lending activities, client service, insurance, hiring and other costs related to expanding operations. Other operating expenses include postage, charitable contributions, 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 AUM and AUA, as well as an increase in the number of locations and employees. Recruiting fees have increased as a result of the growth in personnel. The following table presents the main components of other expenses:

	Six Months Ended June 30,	
($ in thousands)	**2016**	**2015**
Deposit client related costs	$ 11,836	$ 10,469
Travel and entertainment	7,588	5,458
Loan related costs	7,398	5,265
Subscriptions	5,166	3,587
Insurance expense	4,750	4,838
Recruiting fees	3,584	3,050
Other operating expenses	29,262	21,691
Total other expenses	$ 69,584	$ 54,358

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. During the second quarter of 2016, the Bank adopted the amendments to ASC 718, retroactively effective as of January 1, 2016. As a result of this new guidance, excess tax benefits from exercise or vesting of share-based awards are now included as a reduction in provision for income taxes in the period in which the exercise or vesting occurs. The impact of such excess tax benefits reduced the Bank's effective tax rate for the six months ended June 30, 2016 to 18.7%, from 24.3%. The effective tax rate for the six months ended June 30, 2015 was 25.2%. For further discussion of ASC 718, see Note 1, "Summary of Significant Accounting Policies—Accounting Standards Adopted in 2016," in "Item 1. Financial Statements."

The effective tax rate will vary based on the level of tax credit investments, tax-exempt securities, tax-advantaged loans, bank-owned life insurance and, beginning in 2016, the amount of excess tax benefits.

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 (i) First Republic Investment Management, Inc. ("FRIM"); (ii) 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"); (iii) First Republic Trust Company, a division of the Bank, and First Republic Trust Company of Delaware LLC ("FRTC Delaware") (collectively, the "Trust Company"); and (iv) 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 14 to "Item 1. Financial Statements."

Commercial Banking

Net interest income for Commercial Banking was $839.7 million for the six months ended June 30, 2016, an increase of 19% from $705.2 million for the six months ended June 30, 2015. The increase in net interest income was primarily due to an increase in interest-earning assets.

The provision for loan losses for Commercial Banking was $18.7 million for the six months ended June 30, 2016, compared to $28.9 million for the six months ended June 30, 2015, a decrease of 35%. The provision for loan losses is related primarily to growth in loans outstanding and reflects management's continuing assessment of the credit quality of the Bank's loan portfolio 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 $48.6 million for the six months ended June 30, 2016, compared to $46.6 million for the six months ended June 30, 2015, an increase of 4%. The increase was primarily due to higher gain on investment securities, loan servicing fees and income from investments in life insurance, partially offset by lower gain on sale of loans.

Noninterest expense for Commercial Banking was $510.9 million for the six months ended June 30, 2016, compared to $425.4 million for the six months ended June 30, 2015, an increase of 20%. The increase was primarily due to higher salaries and employee benefits and information systems expenses, partially offset by lower professional fees. The increases in these expenses were primarily attributable to the growth of the overall franchise and client experience and our ongoing investments in infrastructure build-out to address enhanced regulatory and compliance standards.

Wealth Management

Net interest income for Wealth Management was $26.3 million for the six months ended June 30, 2016, compared to $17.9 million for the six months ended June 30, 2015, an increase of 47%. Net interest income is earned from Wealth Management client deposits with the Bank, for which Wealth Management earns a deposit earnings credit and fees earned for Wealth Management sweep deposits. Net interest income increased primarily as a result of growth in deposits.

Wealth Management client deposits totaled $6.0 billion and $3.4 billion at June 30, 2016 and 2015, respectively, including sweep deposits. Wealth Management client deposits, including sweep accounts, averaged $5.3 billion and $3.4 billion for the six months ended June 30, 2016 and 2015, respectively. As noted above, Wealth Management is allocated a deposit earnings credit and fees as net interest income, which is included in the Wealth Management results. Annualized net interest income as a percentage of the average deposits generated by Wealth Management represented 0.99% for the six months ended June 30, 2016, compared to 1.06% for the six months ended June 30, 2015.

The allocated earnings credit represents only a portion of the total net interest income generated by these deposits for the Bank. The Bank's very holistic approach to generating a full relationship with our clients is demonstrated by the total impact that these Wealth Management deposits have to the Bank's overall net interest income. The Bank's consolidated core net interest margin was 3.14% for the six months ended June 30, 2016 and 3.11% for the six months ended June 30, 2015. For a reconciliation of core net interest margin to its equivalent GAAP measure, see "—Use of Non-GAAP Financial Measures." Using this overall net interest margin and the average Wealth Management deposits for each respective period, the Wealth Management deposits generated, on a consolidated basis, net interest income of approximately $83.3 million for the six months ended June 30, 2016 and $52.4 million for the six months ended June 30, 2015.

Noninterest income for Wealth Management was $151.7 million for the six months ended June 30, 2016, compared to $116.0 million for the six months ended June 30, 2015, an increase of 31%. The increase was primarily due to higher investment management fees and brokerage and investment fees. Fees and other revenues increased as a result of an increase in AUM and AUA primarily due to cross-selling to current Bank clients, the addition of new clients and the hiring of new personnel, who also bring in additional clients. In addition, beginning in the fourth quarter of 2015, fees were earned from assets acquired in the Constellation asset purchase.

Noninterest expense for Wealth Management was $140.0 million for the six months ended June 30, 2016, compared to $100.8 million for the six months ended June 30, 2015, an increase of 39%. The increase was primarily due to higher incentive compensation levels due to growth in our business, along with the addition of wealth management professionals, including new personnel from Constellation. We continue to expand our client base capabilities in all markets to grow this segment.

AUM and AUA in the Wealth Management segment, in aggregate, were $75.8 billion at June 30, 2016, an increase of 32% compared to a year ago. Our Wealth Management strategy is focused on both managing investment portfolios for our clients and keeping custody of such assets in brokerage accounts at FRSC. By providing multiple services, we are able to better develop a full Wealth Management and banking relationship, including the ability to gather deposits, including sweep accounts. As described above, client deposits from Wealth Management generate net interest income for the Bank. Certain Wealth Management client assets that are held or managed by different areas within our Wealth Management business generate multiple revenue streams for the Bank. As a result of having these multiple revenue streams from certain client assets, such assets are included in more than one type of Wealth Management asset category in the table below. The following table presents the AUM and AUA by the entities comprising our Wealth Management segment:

($ in millions)	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
First Republic Investment Management	$ 38,288	$ 36,872	$ 35,230	$ 28,969	$ 28,998
Brokerage and investment:					
Brokerage	28,644	27,296	26,059	19,746	19,852
Money market mutual funds	1,610	1,906	4,155	3,012	1,732
Total brokerage and investment	30,254	29,202	30,214	22,758	21,584
Trust Company:					
Trust	3,434	3,343	3,375	3,618	3,370
Custody	3,835	4,004	3,474	3,477	3,613
Total Trust Company	7,269	7,347	6,849	7,095	6,983
Total AUM and AUA	$ 75,811	$ 73,421	$ 72,293	$ 58,822	$ 57,565

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

	Quarter Ended				
($ in millions)	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
AUM and AUA:					
Beginning balance	$ 73,421	$ 72,293	$ 58,822	$ 57,565	$ 56,369
Net client flow	1,465	832	3,679	4,089	1,484
Market appreciation (depreciation)	925	296	1,235	(2,832)	(288)
Constellation asset purchase	—	—	8,557	—	—
Ending balance	$ 75,811	$ 73,421	$ 72,293	$ 58,822	$ 57,565

Investment Management 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 AUM using an open architecture platform. Total investment management fees earned were $107.9 million for the six months ended June 30, 2016, compared to $84.7 million for the six months ended June 30, 2015, an increase of 27%. The increase was the result of cross-selling to current bank clients, the addition of new clients and hiring of new personnel, who also bring in additional clients. The increase was also the result of fees earned from the Constellation asset purchase, which were earned beginning in the fourth quarter of 2015. FRIM's AUM were $38.3 billion at June 30, 2016, compared to $29.0 billion at June 30, 2015, an increase of 32%.

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

	% of AUM				
Investment Type	**June 30, 2016**	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**	**June 30, 2015**
Equities	44%	44%	44%	44%	46%
U.S. fixed income	33%	31%	30%	33%	32%
Alternative investments	16%	16%	18%	16%	16%
Cash and cash equivalents	7%	9%	8%	7%	6%
Total	100%	100%	100%	100%	100%

Brokerage and Investment Activities. We perform brokerage and investment activities for clients through FRSC. 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, and to offer sales of insurance and annuity products to clients. 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 $15.1 million for the six months ended June 30, 2016, compared to $8.1 million for the six months ended June 30, 2015, an increase of 86%. The increase was primarily due to increased trading volume and higher balances of AUA. At June 30, 2016, we held $30.3 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $21.6 billion at June 30, 2015, an increase of 40%.

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 $6.0 million for the six months ended June 30, 2016, compared to $4.9 million for the six months ended June 30, 2015, an increase of 22%. The increase was primarily due to increased assets under custody or administration from existing and new clients. At June 30, 2016, assets under custody or administration were $7.3 billion, compared to $7.0 billion at June 30, 2015, an increase of 4%. 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 AUM and AUA for Wealth Management:

	Quarter Ended				
	June 30, 2016	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**	**June 30, 2015**
First Republic Investment Management	0.59%	0.59%	0.62%	0.61%	0.60%
Brokerage and investment:					
Brokerage	0.08%	0.10%	0.13%	0.08%	0.09%
Money market mutual funds	0.30%	0.16%	0.01%	0.02%	0.02%
Total brokerage and investment	0.10%	0.11%	0.12%	0.07%	0.08%
Trust Company:					
Trust	0.25%	0.24%	0.26%	0.20%	0.19%
Custody	0.09%	0.11%	0.12%	0.10%	0.10%
Total Trust Company	0.16%	0.17%	0.19%	0.15%	0.15%
Total	0.35%	0.35%	0.37%	0.35%	0.35%

Balance Sheet Analysis

Investments

The following table presents the investment portfolio:

($ in thousands)	June 30, 2016	December 31, 2015	June 30, 2015
Available-for-sale:			
U.S. Treasury and other U.S. Government agency securities	$ —	$ 149,391	$ —
Agency residential MBS	60,020	640,105	314,578
Other residential MBS	9,268	10,511	11,126
Agency commercial MBS	1,365,345	2,062,679	875,852
Securities of U.S. states and political subdivisions—taxable	47,459	47,436	47,450
Marketable equity securities	673	679	999
Total	$ 1,482,765	$ 2,910,801	$ 1,250,005
Held-to-maturity:			
U.S. Government-sponsored agency securities	$ 842,663	$ 817,125	$ 983,655
Agency residential MBS	1,658,095	1,830,353	1,251,844
Other residential MBS	2,224	2,482	2,740
Agency commercial MBS	1,734,000	109,365	113,905
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	5,666,872	4,573,397	3,953,177
Tax-exempt nonprofit debentures	153,676	154,865	157,939
Taxable municipal securities	53,066	53,091	53,114
Total	$ 10,110,596	$ 7,540,678	$ 6,516,374

The total combined investment securities portfolio represented 18% of total assets at June 30, 2016 and December 31, 2015, compared to 15% at June 30, 2015. During the six months ended June 30, 2016, we continued to purchase securities considered HQLA from a regulatory perspective, including agency commercial MBS and U.S. Government-sponsored agency securities, which further enhanced our on-balance sheet liquidity. In addition, we continue purchasing tax-exempt municipal securities.

During the six months ended June 30, 2016, the Bank performed a modest repositioning of some of its investment portfolio. The Bank sold some of its U.S. Treasury securities, agency residential MBS and agency commercial MBS for a total of $1.4 billion, from its available-for-sale portfolio. The Bank purchased some additional agency commercial MBS classified as held-to-maturity with the proceeds from the sale. In addition, as part of this repositioning, the Bank transferred $781.2 million of agency commercial MBS from the available-for-sale category to the held-to-maturity category. The transferred securities had a total unrealized gain (net of taxes) of $4.9 million in accumulated other comprehensive income on the date of transfer, which will be amortized into interest income over the remaining life of the securities.

The average duration of the $1.5 billion available-for-sale portfolio was 2.5 years at June 30, 2016, compared to 3.6 years at December 31, 2015 and 4.4 years at June 30, 2015. The average duration of the $10.1 billion held-to-maturity portfolio was 6.6 years at June 30, 2016, compared to 8.3 years at December 31, 2015 and 8.1 years at June 30, 2015.

At June 30, 2016, 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 $10.9 million. The tax-exempt nonprofit debentures are securities issued through state and local agencies where we have a banking relationship with nonprofit entities. The debentures are reviewed, approved and monitored by our business banking group, similar to business loans.

Loan Portfolio

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

($ in millions)	June 30, 2016	December 31, 2015	June 30, 2015
Unpaid principal balance:			
Single family (1-4 units)	$ 24,116	$ 23,092	$ 21,777
Home equity lines of credit	2,589	2,370	2,256
Multifamily (5+ units)	6,035	5,371	5,057
Commercial real estate	5,034	4,463	4,219
Single family construction	450	437	451
Multifamily/commercial construction	792	693	586
Total real estate mortgages	39,016	36,426	34,346
Business	6,398	6,232	5,506
Stock secured	780	521	372
Other secured	620	542	539
Unsecured	833	424	294
Total other loans	8,631	7,719	6,711
Total unpaid principal balance	47,647	44,145	41,057
Net unaccreted discount	(94)	(108)	(129)
Net deferred fees and costs	55	46	38
Carrying value	47,608	44,083	40,966
Allowance for loan losses	(279)	(261)	(236)
Loans, net	47,329	43,822	40,730
Single family loans held for sale	439	49	163
Total	$ 47,768	$ 43,871	$ 40,893

The following table separates our loan portfolio as of June 30, 2016 between loans acquired on July 1, 2010 and loans originated since July 1, 2010:

	Composition of Loan Portfolio as of June 30, 2016		
($ in millions)	Loans acquired on July 1, 2010	Loans originated since July 1, 2010	Total loans
Single family (1-4 units)	$ 2,148	$ 21,968	$ 24,116
Home equity lines of credit	383	2,206	2,589
Multifamily (5+ units)	249	5,786	6,035
Commercial real estate	345	4,689	5,034
Single family construction	3	447	450
Multifamily/commercial construction	1	791	792
Business	331	6,067	6,398
Stock secured	4	776	780
Other secured	13	607	620
Unsecured loans and lines of credit	27	806	833
Total unpaid principal balance	3,504	44,143	47,647
Net unaccreted discount	(94)	—	(94)
Net deferred fees and costs	(3)	58	55
Allowance for loan losses	(6)	(273)	(279)
Loans, net	$ 3,401	$ 43,928	$ 47,329

The following table presents an analysis of the unpaid principal balance of our loan portfolio at June 30, 2016, 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)	$ 10,753	$ 5,512	$ 3,701	$ 2,217	$ 642	$ 59	$ 1,671	$ 24,555	51%
Home equity lines of credit	1,058	525	424	309	82	3	188	2,589	5%
Multifamily (5+ units)	3,046	1,125	655	150	495	79	485	6,035	13%
Commercial real estate	2,375	1,042	662	180	155	166	454	5,034	10%
Business	2,880	971	889	644	278	138	598	6,398	13%
Construction	353	193	437	30	29	5	195	1,242	3%
Stock and other secured	331	395	184	169	17	42	262	1,400	3%
Unsecured	266	187	173	105	30	14	58	833	2%
Total	$ 21,062	$ 9,950	$ 7,125	$ 3,804	$ 1,728	$ 506	$ 3,911	$ 48,086	100%
% by location	44%	21%	15%	8%	3%	1%	8%	100%	

At June 30, 2016 and December 31, 2015, approximately 52% and 53%, 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 real estate secured mortgage loans.

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, 2016, approximately $17.3 billion, or 70%, 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 $16.3 billion, or 70%, of our single family loan portfolio, at December 31, 2015. At June 30, 2016, 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, 2016:

	June 30, 2016	
($ in thousands)	Unpaid principal balance	% of unpaid principal balance of portfolio
LTV at Origination		
Less than or equal to 60%	$ 11,925,795	48.6%
Greater than 60% to 70%	8,085,582	32.9%
Greater than 70% to 80%	4,477,527	18.2%
Greater than 80%	65,922	0.3%
Total	$ 24,554,826	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 LTV ("CLTV") basis, including the total HELOC commitment and any balance on a first residential mortgage. As of June 30, 2016, approximately 38% of HELOCs are in first lien position, and approximately 48% 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, 2016:

	June 30, 2016		
($ in thousands)	Unpaid principal balance	Total commitment	% of unpaid principal balance of portfolio
CLTV at Origination			
Less than or equal to 60%	$ 1,476,258	$ 3,889,111	57.0%
Greater than 60% to 70%	800,142	1,736,454	30.9%
Greater than 70% to 80%	303,856	682,351	11.8%
Greater than 80%	8,347	15,056	0.3%
Total	$ 2,588,603	$ 6,322,972	100.0%

Multifamily

At June 30, 2016 and December 31, 2015, the unpaid principal balance of multifamily loans was $6.0 billion and $5.4 billion, respectively. At June 30, 2016 and December 31, 2015, included in this portfolio were $2.2 billion and $1.6 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, 2016, for multifamily loans that allow for interest-only payments, the weighted average LTV was 51% based on the appraised value at the time of origination. Additionally, at June 30, 2016 and December 31, 2015, we had committed to lend $242.2 million and $162.7 million, respectively, under lines of credit secured by the equity in multifamily real estate. The unpaid principal balance related to these commitments at June 30, 2016 and December 31, 2015 was $103.0 million and $82.2 million, respectively, representing 1.7% and 1.5% of the portfolio at June 30, 2016 and December 31, 2015, respectively; these lines of credit also allow for interest-only payments for an initial period.

Commercial Real Estate

At June 30, 2016 and December 31, 2015, the unpaid principal balance of commercial real estate loans was $5.0 billion and $4.5 billion, respectively. At June 30, 2016 and December 31, 2015, included in this portfolio were $1.3 billion 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, 2016, for commercial real estate loans that allow for interest-only payments, the weighted average LTV was 45% based on the appraised value at the time of origination. Additionally, at June 30, 2016 and December 31, 2015, we had committed to lend $227.6 million and $134.2 million, respectively, under lines of credit secured by the equity in commercial real estate. The unpaid principal balance related to these commitments at June 30, 2016 and December 31, 2015 was $79.4 million and $67.3 million, respectively, representing 1.6% of the portfolio at June 30, 2016, compared to 1.5% at December 31, 2015; these lines of credit also allow for interest-only payments for an initial period.

Business

At June 30, 2016 and December 31, 2015, the unpaid principal balance of business loans was $6.4 billion and $6.2 billion, respectively. The following table presents the unpaid principal balance and total commitment for business loans by type:

	June 30, 2016		December 31, 2015	
($ in thousands)	Unpaid principal balance	Total commitment	Unpaid principal balance	Total commitment
Private Equity/Venture Capital Funds	$ 1,926,531	$ 5,421,060	$ 1,663,661	$ 4,727,991
Schools/Non-profit Organizations	2,480,916	3,058,471	2,384,009	2,979,279
Investment Firms	331,728	977,228	464,929	971,484
Entertainment Industry	282,911	615,760	336,086	658,666
Real Estate Related Entities	333,429	631,838	300,615	635,227
Professional Service Firms	215,036	437,910	207,911	420,396
Aviation/Marine	267,416	271,030	262,772	268,476
Clubs and Membership Organizations	160,737	205,929	181,565	225,856
Vineyards/Wine	151,756	193,502	147,500	192,127
Other	247,028	410,382	283,330	556,458
Total	$ 6,397,488	$ 12,223,110	$ 6,232,378	$ 11,635,960

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. At June 30, 2016, approximately 39% 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, 2016, we have originated approximately $156 billion of loans, of which approximately $29 billion have been sold to investors.

Total loan originations were $6.5 billion for the second quarter of 2016, compared to $5.8 billion for the second quarter of 2015, an increase of 11% due to an increase in originations of single family loans and HELOCs, unsecured, stock and other secured and multifamily loans, offset by a reduction in business lending. 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:

	Quarter Ended				
($ in thousands)	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Single family (1-4 units)	$ 2,933,128	$ 1,812,817	$ 1,635,350	$ 1,863,396	$ 2,436,464
Home equity lines of credit	482,546	425,732	398,267	452,048	465,955
Multifamily (5+ units)	603,016	630,016	302,435	371,266	453,454
Commercial real estate	355,339	241,045	292,369	321,578	351,499
Construction	252,020	199,366	305,085	434,155	315,603
Business	1,248,255	657,206	1,343,953	1,127,386	1,533,498
Stock and other secured	368,242	497,971	270,259	172,802	204,043
Unsecured loans and lines of credit	266,480	337,494	161,753	122,787	87,527
Total loans originated	$ 6,509,026	$ 4,801,647	$ 4,709,471	$ 4,865,418	$ 5,848,043

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, 2016**	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**	**June 30, 2015**
Single family (1-4 units)	56%	56%	57%	57%	58%
Home equity lines of credit [(1)]	54%	52%	53%	51%	52%
Multifamily (5+ units)	49%	47%	54%	55%	49%
Commercial real estate	50%	46%	49%	43%	47%
Construction	57%	52%	53%	56%	54%

[(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, 2016**	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**	**June 30, 2015**
Single family (1-4 units)	755	763	758	759	764
Home equity lines of credit	758	764	764	766	769

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

	Quarter Ended				
Purchase and Refinance Composition	**June 30, 2016**	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**	**June 30, 2015**
Purchase loans	44%	46%	51%	50%	49%
Refinance loans	56%	54%	49%	50%	51%
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 and an 80% CLTV on HELOCs. LTV ratios generally decline as the size of the loan increases. At origination, we generally do not exceed a 75% LTV on multifamily loans and a 70% LTV on commercial real estate loans.

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

	As of				
Portfolio LTVs	**June 30, 2016**	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**	**June 30, 2015**
Single family (1-4 units) [1]	58%	58%	59%	59%	59%
Home equity lines of credit [2]	53%	54%	54%	54%	54%
Multifamily (5+ units)	54%	55%	55%	55%	56%
Commercial real estate	50%	50%	50%	50%	51%
Construction	55%	55%	55%	56%	56%

(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, 2016	December 31, 2015	June 30, 2015
Nonaccrual loans:			
Single family (1-4 units)	$ 24,403	$ 21,330	$ 23,700
Home equity lines of credit	9,790	11,211	11,867
Multifamily (5+ units)	6,377	8,690	1,528
Commercial real estate	5,802	5,519	8,307
Multifamily/commercial construction	—	11,600	—
Business	11,165	14,726	9,947
Other	416	469	523
Total nonaccrual loans	57,953	73,545	55,872
Other real estate owned	1,196	—	—
Total nonperforming assets	$ 59,149	$ 73,545	$ 55,872
Nonperforming assets to total assets	0.09%	0.12%	0.11%
Restructured accruing loans	$ 11,822	$ 14,043	$ 15,624
Accruing loans 90 days or more past due	$ 451	$ 4,199	$ 2,118

See Note 3 in "Item 1. Financial Statements" for information related to interest income on nonaccrual loans for the quarter and six months ended June 30, 2016 and 2015.

Of the loans on nonaccrual status, at June 30, 2016, approximately $24.7 million were current, compared to $35.5 million at December 31, 2015.

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.

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.

We also maintain an unallocated reserve, which represents the qualitative portion of the allowance for loan losses. This qualitative reserve is determined based on management's assessments of the risks that may lead to a loan loss experience different than our historical loss experience and therefore not reflected in the quantitative model. We use qualitative factors that are intended to address developing external and internal environmental trends and include considerations, such as changes in current economic and business conditions, the nature and volume of

Bank's loan portfolio, the existence and effects of credit concentrations, problem loan trends, along with other external factors, such as competition and the legal and regulatory environment.

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, 2016	At or for the Quarter Ended June 30, 2015	At or for the Six Months Ended June 30, 2016	At or for the Six Months Ended June 30, 2015
Allowance for loan losses:				
Balance at beginning of period	$ 265,579	$ 219,216	$ 261,058	$ 207,342
Provision	14,200	17,005	18,692	28,892
Charge-offs:				
Single family (1-4 units)	(1,024)	—	(1,024)	—
Home equity lines of credit	(44)	(153)	(44)	(197)
Multifamily (5+ units)	—	—	—	—
Commercial real estate	—	—	—	—
Single family construction	—	—	—	—
Multifamily/commercial construction	—	—	—	—
Business	(25)	(95)	(25)	(95)
Stock secured	—	—	—	—
Other secured	—	—	—	—
Unsecured	(8)	(144)	(19)	(162)
Total charge-offs	(1,101)	(392)	(1,112)	(454)
Recoveries:				
Single family (1-4 units)	3	—	7	—
Home equity lines of credit	26	—	52	—
Multifamily (5+ units)	—	—	—	—
Commercial real estate	—	—	—	—
Single family construction	—	—	—	—
Multifamily/commercial construction	—	—	—	—
Business	6	15	14	28
Stock secured	—	—	—	—
Other secured	—	—	—	—
Unsecured	18	24	20	60
Total recoveries	53	39	93	88
Net loan charge-offs	(1,048)	(353)	(1,019)	(366)
Balance at end of period	$ 278,731	$ 235,868	$ 278,731	$ 235,868
Average total loans for the period	$ 46,361,287	$ 39,684,421	$ 45,360,510	$ 38,866,411
Total loans at period end	$ 47,607,606	$ 40,965,853	$ 47,607,606	$ 40,965,853
Total nonaccrual loans	$ 57,953	$ 55,872	$ 57,953	$ 55,872
Ratios:				
Net loan charge-offs to:				
Average total loans (annualized)	0.01%	0.00%	0.00%	0.00%
Allowance for loan losses to:				
Total loans	0.59%	0.58%	0.59%	0.58%
Nonaccrual loans	481.0%	422.2%	481.0%	422.2%

At June 30, 2016 and December 31, 2015, the allowance for loan losses was 0.59% of our total loan portfolio.

At June 30, 2016, $272.9 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, 2016, compared to 0.63% at December 31, 2015. At June 30, 2016, 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 1.20% 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,			
	2016		2015		2016		2015	
($ in thousands)	Ratio [(1)]	Amount	Ratio [(1)]	Amount	Ratio [(1)]	Amount	Ratio [(1)]	Amount
Net loan charge-offs to:								
Allowance for loan losses	0.01%	$ 1,048	0.00%	$ 353	0.00%	$ 1,019	0.00%	$ 366
Loan discounts	0.00%	11	0.00%	3	0.00%	13	0.00%	6
Total	0.01%	$ 1,059	0.00%	$ 356	0.00%	$ 1,032	0.00%	$ 372

(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)	2016	2015	2016	2015
Single family loans originated	$ 2,933,128	$ 2,436,464	$ 4,745,945	$ 4,134,907
Loans sold:				
Agency	$ 55,729	$ 91,366	$ 115,957	$ 127,961
Non-agency	865,034	795,882	1,282,508	1,333,959
Total loans sold	$ 920,763	$ 887,248	$ 1,398,465	$ 1,461,920
Gain on sale of loans:				
Amount	$ 822	$ 3,476	$ 2,225	$ 5,288
Gain as a percentage of loans sold	0.09%	0.39%	0.16%	0.36%

The lower level of gain on sale of loans for the second quarter of 2016 and six months ended June 30, 2016, compared to the same periods in 2015 was primarily the result of lower margins. 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 all the loan servicing in order to maintain the primary contact with our clients and to generate recurring fee income. We retain MSRs on loans that we sell to institutional investors and governmental agencies. We do not provide any financial or performance guarantees to the investors who purchase our loans and the purchasers do not have any recourse to the Bank on the loans that we have sold. In accordance with secondary market standards, we make customary representations and warranties related to the origination and documentation of sold loans; however, we have not been required to make any significant loan repurchases or incur any other significant costs subsequent to the sale of loans for any breach of these customary representations and warranties.

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)	**2016**	**2015**	**2016**	**2015**
Loans serviced for others	$ 11,060,626	$ 10,304,968	$ 11,060,626	$ 10,304,968
Loan servicing fees, net	$ 3,512	$ 2,923	$ 7,261	$ 6,153

Mortgage loans serviced for investors increased to $11.1 billion at June 30, 2016, from $10.3 billion at June 30, 2015, due to loan sales exceeding repayments in the servicing portfolio over the past twelve months. MSRs are recognized as separate assets on our balance sheet and are reported at the lower of amortized cost or fair value. At June 30, 2016, MSRs were $57.2 million (52 basis points of loans serviced), compared to $52.7 million (51 basis points of loans serviced) at June 30, 2015.

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, 2016 and December 31, 2015, our total deposits were $51.2 billion and $47.9 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 $49.3 billion and $42.6 billion at June 30, 2016 and December 31, 2015, respectively, and represented 96% and 89% of total deposits at June 30, 2016 and December 31, 2015, respectively.

On January 5, 2015 and November 13, 2015, the FDIC issued additional guidance regarding the identification, acceptance and reporting of "brokered deposits." At December 31, 2015, we reported brokered deposits of $3.5 billion. These deposits result primarily from cash balances which are periodically swept from our client's brokerage accounts at FRSC (our wholly-owned, broker-dealer subsidiary) into deposit accounts at the Bank. The Bank received guidance on April 20, 2016 that such deposits are exempt from being classified as brokered deposits by the FDIC, as long as they continue to meet certain characteristics. Accordingly, as of June 30, 2016, we reported no brokered deposits. This change in reporting has no significant impact on our financial results. As of June 30, 2016 and December 31, 2015, these sweep balances represented 9% and 7% of our total deposits, respectively.

Deposits increased 22% at June 30, 2016 compared to June 30, 2015 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, 2016	December 31, 2015	June 30, 2015
Preferred Banking Offices			
Northern California	$ 9,744,395	$ 9,674,842	$ 8,568,161
Metropolitan New York	3,869,300	3,164,135	3,077,015
Southern California	2,198,136	2,194,330	2,021,379
Boston	1,016,594	927,139	872,736
Subtotal	16,828,425	15,960,446	14,539,291
Preferred Banking			
Northern California	11,576,680	10,737,069	9,463,444
Metropolitan New York	7,626,600	7,511,819	6,927,966
Southern California	3,998,331	3,945,637	3,323,378
Boston	4,235,237	4,008,855	3,607,547
Wealth management	1,219,207	1,125,617	1,026,618
Subtotal	28,656,055	27,328,997	24,348,953
Wealth management sweep	4,742,982	3,716,797	2,370,139
Other	933,781	887,225	629,183
Total deposits	$ 51,161,243	$ 47,893,465	$ 41,887,566

Overall, deposits in our Preferred Banking Offices grew 16% since June 30, 2015, with all of such growth coming from checking and savings deposits. 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 18% since June 30, 2015, mostly in checking. 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, with the increases since June 30, 2015 resulting from the continued expansion of our wealth management business and sweep deposits from Constellation clients. 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, 2016	December 31, 2015	June 30, 2015
Consumer deposits:			
Checking	$ 11,258,795	$ 10,981,999	$ 8,311,132
Money market checking	3,292,750	3,135,860	2,791,903
Money market savings and passbooks	5,355,460	5,228,669	4,787,750
CDs	4,045,361	4,047,629	3,787,253
	23,952,366	23,394,157	19,678,038
Business deposits:			
Checking	21,194,679	19,297,371	17,044,608
Money market checking	3,218,563	2,620,961	2,899,650
Money market savings	2,345,996	2,041,727	2,019,664
CDs	449,639	539,249	245,606
	27,208,877	24,499,308	22,209,528
Total	$ 51,161,243	$ 47,893,465	$ 41,887,566

We fund a portion of our assets with CDs that have balances greater than $250,000 and that have maturities generally in excess of six months. At June 30, 2016 and December 31, 2015, our CDs having balances greater than $250,000 totaled $1.9 billion and $1.8 billion, respectively. The following table presents the maturities of our CDs greater than $250,000 in size:

($ in thousands)	June 30, 2016 Greater than $250,000
Remaining maturity:	
Three months or less	$ 463,825
Over three through six months	501,012
Over six through twelve months	369,917
Over twelve months	534,999
Total	$ 1,869,753
Percent of total deposits	4%

At June 30, 2016 and December 31, 2015, the weighted average contractual rate paid on CDs was 1.17% and 1.21%, respectively. The contractual maturities and weighted average contractual rate of our CDs were as follows:

	June 30, 2016	
($ in thousands)	Amount	Weighted Average Contractual Rate
Certificates of deposit maturing in:		
July 1 - December 31, 2016	$ 1,783,481	0.75%
2017	1,290,170	0.95%
2018	413,111	1.36%
2019	492,179	2.10%
2020	379,119	2.23%
2021 and thereafter	136,941	2.00%
Total	$ 4,495,001	1.17%

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.

Securities Sold under Agreements to Repurchase

As of June 30, 2016, securities sold under agreements to repurchase ("repurchase agreement") were $100.0 million. The repurchase agreement matures in the second quarter of 2017 and is collateralized by tax-exempt municipal securities. The repurchase agreement has a floating rate, which resets daily, and was 1.62% at June 30, 2016.

FHLB Advances

As of June 30, 2016, we had short-term FHLB advances of $850.0 million, all of which were repaid in July 2016.

Our long-term, laddered maturity, fixed-rate FHLB advances as of June 30, 2016 and December 31, 2015 were $5.1 billion and $4.0 billion, respectively. The weighted average remaining maturity of long-term FHLB advances was 1.8 years at June 30, 2016.

The following table presents the contractual maturities and weighted average contractual rate of our long-term FHLB advances:

	June 30, 2016	
($ in thousands)	**Amount**	**Weighted Average Contractual Rate**
FHLB advances maturing in:		
July 1 - December 31, 2016	$ 750,000	1.60%
2017	1,450,000	1.49%
2018	1,475,000	1.61%
2019	1,175,000	1.38%
2020	—	—%
2021	200,000	1.50%
Total	$ 5,050,000	1.51%

Unsecured, Term, Fixed-Rate Senior Notes

As of June 30, 2016, the Bank had unsecured, term, fixed-rate senior notes with a carrying value of $397.6 million, which were issued in June 2014. The senior notes bear a contractual interest rate of 2.375% and mature on June 17, 2019.

Available Borrowing Capacity

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at June 30, 2016 was $17.2 billion and $5.4 billion, respectively. This available borrowing capacity is supported by already pledged loans at the FHLB and investment securities at the Federal Reserve Bank. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" for additional information regarding our funding practices.

Liquidity

Liquidity refers to our capacity to meet our cash and collateral obligations and to manage both expected and unexpected cash flows without adversely impacting the operations or financial health of the Bank. Sources of liquidity include both unencumbered assets, such as marketable loans and securities, and traditional forms of funding, such as deposits, borrowings and equity. At June 30, 2016, our investment securities portfolio of $11.6 billion and cash and cash equivalents of $1.6 billion collectively comprised 20% of total assets. At June 30, 2016, we increased our holdings of assets that are considered HQLA from a regulatory perspective, including eligible cash, to $6.3 billion, compared to $5.8 billion at December 31, 2015.

At June 30, 2016, we had $17.2 billion of available borrowing capacity at the FHLB supported by already pledged loans. In addition, we had $5.4 billion of available borrowing capacity at the Federal Reserve Bank discount window collateralized by already pledged investment securities. Unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window equaled 35% 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, 2016, our loan originations, net of repayments, were $5.0 billion and our investment purchases, net of sales, calls and paydowns, were $988.8 million. These activities were primarily funded by a net increase in deposits of $3.3 billion, the sale of $1.4 billion of loans and a net increase in long-term FHLB advances of $1.1 billion. In addition, during the six months ended June 30, 2016, we completed a public offering of noncumulative perpetual preferred stock, which added approximately $145.2 million to equity and we sold approximately 2.9 million shares of new common stock, which added approximately $202.2 million to common equity.

We had $850.0 million short-term FHLB advances outstanding at June 30, 2016. 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. The Bank had loans held for sale of $438.9 million which were committed to be delivered to investors in the third quarter of 2016.

At June 30, 2016, we had securities sold under agreements to repurchase of $100.0 million, which matures in the second quarter of 2017.

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, 2016, our total equity was $6.3 billion, which included $5.2 billion of common shareholders' equity and $1.1 billion of the Bank's noncumulative perpetual preferred stock. At December 31, 2015, our total equity was $5.7 billion, which included $4.7 billion of common shareholders' equity and $989.5 million of the Bank's noncumulative perpetual preferred stock. At June 30, 2016 and December 31, 2015, the Bank's noncumulative perpetual preferred stock was 19% and 18% of Tier 1 capital, respectively.

At June 30, 2016, our Tier 2 capital included the allowance for loan losses of $278.7 million and the reserve for unfunded commitments of $12.1 million. At December 31, 2015, our Tier 2 capital included the allowance for loan losses of $261.1 million and the reserve for unfunded commitments of $12.4 million.

On February 10, 2016, we completed a public offering of 6,000,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 5.50% Noncumulative Perpetual Series G Preferred Stock ("Series G Preferred Stock"), at a public offering price of $25.00 per depositary share. The Bank issued 150,000 shares of the Series G Preferred Stock in connection with the offering, each with a liquidation preference of $1,000. Net proceeds, after underwriting discounts and expenses, were approximately $145.2 million.

On June 6, 2016, we completed a public offering of approximately 2.9 million shares of new common stock, which added approximately $202.2 million to common equity.

As described in our 2015 Form 10-K under "Item 1. Business—Supervision and Regulation—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 introduced a new capital measure referred to as Common Equity Tier 1 ("CET1") and a new regulatory capital ratio of CET1 to risk-weighted assets. The Basel III Capital Rules also revised the definitions and components of required capital, and established a new approach for risk-weighting assets.

The Basel III Capital Rules also introduce a new "capital conservation buffer," composed entirely of CET1, on top of minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum requirement but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. The implementation of the capital conservation buffer began on January 1, 2016 at 0.625% and will be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019). Thus, when fully phased in on January 1, 2019, the Bank will be required to maintain this additional capital conservation buffer of 2.5% of CET1.

Our capital ratios exceeded all applicable regulatory requirements at June 30, 2016 for well-capitalized institutions. Previously, we had been required to maintain a Tier 1 leverage ratio of at least 8% for the first seven years of our existence (through June 30, 2017) as a condition of being considered a de novo institution. As described under "Regulatory and Supervisory Matters," the Bank is no longer considered a de novo banking institution and is no longer subject to the accompanying regulatory conditions previously in effect from the FDIC.

The following table presents our capital ratios under the current (transitional) and fully phased-in requirements and the standards for both well-capitalized depository institutions and minimum capital requirements of the Basel III Capital Rules:

	Actual (Transitional)	Fully Phased-in (1)	Actual (Transitional)	Regulatory Requirements		
($ in thousands)	June 30, 2016		December 31, 2015	Well-Capitalized Ratio	Minimum Capital Ratio (Transitional) (2)	Fully Phased-in Minimum Capital Ratio (2)
Capital Ratio:						
Tier 1 leverage ratio (Tier 1 capital to average assets)	9.58%	9.51%	9.21%	5.00%	4.00%	4.00%
Common Equity Tier 1 capital to risk-weighted assets	10.74%	10.62%	10.76%	6.50%	5.125%	7.00%
Tier 1 capital to risk-weighted assets	13.23%	13.11%	13.13%	8.00%	6.625%	8.50%
Total capital to risk-weighted assets	13.86%	13.74%	13.78%	10.00%	8.625%	10.50%
Regulatory Capital:						
Common Equity Tier 1 capital	$ 4,916,224	$ 4,866,482	$ 4,502,206			
Tier 1 capital (3)	$ 6,055,749	$ 6,006,007	$ 5,491,731			
Total capital (3)	$ 6,346,692	$ 6,296,950	$ 5,765,254			
Assets:						
Average assets (3)	$ 63,191,099	$ 63,141,357	$ 59,603,505			
Risk-weighted assets	$ 45,785,355	$ 45,821,418	$ 41,839,779			

(1) 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, 2016.

(2) Beginning on January 1, 2016, a capital conservation buffer is added to the minimum risk-based capital ratios and will be fully implemented on January 1, 2019. The minimum ratios represent adequately capitalized ratios plus the capital conservation buffer of 0.625% (currently effective in 2016), and on a fully phased-in basis of 2.5% (effective in 2019). As of June 30, 2016, our capital conservation buffer was 5.86%, which exceeded both the transitional buffer of 0.625% and the fully phased-in minimum requirements of 2.5%.

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

On August 1, 2016, we completed a public offering of unsecured subordinated notes of $400 million. The subordinated notes bear a contractual fixed rate of 4.375% and will mature on August 1, 2046. The subordinated notes will qualify as Tier 2 capital and will increase total risk-based capital by approximately $387 million. If such Tier 2 capital was included at June 30, 2016, our total risk-based capital ratio would have been 14.71%.

Use of Non-GAAP Financial Measures

Our accounting and reporting policies conform to U.S. GAAP and the prevailing practices in the banking industry. Due to the application of purchase accounting from the Bank's re-establishment as an independent institution, management has historically used certain non-GAAP (i.e., core) measures and ratios that excluded the impact of these net positive purchase accounting items to evaluate our performance, including net income, earnings per share, revenues, yield on average loans, cost of average deposits, net interest margin and the efficiency ratio. However, because of the diminishing impact of these positive purchase accounting items, beginning in 2016, only the yield on average loans and net interest margin continue to be presented on a non-GAAP, or core, basis.

The accretion and amortization of the fair value adjustments recorded in purchase accounting from the Bank's re-establishment as an independent institution affect our net interest margin and yield on average loans as we accrete loan discounts to interest income and amortize premiums on CDs to interest 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 non-GAAP net interest margin.

We believe these two non-GAAP measures, when taken together with the corresponding GAAP measures, 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 should be considered in addition to, and not as a substitute for or preferable to, the measurements prepared in accordance with GAAP. In the tables below, we have provided a reconciliation of, where applicable, the most comparable GAAP financial measures to the non-GAAP financial measures, or a reconciliation of the non-GAAP calculation of the financial measure:

	Quarter Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2016	2015	2016	2015
Yield on average loans				
Interest income on loans	$ 383,431	$ 333,966	$ 751,681	$ 655,841
Add: Tax-equivalent adjustment on loans	10,866	9,313	21,619	18,041
Interest income on loans (tax-equivalent basis)	394,297	343,279	773,300	673,882
Less: Accretion	(7,532)	(11,708)	(14,957)	(23,830)
Core interest income on loans (tax-equivalent basis) (non-GAAP)	$ 386,765	$ 331,571	$ 758,343	$ 650,052
Average loans	$ 46,845,931	$ 40,058,305	$ 45,731,980	$ 39,157,180
Add: Average unaccreted loan discounts	98,446	136,533	102,197	142,530
Average loans (non-GAAP)	$ 46,944,377	$ 40,194,838	$ 45,834,177	$ 39,299,710
Yield on average loans—reported [(1)]	3.35%	3.41%	3.36%	3.43%
Contractual yield on average loans (non-GAAP) [(1)]	3.28%	3.28%	3.29%	3.30%
Net interest margin				
Net interest income	$ 441,618	$ 375,064	$ 865,933	$ 723,083
Add: Tax-equivalent adjustment	41,854	32,148	81,288	61,806
Net interest income (tax-equivalent basis)	483,472	407,212	947,221	784,889
Less: Accretion/amortization	(7,532)	(11,986)	(14,957)	(24,836)
Less: One-time special FHLB dividend	—	(9,134)	—	(9,134)
Core net interest income (tax-equivalent basis) (non-GAAP)	$ 475,940	$ 386,092	$ 932,264	$ 750,919
Average interest-earning assets	$ 59,902,697	$ 49,166,670	$ 58,858,716	$ 48,103,856
Add: Average unaccreted loan discounts	98,446	136,533	102,197	142,530
Average interest-earning assets (non-GAAP)	$ 60,001,143	$ 49,303,203	$ 58,960,913	$ 48,246,386
Net interest margin—reported [(1)]	3.21%	3.30%	3.20%	3.26%
Core net interest margin (non-GAAP) [(1)]	3.16%	3.12%	3.14%	3.11%

[(1)] Calculated on a fully taxable-equivalent basis.

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 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 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 $1.4 billion of loans during the six months ended June 30, 2016.

Our net interest income and net interest margin are also affected by the mix of earning assets and interest-bearing liabilities. Loans and investment securities with remaining fixed-rate terms greater than one year comprised 64% of total earning assets at June 30, 2016, compared to 67% at December 31, 2015. 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, 2016 and 24% of earning assets at December 31, 2015. 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, 2016 and 9% of earning assets at December 31, 2015. Together, earning assets with reset periods of less than one year totaled 36% and 33% at June 30, 2016 and December 31, 2015, respectively.

The rates paid on money market savings, money market checking and passbook deposit accounts generally move with changes in short-term market rates and may be subject to competitive pricing pressure. Money market savings, money market checking and passbook deposit accounts together comprised 28% and 27% of total deposits at June 30, 2016 and December 31, 2015, 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 63% of total deposits at June 30, 2016 and December 31, 2015. CDs comprised 9% and 10% of total deposits at June 30, 2016 and December 31, 2015, respectively, and had a weighted average remaining maturity of 16.1 months and 17.4 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, 2016, we did not have any 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, the levels of cash held on the balance sheet, 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, investments and FHLB advances, 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, 2016:

($ 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	$ 3,153	$ 470	$ 3,580	$ 5,955	$ 13,158
Loans, net [1], [2]	22,054	5,292	12,068	8,354	47,768
Other assets	202	—	1,238	2,364	3,804
Total assets	25,409	5,762	16,886	16,673	$ 64,730
Liabilities and Equity:					
Checking [3]	$ 14,654	$ —	$ —	$ 17,799	$ 32,453
Money market checking and savings deposits [3]	8,950	—	—	5,263	14,213
CDs	2,649	743	1,047	56	4,495
Short-term borrowings	950	—	—	—	950
Long-term FHLB advances	1,500	1,450	2,100	—	5,050
Senior notes	—	—	398	—	398
Other liabilities	6	—	—	859	865
Equity	200	—	200	5,906	6,306
Total liabilities and equity	28,909	2,193	3,745	29,883	$ 64,730
Repricing gap—positive (negative)	$ (3,500)	$ 3,569	$ 13,141	$ (13,210)	
Cumulative repricing gap:					
Dollar amount	$ (3,500)	$ 69	$ 13,210		
Percent of total assets	(5.4)%	0.1%	20.4%		

(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 and actual results could vary from those presented 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, (7) the levels of cash held on our balance sheet and (8) 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, 2016, 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, 2017	**Twelve Months Ending June 30, 2018**
Change in Market Interest Rates		
Shock:		
+200 basis points immediately	9.7 %	17.2 %
+100 basis points immediately	5.0 %	8.5 %
-100 basis points immediately	(8.2)%	(16.1)%
-200 basis points immediately	(8.7)%	(16.9)%
Ramp:		
+200 basis points over next 12 months	4.6 %	13.8 %
+100 basis points over next 12 months	2.1 %	6.6 %
-100 basis points over next 12 months	(5.7)%	(15.7)%
-200 basis points over next 12 months	(6.4)%	(16.8)%

As of June 30, 2016, the Bank is slightly asset sensitive, indicating that it would generally benefit from increases in interest rates, particularly when viewed over a two-year horizon. This assertion is supported by 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.

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, 2016, 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, 2016 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 2015 Form 10-K. Any of the risks described in our 2015 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 2016, we sold 27,890 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $1.7 million. These sales were exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section (3)(a)(2) thereof because the sales involved securities issued by a bank.

During the second quarter of 2016, we granted 627,977 restricted stock units, net of forfeitures, that are time vesting. In addition, we granted 755,150 restricted stock units, net of forfeitures, and 322,500 performance share units that vest over time, provided certain performance criteria are achieved. These awards were granted to certain employees, officers and directors, and had an aggregate grant date fair value of $118.3 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 June 6, 2016, we issued and sold 2,875,000 shares of common stock as part of an underwritten public offering for aggregate cash consideration of approximately $204.7 million, before underwriting discounts of $2.3 million and expenses of approximately $300,000. Net proceeds, after underwriting discounts, were $202.4 million ($70.41 per share). We used the proceeds for general corporate purposes, which included, among other things, funding loans and purchasing investment securities in our portfolio. The principal underwriters in the transaction were Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P Morgan Securities LLC. This transaction was also exempt from registration under the Securities Act, pursuant to Section (3)(a)(2) thereof because the transaction involved securities issued by a bank.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

10.1	Performance Share Unit Agreement, dated as of June 8, 2016, between James H. Herbert, II and the Bank.
10.2	Form of Performance Share Unit Agreement—Performance Vesting under the 2010 Omnibus Award Plan.
10.3	Form of Restricted Stock Unit Agreement—Time Vesting under the 2010 Omnibus Award Plan.
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 5, 2016	/s/ Michael J. Roffler
	Michael J. Roffler Executive Vice President and Chief Financial Officer (Principal Financial Officer)

INDEX TO EXHIBITS

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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.

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 8, 2016 (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.

(a) Pursuant to Sections 8 and 9(a) of the Plan, Bank hereby grants to Participant an Award for a target number of 50,000 performance share units ("Target Award"). Each performance share unit ("PSU") represents the right to receive one share of Common Stock of 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.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the meaning set forth in the Plan. In the event of conflict between the terms herein and the terms of the Plan, the terms of the Plan will govern the 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, 2016 and ending on March 31, 2019.

(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 is terminated 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) Disability. Notwithstanding Section 2(d)(i), if Participant's Continuous Service terminates during the Performance Period because Participant becomes disabled with the meaning of that term under Section 409A(a)(2)(C) of the Code ("Disability" or "Disabled"), Participant will remain eligible to vest in the Target Award on the last day of the Performance Period in accordance with this Section 2 as if Participant's Continuous Service had not been terminated, based on the level of achievement of the Performance Goals.

(iii) Death. Notwithstanding Section 2(d)(i), if Participant's Continuous Service terminates during the Performance Period as a result of Participant's death, Participant will fully vest on the date of death in the Target Award.

(iv) Retirement. Notwithstanding Section 2(d)(i), if Participant's Continuous Service is terminated 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 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 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, 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).

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

A. if Participant's Continuous Service is terminated during the Performance Period as a result of termination by Bank of Participant without "Cause" (as defined for purposes of this Agreement in that certain employment agreement between Participant and Bank, dated June 15, 2010, as amended by Amendment No. 1 effective as of February 27, 2012, Amendment No. 2 effective February 25, 2014 and Amendment No. 3 effective December 1, 2015 (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 been terminated, based on the level of achievement of the Performance Goals; and

B. if Participant's Continuous Service is terminated 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.

(vi) Extended Term. Notwithstanding Section 2(d)(i), if Participant's Continuous Service is terminated during the Performance Period and on or after the commencement of the Extended Term (as defined in the Employment Agreement) as a result of Participant's resignation because Participant is not elected to the Board by shareholders of Bank or is not appointed as Executive Chairman, 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 is terminated during the Performance Period within 24 months following the Change in Control as a result of termination by Bank 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 is terminated during the Performance Period but more than 24 months following the Change in Control as a result of termination by Bank of Participant without Cause or Participant's resignation for Good Reason, the provisions of Section 2(d)(v) 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 is terminated 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 Sections 2(d)(ii)-(iii) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B)). If Participant's Continuous Service is terminated during the Performance Period following the Change in Control as a result of Participant's Retirement, the provisions of Section 2(d)(iv) shall apply with respect to the Target Award (as adjusted pursuant to the immediately preceding clauses (A) and (B), without proration), 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 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 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 Participant at any time for any reason whatsoever, subject to the Employment Agreement between Participant and Bank, as amended.

(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. Further, each installment of a series of payments hereunder will be deemed to be a separate payment for purposes of Section 409A of the Code. 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/ James H. Herbert, II
James H. Herbert, II

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

PERFORMANCE GOAL

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 the following Performance Goal.

The PSUs subject to the Target Award (50,000 PSUs) will be earned in accordance with the following schedule based upon Bank's reported GAAP Return on Average Tangible Common Equity ("ROATCE") averaged over the 12 calendar quarters during the Performance Period as an absolute percentage and in relation to the median Return on Equity ("ROE") reported over the Performance Period by all institutions comprising the Keefe, Bruyette & Woods Bank Index (BKX) or comparable successor index ("KBW median"). ROATCE is computed as net income available to common shareholders divided by average tangible common equity. For purposes of calculating ROATCE, all averages shall be calculated using quarter end average numbers. 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 ROATCE of the Bank for the 12 quarters is less than either 10.5% or if the Bank's ROE is less than the median ROE for peer group institutions, the PSUs will not be earned to any extent.

Bank's 12-quarter average ROATCE during the performance period	**Percentage of total PSUs which vest**
Less than 10.5% ROATCE or not above KBW ROE median	0
At least 10.5% ROATCE and above KBW ROE median	100%

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.

(a) 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 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).

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the meaning set forth in the Plan. In the event of conflict between the terms herein and the terms of the Plan, the terms of the Plan will govern the 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) the Committee's certification of Bank's achievement of a 10.5% or greater 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 service as an employee or, if determined by the Committee, a consultant ("Continuous Service") with Bank and the Affiliates through each such vesting date. ROATCE is computed as net income available to common shareholders divided by average tangible common equity. For purposes of calculating ROATCE, all averages shall be calculated using quarter end average numbers. Except as may otherwise be provided herein, if Participant's Continuous Service with Bank is terminated at any time for any reason prior to the lapse of the Restricted Period, all PSUs granted hereunder that have not vested on or prior to such termination of Continuous Service shall be forfeited by Participant. No additional PSUs vest after termination of Continuous 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 (except as otherwise set forth in this Section 2).

(ii) No Substitution or Assumption by Successor. Subject to Participant's Continuous Service through the date thereof, and notwithstanding Section 2(a) above, the 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 terminates prior to the last day of the Restricted Period applicable to any outstanding PSUs for any reason (other than by reason of death or Disability as set forth below), 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 is terminated during the Restricted Period within 24 months following a Change in Control as a result of termination by Bank 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 Continuous Service 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) Disability. Notwithstanding Section 2(c)(i) above, if Participant's Continuous Service terminates during the Restricted Period because Participant becomes disabled within the meaning of that term under Section 409A(a)(2)(C) of the Code ("Disability"), PSUs will continue to be eligible to vest during the Restricted Period in accordance with the schedule set forth in Section 2(a), subject to Bank's achievement of ROATCE described in Section 2(a)(i), but without regard to Participant's Continuous Service as set forth in Section 2(a)(ii).

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

(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. 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, 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.

(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 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.

(k) 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 covenants and other obligations set forth in Appendix 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(k).

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 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. Further, each installment of a series of payments hereunder will be deemed to be a separate payment for purposes of Section 409A of the Code. Finally, solely to the extent required by Section 409A of the Code, and notwithstanding any other provision of the Plan or this Agreement, any payments made hereunder on account of the "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code) of a Participant who is determined to be a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code) shall not actually be paid before the date which is six months after Participant's separation from service (or, if earlier, the date of death of Participant).

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

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

(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**]**

APPENDIX A

EMPLOYEE OBLIGATIONS

(a) Notice of Termination.

You agree that, except as provided in Section 2(b)(ii) of the Agreement regarding resignation for "Good Reason" after a Change in Control, you will not voluntarily terminate your employment with Bank without giving Bank at least sixty (60) days prior written notice of the effective date of such termination. During the period from the date you provide Bank with written notice of resignation until the effective date of termination of your employment (the "Notice Period"), you will remain a Bank employee, continue to receive your base salary that accrues or becomes payable during the Notice Period and continue to participate in all benefit plans in which you participated as of the date of your written notice of termination. You will not, however, be eligible to receive any bonus payments, awards or other incentive compensation awarded during the Notice Period. Bank may also, at its sole election, waive or shorten the Notice Period. To the extent that all or part of the Notice Period is waived or shortened, your employment will terminate as of the date specified by Bank and you will not be entitled to any further compensation or benefits after the termination date.

(b) Confidential and Proprietary Information and Work for Hire.

(i) You acknowledge that during the term of your employment with Bank, you had and will have access to confidential and proprietary information of Bank, its subsidiaries, affiliates and their respective customers (Confidential Information, as defined below). You acknowledge that Bank and its subsidiaries expend substantial time, effort and resources developing this Confidential Information, which is valuable, special and unique to the business of Bank. During your employment with Bank and at all times thereafter, you agree to keep secret and not directly or indirectly use or disclose any Confidential Information to any person or entity, in any fashion or for any purpose whatsoever, except at the request of or with prior written consent of Bank or as required by applicable regulatory agencies or law or in connection with the performance of your authorized duties and responsibilities to Bank. The term "Confidential Information"' includes, but is not limited to, information maintained in written, digital, or graphic form, electronically stored and/or orally transmitted, concerning or relating to the business of Bank, its subsidiaries and/or affiliates, the identity of Bank's customers and prospective customers, customer needs, preferences, requirements and prior transactions, customer pricing or fee information, customer contact information, telephone numbers, compensation, performance and contract information about or relating to Bank employees, productivity data, financial models, computer software programs, source and other codes, information regarding direct communication and telecommunication lines, electronic and voice trading systems, screen systems and wiring instructions, the substance of fee arrangements or other agreements with customers, suppliers and others, marketing arrangements, commercial arrangements, technical, financial, client, marketing and product development plans and strategies, trade data, trade funds and brokerage schedules and any other information relating to the business of Bank that is not generally known to the public (and does not become generally known to the public pursuant to your breach of this Section (b)(i)).

(ii) You further 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, and you hereby assign to Bank all of your right, title and interest in, to and under all such inventions, copyrightable material, trade secrets and other work. You agree that during your employment with Bank and at all times thereafter, 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 of Bank or any of its subsidiaries are used; (B) it is not related to Bank's actual or Bank's demonstrably anticipated research and development (or that of any of Bank's subsidiaries); and (C) it does not result from or in connection with any work performed by you for Bank or any of its subsidiaries.

(c) Cooperation. During your employment with Bank and at all times thereafter, 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.

(d) Non-Disparagement. You agree that, during your employment with Bank and at all times thereafter, 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 social media, internet- or intranet-related sites; *provided that*, nothing in this paragraph (d) or any other provision of this Agreement (including this Appendix A) 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") or exercising your rights under any whistleblower law; (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.

(e) Covenants. While you are employed by Bank or any subsidiary (including, for the avoidance of doubt, any Notice Periods), you shall not, directly or indirectly, engage in any activities which shall be competitive with the business 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. Without limiting the foregoing, nothing in this section shall preclude you from holding 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.

(f) Reasonableness of Covenants. You acknowledge and expressly agree that the covenants contained in section (e) above are reasonably necessary to protect Bank's valuable business interests, including Bank's interest in protecting its customer relationships and goodwill, protecting its business and employment relationships and preventing the unauthorized use or disclosure of Bank's Confidential Information. You further agree that you have received valuable and adequate compensation in exchange for entering into the restrictions set out in this Agreement.

APPENDIX A

EMPLOYEE OBLIGATIONS

(a) Notice of Termination.

You agree that, except as provided in Section 2(b)(ii) of the Agreement regarding resignation for "Good Reason" after a Change in Control, you will not voluntarily terminate your employment with Bank without giving Bank at least sixty (60) days prior written notice of the effective date of such termination. During the period from the date you provide Bank with written notice of resignation until the effective date of termination of your employment (the "Notice Period"), you will remain a Bank employee, continue to receive your base salary that accrues or becomes payable during the Notice Period and continue to participate in all benefit plans in which you participated as of the date of your written notice of termination. You will not, however, be eligible to receive any bonus payments, awards or other incentive compensation awarded during the Notice Period. Bank may, in its sole discretion, require that you not come in to the office during all or part of the Notice Period. In no event, however, may you perform services for any other employer during the Notice Period. Bank may also, at its sole election, waive or shorten the Notice Period. To the extent that all or part of the Notice Period is waived or shortened, your employment will terminate as of the date specified by Bank and you will not be entitled to any further compensation or benefits after the termination date.

(b) Confidential and Proprietary Information and Work for Hire.

(i) You acknowledge that during the term of your employment with Bank, you had and will have access to confidential and proprietary information of Bank, its subsidiaries, affiliates and their respective customers (Confidential Information, as defined below). You acknowledge that Bank and its subsidiaries expend substantial time, effort and resources developing this Confidential Information, which is valuable, special and unique to the business of Bank. During your employment with Bank and at all times thereafter, you agree to keep secret and not directly or indirectly use or disclose any Confidential Information to any person or entity, in any fashion or for any purpose whatsoever, except at the request of or with prior written consent of Bank or as required by applicable regulatory agencies or law or in connection with the performance of your authorized duties and responsibilities to Bank. The term "Confidential Information"' includes, but is not limited to, information maintained in written, digital, or graphic form, electronically stored and/or orally transmitted, concerning or relating to the business of Bank, its subsidiaries and/or affiliates, the identity of Bank's customers and prospective customers, customer needs, preferences, requirements and prior transactions, customer pricing or fee information, customer contact information, telephone numbers, compensation, performance and contract information about or relating to Bank employees, productivity data, financial models, computer software programs, source and other codes, information regarding direct communication and telecommunication lines, electronic and voice trading systems, screen systems and wiring instructions, the substance of fee arrangements or other agreements with customers, suppliers and others, marketing arrangements, commercial arrangements, technical, financial, client, marketing and product development plans and strategies, trade data, trade funds and brokerage schedules and any other information relating to the business of Bank that is not generally known to the public (and does not become generally known to the public pursuant to your breach of this Section (b)(i)).

(ii) You further 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, and you hereby assign to Bank all of your right, title and interest in, to and under all such inventions, copyrightable material, trade secrets and other work. You agree that during your employment with Bank and at all times thereafter, 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 of Bank or any of its subsidiaries are used; (B) it is not related to Bank's actual or Bank's demonstrably anticipated research and development (or that of any of Bank's subsidiaries); and (C) it does not result from or in connection with any work performed by you for Bank or any of its subsidiaries.

(c) Cooperation. During your employment with Bank and at all times thereafter, 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.

(d) Non-Disparagement. You agree that, during your employment with Bank and at all times thereafter, 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 social media, internet- or intranet-related sites; *provided that*, nothing in this paragraph (d) or any other provision of this Agreement (including this Appendix A) 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") or exercising your rights under any whistleblower law; (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.

(e) Post-Employment Covenants.

(i) General. While you are employed by Bank or any subsidiary (including, for the avoidance of doubt, any Notice Periods), you shall not, directly or indirectly, engage in any activities which shall be competitive with the business 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. Without limiting the foregoing, nothing in this section shall preclude you from holding 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.

(ii) You further agree that, for a period ending one (1) year from the date your employment with Bank terminates for any reason, you will not, directly or indirectly, for yourself or on behalf of any other person, firm or legal entity:

(1) solicit, entice, encourage or persuade, or attempt to solicit, entice, encourage or persuade, any employee, agent, independent contractor or vendor of Bank to leave, terminate or limit his/her/its relationship with Bank or accept employment with or perform services for any other person or entity engaged in a Competitive Business;

(2) solicit, divert or take away, or attempt to solicit, divert or take away, the business or patronage of any Bank customer to whom or which you provided services, or with whom or which you had professional contact, at any time during the twenty-four (24) month period prior to the date your employment with Bank terminated; or

(3) perform services substantially similar to the services you performed during your employment with Bank, on your own behalf or on behalf of any other person or entity, to any Bank customer to whom or which you provided services, or with whom or which you had professional contact, at any time during the twenty-four month period prior to the date your employment with Bank terminated.

Before you apply for or accept employment with any other person or entity while this Section (e)(ii) is in effect, you agree to provide the prospective employer with written notice of the provisions of this Section (e)(ii).

(f) Reasonableness of Covenants. You acknowledge and expressly agree that the post-employment covenants contained in section (e) above are reasonably necessary to protect Bank's valuable business interests, including Bank's interest in protecting its customer relationships and goodwill, protecting its business and employment relationships and preventing the unauthorized use or disclosure of Bank's Confidential Information. You acknowledge that your experience, capabilities and circumstances are such that these provisions will not prevent you from earning a livelihood. You further agree that you have received valuable and adequate compensation in exchange for entering into the restrictions set out in this Agreement.

(g) Enforcement. You acknowledge and agree that a remedy at law for any breach or threatened breach of the post-employment covenants in this Appendix A would be inadequate, and therefore, you agree that in the event of a breach or threatened breach of any provision in this Appendix A, Bank shall be entitled to injunctive relief, without posting bond or other security, in addition to any other available rights and remedies in cases of any such breach or threatened breach. You further agree that if suit is successfully brought to enforce this Agreement or to seek damages for its breach or threatened breach, you will pay to Bank, in addition to any other damages awarded to Bank, all attorneys' fees incurred by Bank in seeking such relief.

Exhibit 10.3

NON-EMPLOYEE DIRECTOR

FIRST REPUBLIC BANK
2010 OMNIBUS AWARD PLAN

RESTRICTED STOCK UNIT AGREEMENT

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

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

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

(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 RSUs.

2. Terms and Conditions.

(a) Restricted Period. The period of time between the Date of Grant and the vesting of RSUs (and the termination of restrictions thereon) will be referred to herein as the "Restricted Period." Except as may otherwise be provided herein, 100% of the RSUs shall become vested on the twelve-month anniversary of the Date of Grant, subject to Participant's continuous service with Bank and the Affiliates through such vesting date.

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

(i) Substitution or Assumption by Successor. Upon a Change in Control, as defined in the Plan, in which this Award is assumed or substituted with an equivalent value award, the Award (including any substitute or replacement award) will continue to vest on the vesting date described in Section 2(a) in accordance with this Section 2 subject to continuous service through each such date or, if following the Change in Control by the Bank the Participant's continuous service ceases prior to the vesting date described in Section 2(a) (other than as a result of removal for Cause), the Award shall vest in full upon such termination.

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

(c) Treatment of RSUs Upon Termination of Service. Subject to Participant's continued service with Bank and the Affiliates, and notwithstanding Section 2(a) hereof, 100% of the RSUs shall become vested immediately on Participant's termination of service due to death or Disability. If, other than as provided in Section 2(b), Participant's service with Bank and the Affiliates is terminated prior to the expiration of the Restricted Period applicable to any outstanding RSUs for any reason other than death or Disability, then Participant shall forfeit all outstanding, unvested RSUs, which shall terminate and expire on the date of such termination of 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 RSUs or consideration therefor.

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

(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 RSUs been actual shares of Bank Common Stock will be accumulated and paid in cash to Participant if and when such RSUs 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 RSUs which are forfeited.

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

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

(h) Withholding Taxes. If, and to the extent, required by applicable law, the provisions of this Section 2(h) will apply. To the extent that the vesting of the RSUs or the receipt of Shares (including any cash or other securities or property payable in lieu thereof), or the vesting or receipt of dividend equivalents, results in income to 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 RSUs to cover applicable withholding taxes, equal to the greatest number of whole shares having a Fair Market Value on the date immediately preceding the date on which the applicable tax liability is determined not in excess of the minimum amount required to satisfy the statutory withholding tax obligations with respect to the RSUs. Alternatively, Bank, in its sole discretion, may provide for the withholding of applicable taxes from the proceeds of the sale of Shares acquired upon vesting of the RSUs, either through a voluntary sale or through a mandatory sale arranged by Bank (on Participant's behalf pursuant to this authorization). Bank may also require Participant to deliver to Bank at the time of vesting of the RSUs or receipt of Shares, or the vesting or receipt of other amounts, as the case may be, such amount of money as Bank may require to satisfy all tax withholding obligations of Bank, and Participant also authorizes Bank to satisfy all such tax withholding obligations from his or her wages or other cash compensation payable to Participant by Bank. Bank may refuse to issue or deliver the Shares or other amounts unless all withholding taxes that may be due as a result of this award have been paid.

3. Miscellaneous.

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

(i) if to Bank:

First Republic Bank
111 Pine Street
San Francisco, CA 94111
Attention: 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 Service. Nothing in the Plan or in this Agreement shall confer upon Participant any right to continue in the 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 RSUs granted hereunder and/or (b) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A of the Code. 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 of California.

(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]

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				
($ in thousands)	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Earnings before adjustment for fixed charges:									
Income before income taxes and noncontrolling interest in subsidiaries	$ 200,793	$ 175,180	$ 396,672	$ 330,558	$ 690,668	$ 669,883	$ 663,559	$ 601,347	$ 564,652
Preferred stock dividends of subsidiaries	—	—	—	—	—	—	—	(2,676)	(7,774)
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	—	(13,200)	—
Earnings before adjustment for fixed charges	$ 200,793	$ 175,180	$ 396,672	$ 330,558	$ 690,668	$ 669,883	$ 663,559	$ 585,471	$ 556,878
Fixed charges and preferred stock dividend requirements:									
I. Excluding interest on deposits:									
Interest on borrowings	$ 21,404	$ 22,348	$ 40,134	$ 45,244	$ 86,357	$ 91,795	$ 71,026	$ 57,205	$ 33,950
Preferred stock dividends of subsidiaries	—	—	—	—	—	—	—	2,676	7,774
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	—	13,200	—
Estimated interest component of net rental expense	6,071	5,704	11,821	10,626	21,400	18,733	17,658	16,777	12,884
Total fixed charges, excluding interest on deposits	27,475	28,052	51,955	55,870	107,757	110,528	88,684	89,858	54,608
Preferred stock dividend requirements	30,219	25,062	58,845	49,217	102,483	96,619	70,732	32,597	—
Fixed charges and preferred stock dividend requirements	$ 57,694	$ 53,114	$ 110,800	$ 105,087	$ 210,240	$ 207,147	$ 159,416	$ 122,455	$ 54,608
Earnings, including fixed charges	$ 228,268	$ 203,232	$ 448,627	$ 386,428	$ 798,425	$ 780,411	$ 752,243	$ 675,329	$ 611,486
Ratio of earnings to fixed charges	8.31x	7.24x	8.63x	6.92x	7.41x	7.06x	8.48x	7.52x	11.20x
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.96x	3.83x	4.05x	3.68x	3.80x	3.77x	4.72x	5.51x	11.20x
II. Including interest on deposits:									
Interest on borrowings	$ 21,404	$ 22,348	$ 40,134	$ 45,244	$ 86,357	$ 91,795	$ 71,026	$ 57,205	$ 33,950
Preferred stock dividends of subsidiaries	—	—	—	—	—	—	—	2,676	7,774
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	—	13,200	—
Estimated interest component of net rental expense	6,071	5,704	11,821	10,626	21,400	18,733	17,658	16,777	12,884
Interest on deposits	16,390	14,543	32,898	28,531	61,072	60,454	60,817	56,981	83,268
Total fixed charges, including interest on deposits	43,865	42,595	84,853	84,401	168,829	170,982	149,501	146,839	137,876
Preferred stock dividend requirements	30,219	25,062	58,845	49,217	102,483	96,619	70,732	32,597	—
Fixed charges and preferred stock dividend requirements	$ 74,084	$ 67,657	$ 143,698	$ 133,618	$ 271,312	$ 267,601	$ 220,233	$ 179,436	$ 137,876
Earnings, including fixed charges	$ 244,658	$ 217,775	$ 481,525	$ 414,959	$ 859,497	$ 840,865	$ 813,060	$ 732,310	$ 694,754
Ratio of earnings to fixed charges	5.58x	5.11x	5.67x	4.92x	5.09x	4.92x	5.44x	4.99x	5.04x
Ratio of earnings to fixed charges and preferred stock dividend requirements	3.30x	3.22x	3.35x	3.11x	3.17x	3.14x	3.69x	4.08x	5.04x

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 5, 2016

/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 5, 2016

/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, 2016 (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 5, 2016

/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, 2016 (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 5, 2016

/s/ Michael J. Roffler

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