FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C. 20429

FORM 10-K

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

For the fiscal year ended December 31, 2019

OR

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

For the transition period from to

FIRST REPUBLIC BANK
(Exact name of registrant as specified in its charter)

California	**80-0513856**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
111 Pine Street, 2nd Floor, San Francisco, CA	**94111**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(415) 392-1400**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**FRC**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 5.70% Noncumulative Perpetual Series F Preferred Stock	**FRC-PrF**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 5.50% Noncumulative Perpetual Series G Preferred Stock	**FRC-PrG**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 5.125% Noncumulative Perpetual Series H Preferred Stock	**FRC-PrH**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 5.50% Noncumulative Perpetual Series I Preferred Stock	**FRC-PrI**	**New York Stock Exchange**
Depositary Shares, Each Representing a 1/40th Interest in a Share of 4.70% Noncumulative Perpetual Series J Preferred Stock	**FRC-PrJ**	**New York Stock Exchange**

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ | Accelerated filer ☐

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

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price of $97.65 as of June 30, 2019 was approximately $16.4 billion.

The number of shares outstanding of the Bank's common stock, par value $0.01 per share, as of February 14, 2020 was 171,287,610.

DOCUMENTS INCORPORATED BY REFERENCE

The following document is incorporated by reference in parts of the Form 10-K:

Portions of the Bank's definitive proxy statement for its annual meeting of shareholders to be held on May 12, 2020 (the "2020 Proxy Statement"), which will be filed within 120 days of the Bank's last fiscal year end, are incorporated in Part III of the Form 10-K.

The index to Exhibits appears on page 177.

FIRST REPUBLIC BANK

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EXPLANATORY NOTE

As used throughout this document, the terms “First Republic,” the “Bank,” “we,” “our” and “us” mean, except as the context indicates otherwise, First Republic Bank, a California-chartered commercial bank, including all its subsidiaries.

PART I

Information Regarding Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Annual Report that are not historical facts are hereby identified as “forward-looking statements” for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipates,” “believes,” “can,” “could,” “may,” “predicts,” “potential,” “should,” “will,” “estimates,” “plans,” “projects,” “continuing,” “ongoing,” “expects,” “intends” and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties. Our actual results could differ materially from those expressed or anticipated in such forward-looking statements as a result of risks and uncertainties more fully described under “Item 1A. Risk Factors.”

Forward-looking statements involving such risks and uncertainties include, but are not limited to, statements regarding:

- Projections of loans, assets, deposits, liabilities, revenues, expenses, tax liabilities, net income, capital expenditures, liquidity, dividends, capital structure, investments or other financial items;
- Expectations regarding the banking and wealth management industries;
- Descriptions of plans or objectives of management for future operations, products or services;
- Forecasts of future economic conditions generally and in our market areas in particular, which may affect the ability of borrowers to repay their loans and the value of real property or other property held as collateral for such loans;
- Our opportunities for growth and our plans for expansion (including opening new offices);
- Expectations about the performance of any new offices;
- Projections about the amount and the value of intangible assets, as well as amortization of recorded amounts;
- Future provisions for credit losses on loans and debt securities;
- Changes in nonperforming assets;
- Projections about future levels of loan originations or loan repayments;
- Projections regarding costs, including the impact on our efficiency ratio; and
- Descriptions of assumptions underlying or relating to any of the foregoing.

Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- Significant competition to attract and retain banking and wealth management customers, from both traditional and non-traditional financial services and technology companies;

- Our ability to recruit and retain key managers, employees and board members;
- The possibility of earthquakes, fires and other natural disasters affecting the markets in which we operate;
- Interest rate risk and credit risk;
- Our ability to maintain and follow high underwriting standards;
- Economic and market conditions, including those affecting the valuation of our investment securities portfolio and credit losses on our loans and debt securities;
- Real estate prices generally and in our markets;
- Our geographic and product concentrations;
- Demand for our products and services;
- Developments and uncertainty related to the future use and availability of some reference rates, such as the London Interbank Offered Rate ("LIBOR") and the 11th District Monthly Weighted Average Cost of Funds Index ("COFI"), as well as other alternative reference rates;
- The regulatory environment in which we operate, our regulatory compliance and future regulatory requirements;
- Any future changes to regulatory capital requirements;
- Legislative and regulatory actions affecting us and the financial services industry, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), including increased compliance costs, limitations on activities and requirements to hold additional capital, as well as changes to the Dodd-Frank Act pursuant to the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA");
- Our ability to avoid litigation and its associated costs and liabilities;
- Future Federal Deposit Insurance Corporation ("FDIC") special assessments or changes to regular assessments;
- Fraud, cybersecurity and privacy risks; and
- Custom technology preferences of our customers and our ability to successfully execute on initiatives relating to enhancements of our technology infrastructure, including client-facing systems and applications.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Annual Report and our other public filings under the Exchange Act. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Item 1. Business.

General

Founded in 1985, we are a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the FDIC. We 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, to clients in selected metropolitan areas in the United States. As of December 31, 2019, we had total assets of $116.3 billion, total deposits of $90.1 billion, total equity of $9.9 billion and wealth management assets under management or administration of $151.0 billion.

As of December 31, 2019, we provided our services through 89 offices, of which 78 are licensed deposit-taking offices primarily in the following areas: San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach and San Diego, California; Portland, Oregon; Boston, Massachusetts; Palm Beach, Florida; Greenwich, Connecticut; New York, New York; and Jackson, Wyoming. We have 11 offices that offer exclusively lending, wealth management or trust services. Approximately 62% of our loans outstanding are in California as of December 31, 2019. We have been continuously headquartered in San Francisco since our inception.

We originate real estate-secured loans and other loans for retention in our loan portfolio, and historically have originated mortgage loans for sale to institutional investors or for securitization and sale in the secondary market.

We have an established record of meeting the credit needs of the communities where we operate and historically have met our obligations under the Community Reinvestment Act (the "CRA"). In particular, we lend to support community development projects, affordable housing programs and non-profit organizations that help economically disadvantaged individuals and to residents of low- and moderate- income census tracts, in each case consistent with prudent underwriting practices. We also make investments that benefit small businesses or low- and moderate- income communities in our footprint, including investing in small business investment companies, community development financial institutions and other similar organizations. We also donate to nonprofit organizations that offer a wide range of programs, including educational and health programs to economically disadvantaged students and families.

We also offer a broad array of internally managed investment services and, through an open architecture model, access to investments managed by unaffiliated investment advisers. Our wealth management services include a variety of investment strategies and products, online investment management services, trust and custody services, full service and online brokerage, financial and estate planning, access to alternative investments (private equity, venture capital, hedge and real estate funds), socially responsible investing, insurance and foreign exchange. We offer our wealth management services through First Republic Investment Management, Inc. ("FRIM"), a federally registered investment adviser with the U.S. Securities and Exchange Commission ("SEC"). We offer brokerage services through First Republic Securities Company, LLC ("FRSC"), a broker-dealer registered with the SEC. We offer insurance solutions through FRSC and FRIM. We provide trust services through First Republic Trust Company, a division of the Bank, First Republic Trust Company of Delaware LLC ("FRTC Delaware"), and First Republic Trust Company of Wyoming, LLC ("FRTC Wyoming") (collectively, the "Trust Company"). FRIM, FRSC, FRTC Delaware and FRTC Wyoming are wholly-owned subsidiaries of the Bank. Gradifi, Inc. ("Gradifi") was also a wholly-owned subsidiary of First Republic until it was sold on December 9, 2019.

We do not engage in proprietary trading or investment banking activities nor do we originate or trade in derivatives for our own account, and we do not have any current plans to engage in any of these activities.

We currently operate our business through two business segments: Commercial Banking and Wealth Management. For segment information, see the information in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Segments" and Note 25 in "Item 8. Financial Statements and Supplementary Data."

Our Business Strategy

Our core business principles and service-based culture have successfully guided our efforts over the past 34 years. We believe focusing on these principles will enable us to expand our capabilities for providing value-added services to our urban, coastal client base and generate steady, long-term growth.

Deliver Superior Client Service. We believe that stable long-term growth and profitability are the result of building strong client relationships one at a time while maintaining superior credit discipline. The most effective

way to achieve this is through the continued delivery of superior, carefully coordinated client service without compromising the credit quality of our assets. Our employees strive to understand our clients' needs and identify appropriate financial solutions through our comprehensive suite of products and services. Our client-focused culture has allowed us to broaden and deepen these relationships over time. In turn, these clients do more business with us, along with the substantial portion of our new clients coming to us from "word-of-mouth" referrals from satisfied existing clients. We believe that delivering superior client service differentiates us from our competition.

Originate High Quality Loans. We have traditionally attracted new clients through our mortgage lending activities, providing an opportunity for our relationship managers to introduce other services to these clients. We remain committed to underwriting and originating high quality loans for existing and new clients. This enables us to expand our business in a disciplined manner while maintaining superior credit quality.

Grow Core Deposits. We focus on growing a high quality, low cost, stable, core deposit base. Core deposits, which include checking accounts, money market accounts, savings accounts and certificates of deposits ("CDs") (excluding CDs greater than $250,000 and all brokered deposits), represented 90% of total deposits at December 31, 2019. Our checking and savings deposits, which represent the majority of core deposits, have grown at a compounded annual growth rate of 18% for the past five years. This growth is due to efforts across the entire business, including our relationship managers, branch office network, business bankers, Preferred Banking personnel and wealth management professionals.

Grow Our Wealth Management Business. We view our wealth management business as an opportunity for continued growth in fee income. We intend to continue to expand our wealth management business by hiring additional professionals and using our relationship-based approach to increase our assets under management or administration. We offer integrated investment management, trust, custody, financial planning, insurance, brokerage and foreign exchange services, which are an extension of our banking franchise. We believe that our brand name, superior client service and service culture will enable us to expand this business and diversify our income stream.

Attract and Retain High Quality Service Professionals. Attracting and retaining successful and high quality service professionals is critical to driving the development of our business and delivering superior financial performance. We have experienced low turnover in our client service personnel and intend to continue hiring and developing professionals who can establish and maintain long-term client relationships that are the key to our business, brand and culture. We believe our distinct business model, culture, scalable platform and incentive compensation structure enable us to attract and retain high quality service professionals.

Deposits

An important aspect of our franchise is the ability to gather deposits. As of December 31, 2019, we held $90.1 billion of total deposits, and deposit funding comprised 85% of total liabilities. Total deposits grew 14% during 2019 and have grown at a compounded annual growth rate of 19% over the past five years, as a result of growth in existing client relationships, client referrals, our general marketing initiatives, growth in services offered to Bank clients and the service skills of individual employees. Based on the most recent publicly available regulatory filings, as of December 31, 2019, we were the 25th largest banking organization in the United States measured by total deposits.

As of December 31, 2019, our deposit base consisted of $52.8 billion, or 59%, in checking deposits, $23.4 billion, or 26%, in money market checking, savings and passbook deposits, and $13.9 billion, or 15%, in CDs. Our deposit base is also well-diversified geographically and by client type. As of December 31, 2019, 44% of our total deposits came from Northern California, 22% from New York, 12% from Southern California, 11% from Boston, 6% from wealth management sweep programs and 5% from other deposits. As of December 31, 2019, 56% of our total deposits were from business clients and 44% of our total deposits were from consumer clients.

Our deposit base reflects our value-added strategy of introducing deposits to loan clients, wealth management clients, businesses and non-profit organizations through the following channels: (1) Preferred Banking deposits, which are placed by clients who enter into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional; (2) deposits from Preferred Banking Offices, which are retail locations that gather deposits and service all of our clients; (3) wealth management sweep deposits, which primarily consist of deposits swept from clients' brokerage or other investment accounts; and (4) other deposits, which primarily consist of brokered deposits, municipal deposits, and other deposits that are not attributable to any specific deposit location. As of December 31, 2019, we held $51.7 billion of deposits associated with our Preferred Banking activities, $27.8 billion of deposits associated with our Preferred Banking Offices, $5.6 billion of wealth management deposits generated through our sweep programs, and $5.0 billion of other deposits.

Preferred Banking is a substantial source of deposits. Preferred Banking is located in our key markets with specialized personnel that primarily support the clients of our relationship managers, business bankers and wealth management professionals. During 2019, Preferred Banking deposits grew 14% and have grown at a compounded annual growth rate of 19% in the last five years.

Preferred Banking Offices, which are typically located in dense urban areas or supporting suburban areas, have also been a strong source of deposit growth in both established and new locations. Of our existing Preferred Banking Offices, 81% had total deposits over $200 million at December 31, 2019.

Wealth management sweep deposits and other deposits have also contributed to deposit growth during 2019. This growth was the result of the continued expansion of our wealth management activities and overall growth in the franchise.

Lending Activities

Products

We offer a broad range of lending products to meet the needs of our clients. Our loan portfolio primarily consists of loans secured by single family residences, multifamily buildings and commercial real estate properties. Our strategy includes lending to borrowers who are professionals, business executives or entrepreneurs who are buying or refinancing homes in metropolitan communities, refinancing student debt, or investing in their firms, which creates the opportunity for us to offer related products and services. We emphasize the origination of single family mortgage loans and originate other real estate secured loans on a selective basis, including multifamily mortgages, commercial real estate mortgages and construction loans. We also originate business loans, including capital call lines of credit to private equity and venture capital funds, loans to independent schools and other non-profit organizations, operating lines of credit to professional service firms, and smaller Eagle One loans and lines of credit to businesses. In addition, we originate stock secured loans, Eagle Professional loans, which offer individuals the ability to borrow for capital and partnership requirements, and Student Loan Refinance loans made to individuals for refinancing existing education debt.

Single Family Residential. As of December 31, 2019, the recorded investment of single family real estate secured loans, including loans held for sale, represented $48.0 billion, or 53% of our loan portfolio. As of December 31, 2019, these loans had a weighted average loan-to-value ratio ("LTV") at origination of approximately 58%. Many of our borrowers have high liquidity and substantial net worth. Additionally, we offer specific loan programs for first-time homebuyers and also to borrowers with low to moderate incomes. Our Eagle Community loan program offers special fixed rates to borrowers in historically underserved communities. Our single family loans are secured by single family detached homes, condominiums, cooperative apartments and two-to-four unit properties. Due to our larger than average loan size ($1.0 million based on outstanding loans at December 31, 2019), the number of single family loans originated by us is relatively small (approximately 16,000 for 2019), allowing our relationship managers and the executive loan approval team of 36 Executive Loan Committee members to carefully review loans as part of our credit approval process and provide high quality service to each client. Repeat clients or their direct referrals are the most important source of our loan originations.

Home Equity Lines of Credit ("HELOCs"). As of December 31, 2019, the recorded investment of HELOCs was $2.5 billion, or 3% of our total loan portfolio, and the unused commitments under these lines of credit were $5.5 billion. We offer HELOCs consisting of loans secured by first or second deeds of trust on primarily owner-occupied primary residences. The majority of these lines are in a secured position behind a first mortgage originated by us or in a first-lien position. As of December 31, 2019, approximately 37% 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. As of December 31, 2019, the average commitment size of HELOCs was approximately $525,000, and the weighted average combined LTV ("CLTV") including the first residential mortgage, if any, at origination was approximately 51%. Generally, these loans bear interest rates that vary with the prime rate. These lines have a 25-year maturity with interest-only payments for the first 10 years and are fully amortizing over the last 15 years.

Multifamily. As of December 31, 2019, the recorded investment of loans secured by multifamily properties, including loans held for sale, totaled $12.4 billion, or 14% of our total loan portfolio. The loans are predominantly for established buildings in the urban neighborhoods of our markets. The buildings securing our multifamily loans are, generally, seasoned operating properties with proven occupancy, rental rates and expense levels. The neighborhoods tend to be densely populated; the properties are close to employment opportunities; and rent levels are appropriate for the target occupants. Generally, the borrowers are property owners who are experienced at managing these properties. We typically have recourse directly against the borrower on these loans due to receiving a personal guaranty from the borrower. As of December 31, 2019, the average multifamily mortgage loan commitment size was approximately $2.9 million, and the weighted average LTV at origination was approximately 51%.

Commercial Real Estate. As of December 31, 2019, the recorded investment of commercial real estate loans was $7.5 billion, or 8% of our loan portfolio. We originate commercial real estate loans, primarily to existing clients. We typically have recourse directly against the borrower on these loans and receive a personal guaranty from the borrower. We are primarily an urban lender. The real estate securing our existing commercial real estate loans includes a wide variety of property types, such as mixed-use residential/commercial, retail properties, office buildings, office/warehouses, hotels, motels and healthcare facilities. At the time of loan closing, the properties are generally completed and occupied. As of December 31, 2019, the average commercial real estate loan commitment size was approximately $3.3 million, and the weighted average LTV at origination was approximately 47%.

Business. As of December 31, 2019, the recorded investment of business loans and lines of credit was $11.6 billion, or 13% of total loans outstanding. Of this total, $6.6 billion was in the form of lines of credit, with additional undisbursed commitments of $12.3 billion. The business loan portfolio is comprised primarily of capital call lines to private equity and venture capital funds, loans to independent schools and other non-profit organizations, operating lines of credit to professional service firms and term loans to enable business clients to acquire capital equipment.

We offer capital call lines of credit, which are credit facilities that enable private equity and venture capital funds to bridge the timing between funding investments and receiving funds from limited partner capital calls. As of December 31, 2019, the recorded investment of capital call lines of credit was $5.3 billion, with additional undisbursed commitments of $9.7 billion. In addition, the utilization rate for these lines of credit was 35.4% at December 31, 2019.

We originate Eagle One loans, which are smaller loans or lines of credit to businesses, generally in amounts of up to $500,000. These Eagle One loans are generally made to meet the working capital needs of small businesses. Such loans are either revolving lines of credit or term loans and are adjustable based on the prime rate. These loans or lines of credit are guaranteed by the business owners personally. As of December 31, 2019, we had outstanding Eagle One loans and lines of credit of $64.0 million and had undisbursed commitments of $136.7 million.

Construction. As of December 31, 2019, the recorded investment of construction loans was $2.3 billion, or 2% of total loans outstanding. Our construction loan portfolio includes single family construction loans, which

are loans to individual clients for the construction and ownership of single family homes, primarily in our California and New York markets. Our construction loan portfolio also includes multifamily/commercial construction loans for the construction and ownership of non-owner occupied single family loans, multifamily and commercial real estate properties. These loans are typically disbursed as construction progresses, carry interest rates that vary with the prime rate and can be converted into a permanent mortgage loan once the property is occupied. We had undisbursed commitments of $2.1 billion related to our construction loan portfolio. As of December 31, 2019, the average construction loan commitment size was approximately $5.6 million, and the weighted average LTV at origination was approximately 55%.

Stock Secured. As of December 31, 2019, the recorded investment of stock secured loans was $1.9 billion, or 2% of total loans outstanding. There were additional undisbursed commitments of $3.1 billion related to stock secured loans.

Other Secured. As of December 31, 2019, the recorded investment of other secured loans was $1.4 billion, or 2% of total loans outstanding and we had undisbursed commitments of $1.4 billion. These loans include Eagle Professional loans, which offer individuals an ability to borrow for capital and partnership requirements. As of December 31, 2019, we had outstanding Eagle Professional loans of $1.2 billion and had undisbursed commitments of $1.3 billion.

Unsecured. As of December 31, 2019, the recorded investment of unsecured loans and lines of credit was $3.1 billion, or 3% of total loans outstanding. Unsecured loans include Student Loan Refinance loans made to individuals for refinancing existing education debt at competitive fixed rates. At December 31, 2019, the recorded investment of such loans was $2.6 billion. In addition, unsecured loans at December 31, 2019 consist of outstanding lines of credit of $385.0 million and undisbursed commitments of $713.4 million. Unsecured lines of credit are originated to meet the non-mortgage needs of our clients. Such loans generally have a shorter term to maturity, are adjustable with the prime rate or LIBOR and are subject to annual or more frequent review.

Underwriting

We have developed disciplined underwriting standards that have remained consistent through varying business cycles. We seek to diversify our loans among market areas, loan types and industries. Our underwriting standards include a matrix of approval requirements that vary depending on the size and type of loan and our aggregate exposure to the borrower. The underwriting process is intended to assess the prospective borrower's credit standing, the ability to repay and the value and adequacy of any collateral. To assess the borrower's ability to repay, we analyze the borrower's cash flow, liquidity, credit standing, employment history and overall financial condition. We evaluate our borrowers who choose adjustable-rate loans at a rate that exceeds the initial start rate. This allows us to make a determination as to whether the borrower is able to make higher loan payments in the event that interest rates increase subsequent to origination. We do not originate loans with "teaser" rates. We do not originate single family loans with the characteristics typically described as "subprime" or "high cost," such as loans made to borrowers with little or no cash reserves and poor or limited credit using limited income documentation. Over the past two years, the home loans originated by us had a weighted average credit score of 766. In addition, many of our borrowers have high liquidity and substantial net worth. We underwrite home loans using full documentation.

The median attributes of clients who have obtained home loans from us over the last two years are as follows:

	Median
Loan Size	$ 706,000
LTV	60%
Liquidity	$ 591,000
Credit Score	776

Our loan origination policies and consistent underwriting standards have resulted in a low historical loan loss experience. Since our inception in 1985, we have originated $145.1 billion of single family residential loans

(including HELOCs) and have experienced cumulative net loan losses of only $40.4 million, or 3 basis points, in 34 years (including losses on loans sold).

Our loan charge-off experience on all loan types for the last fifteen years (as reported in our financial statements) is presented in the following table. From 2009 through 2019, net loan losses include charge-offs against the allowance for loan losses and charge-offs recorded as a reduction in unaccreted discounts established in purchase accounting.

	Net Charge-Offs (Recoveries)	
($ in millions)	**Ratio [1]**	**Amount**
Year ended December 31:		
2019	0.01%	$ 4.6
2018	0.00%	$ 3.0
2017	0.00%	$ 0.9
2016	0.00%	$ 1.9
2015	0.01%	$ 2.1
2014	0.01%	$ 2.2
2013	0.05%	$ 14.2
2012	0.01%	$ 1.9
2011	0.03%	$ 5.2
2010	0.09%	$ 16.3
2009	0.48%	$ 84.1
2008	0.08%	$ 11.9
2007	0.01%	$ 0.9
2006	(0.06)%	$ (4.4)
2005	(0.02)%	$ (0.9)

(1) Represents net charge-offs (recoveries) to average loans during each year.

Our charge-off ratio was less than 0.5% of average loans at its highest in 2009, and net charge-offs have averaged 3 basis points of average loans outstanding, per year, over the past fifteen years.

Credit Risk Management

Credit risk management involves a partnership between our relationship managers, business bankers and our credit approval and credit administration personnel. We conduct weekly loan meetings, attended by nearly all of our senior management, relationship managers, related loan production staff and credit administration staff, at which asset quality and delinquencies are reviewed. Our compensation program for our relationship managers has included meaningful credit claw back provisions since 1986 on all loan originations to encourage our personnel to avoid and monitor for credit delinquency issues, which we believe leads the relationship manager to focus on high quality credit consistent with our strategic focus on asset quality.

We perform regular monitoring and annual reviews of our loan portfolio to identify and evaluate any deterioration in primary and/or secondary sources of repayment, including evaluations of the borrower's financial condition and value of the collateral. Updates to risk grades are made, as needed, upon completion of reviews. We maintain a list of loans that receive additional attention if we believe there may be a potential credit risk. Relationship managers are encouraged to bring potential credit issues to the attention of credit administration personnel in a timely manner.

For loans that are criticized or classified, the Bank's Special Assets Committee reviews loan grades, reserves and accrual status on a quarterly or more frequent basis. This review includes an evaluation of the market conditions, the property's trends, the borrower and guarantor status, the level of reserves required and loan accrual status. Additionally, we have an independent, third-party review performed on our loan grades and our credit administration functions each year. The results of the third-party review are presented to the Audit

Committee of the Board of Directors. These asset review procedures provide management with additional information for assessing and affirming our asset quality. In addition, for business and personal loans that are not secured by real estate, we perform frequent evaluations and regular monitoring.

Mortgage Banking Activities

Secondary Market Loan Sales

We have historically and regularly accessed the capital markets to sell into the secondary markets residential and, to a lesser extent, multifamily and commercial real estate loans that we originate. We sell loans on a non-recourse basis to provide funds for additional lending and to manage our asset/liability position. We retain all the loan servicing in order to maintain the primary contact with our clients and to generate recurring fee income. Secondary marketing has allowed us to make loans to clients during periods when deposit flows decline and when clients prefer loans with characteristics that we choose not to retain in our loan portfolio.

We transact loan sales through whole loan sales on a flow basis and bulk loan sales. Whole loan sales generally focus on intermediate-term hybrid adjustable-rate mortgage ("ARM") loans and longer-term fixed-rate loans and are typically made to specific investors according to predetermined underwriting standards. We have historically sold whole loans to the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") and various institutional purchasers such as investment banks, real estate investment trusts, mortgage conduits and other financial institutions. In addition, we sold multifamily loans through a securitization with Freddie Mac in 2018.

Bulk sales provide an opportunity for us to take advantage of market opportunities for different products and are done either on an auction basis or negotiated with a single investor.

In 2019, we sold $289.0 million of loans, compared to $1.2 billion in 2018 and $2.9 billion in 2017. We use loan sales in the ordinary course of business to help provide a full range of lending options for our clients, while also managing asset growth and interest rate risk.

Loan Servicing

We have historically retained the servicing on substantially all loans sold to institutional investors, thereby generating ongoing servicing revenues and maintaining client relationships. Loan servicing activities include collecting and remitting loan payments, accounting for principal and interest, responding to client inquiries, holding escrow (impound) funds for payment of taxes and insurance, making inspections as required of the mortgaged property, collecting amounts due from delinquent mortgagors, supervising foreclosures in the event of unremedied defaults and generally administering the loans for the investors to whom they have been sold. Management believes that the quality of our loan servicing capability is a factor that permits us to sell our loans in the secondary market.

Our mortgage loan servicing portfolio was $9.3 billion as of December 31, 2019. Approximately 58% of total loans serviced as of December 31, 2019 had outstanding balances greater than $726,525, which is the maximum conforming loan amount for a single family loan. Of the total loans serviced as of December 31, 2019, approximately 47% were fixed-rate loans with a weighted average contractual rate of 3.70%, 38% were hybrid ARMs with a weighted average contractual rate of 3.16%, and 15% were adjustable-rate loans with a weighted average contractual rate of 3.54%. The weighted average contractual rate of the total loans serviced was 3.47% as of December 31, 2019. The weighted average servicing fee collected was 0.25% for 2019. Our servicing portfolio is reduced by normal amortization and prepayment or liquidation of outstanding loans. Many of the existing servicing programs provide for principal and interest payments to be remitted by us, as servicer, to the investor, whether or not received from the borrower. Upon ultimate collection, including the sale of foreclosed

property, we are entitled to recover any such advances plus late charges before paying the investor. We believe our collection and foreclosure procedures comply with all applicable laws and regulations. We currently have a relatively low number of loans in the process of foreclosure and have not needed to suspend any of our foreclosure activities.

Private Wealth Management Activities

A primary focus of our general business strategy has been to expand our capabilities for providing value-added services to a targeted client base. We attract wealth management clients by hiring additional wealth management professionals and providing superior client service. In addition, our relationship-based approach allows us to grow existing client relationships, attract referrals from existing clients and attract banking clients that have been satisfied with our mortgage loan origination products and services and deposit services, which provides us with an opportunity for our relationship managers to introduce other products and services, such as wealth management. Wealth management assets under management ("AUM") or administration ("AUA") were $151.0 billion at December 31, 2019.

Investment Management Services. We provide traditional full-service portfolio management and customized client portfolios through FRIM. When appropriate and desired by a client, our advisors use third-party investment managers or funds through an open architecture platform. We offer integrated financial and estate planning services, endowment management services, and 401(k) plan management for businesses. We also offer an online automated investment management service that offers an alternative to the full-service version of advisory services. AUM were $66.0 billion as of December 31, 2019.

Brokerage and Investment Activities. For full-service brokerage clients, we perform brokerage and investment activities through FRSC. We employ wealth managers to offer brokerage services for equity securities, mutual funds, exchange-traded funds, unit investment trusts, alternative investments, hedging strategies, treasury securities, municipal bonds, other fixed income securities, money market mutual funds and other shorter-term liquid investments at the request of clients or their financial advisors. We also offer online services for self-directed brokerage accounts for those clients who choose to transact in this manner. Our online brokerage services allow clients to place orders for equities, mutual funds and listed options. As of December 31, 2019, AUA were $73.1 billion. Such assets were held in brokerage or managed accounts. Customer accounts at FRSC are cleared on a fully-disclosed basis by FRSC's clearing agent, Pershing LLC ("Pershing"), which has custody of FRSC accounts. Pershing is a wholly-owned subsidiary of The Bank of New York Mellon Corporation and is not affiliated with the Bank.

Insurance Services. We offer insurance solutions through FRSC and FRIM. The following insurance products are offered: annuities and life insurance policies. Insurance fees consist of initial commissions when a policy is sold and subsequent commissions each year that a policy is renewed. The Bank does not retain any underwriting risk from the sale of insurance products.

Trust Company. First Republic Trust Company, a division of the Bank, operates in California, Oregon, Washington, New York, Massachusetts, Florida and Connecticut and specializes in personal and estate trust activities. In addition, custody services are also provided. FRTC Delaware, a subsidiary of the Bank, operates in Delaware. FRTC Wyoming, a subsidiary of the Bank, operates in Wyoming. First Republic Trust Company, FRTC Delaware and FRTC Wyoming draw new trust clients from our banking and wealth management client base, as well as from outside of our organization. The Trust Company has gathered $11.9 billion of assets under custody or administration as of December 31, 2019.

Foreign Exchange. We earn fees from transacting foreign exchange business on behalf of our clients. We execute foreign exchange trades with clients and then offset those trades with other financial institution counterparties, such as major investment banks or large commercial banks. We do not retain significant foreign exchange risk associated with these transactions, as the trades with the client and the financial institution

counterparty are matched on our books. We do retain credit risk, both to the client and the counterparty institution, which is evaluated and managed by us in the normal course of our operations. In addition, we have foreign exchange contracts associated with client deposits denominated in various foreign currencies.

Information Technology Systems

We devote significant resources to maintain modern, efficient, secure and scalable information technology systems. We outsource most of our processing and services, which allows us to select the best provider in each market niche, reduce our costs by leveraging the vendors' economies of scale and expand our capabilities as needed. We use several different vendors for our main systems so that we are not tied to a single provider and can upgrade systems individually without significant disruption. We continue to invest in enhancing our mobile and online banking platform in order to increase our efficiency and to improve the overall client experience. In 2019, our information systems expenses were $273.3 million.

We are committed to protecting our clients' data. We closely monitor information security at First Republic and in the financial services sector generally for trends and new threats, including cybersecurity risks. We have initiatives to continuously improve the security and privacy of our systems and data. To protect against disasters, we have backup data centers on the west and east coasts. We have established a committee of the Board of Directors, which oversees our cybersecurity and general technology efforts.

Competition

We face strong competition in gathering deposits, making loans and obtaining client assets for management or administration by investment management, trust and brokerage operations. We compete for deposits and loans by seeking to provide a higher level of personal service than is generally offered by larger and non-bank competitors, by advertising, and by offering competitive interest rates. We generally do not have a dominant market share of the total deposit gathering or lending activities in the areas in which we conduct operations.

Our management believes that our most direct competition for deposits comes from commercial banks, savings and loan associations, credit unions, money market funds and brokerage firms, nationwide and regional banks specializing in private banking and service-focused community banks that target the same clients we do. In addition, our cost of funds fluctuates with market interest rates and may be affected by higher rates being offered by other financial institutions. During certain interest rate environments, additional significant competition for deposits may be expected to arise from corporate and government debt securities and money market mutual funds.

Our competition in making loans comes principally from commercial banks, mortgage companies, savings and loan associations, insurance companies and full service brokerage firms, particularly large, nationwide institutions. Many of the nation's largest commercial banks and mortgage companies have a significant number of branch offices in the areas in which we operate. Aggressive pricing policies of our competitors on new ARMs, intermediate-fixed rate and fixed-rate loans have in the past resulted in a decrease in our mortgage loan origination volume and a decrease in the profitability of our loan originations. We compete for loans principally through the quality of service we provide to borrowers, real estate brokers and loan agents, while seeking to maintain competitive interest rates, loan fees and other loan terms.

Our competition in wealth management services comes primarily from commercial banks, trust companies, mutual funds, investment advisory firms, brokerage firms, investment companies, insurance companies, and other financial services companies, as well as private equity firms, venture capital, hedge funds and other alternative investment strategies, and Internet-based companies. Competition is especially keen in our principal markets because numerous well-established and successful investment advisory and brokerage firms exist throughout each of the markets in which we operate. We compete for wealth management clients through the scope and quality of products and services offered, level of investment performance, price and client service.

Regulatory restrictions on interstate bank branching and acquisitions and on banks providing a broader array of financial services, such as securities underwriting and dealing and insurance, have been reduced or eliminated. The availability of banking and investment advisory services over the Internet and on mobile devices continues to expand. Changes in laws and regulations governing the financial services industry cannot be predicted; however, past legislation has served to intensify our competitive environment.

Employees

As of December 31, 2019, we had 4,812 full-time equivalent employees, including temporary employees and independent contractors. Our management believes that its relations with employees are satisfactory. We are not a party to any collective bargaining agreements.

Supervision and Regulation

Described below are the material elements of selected laws and regulations applicable to us and our subsidiaries. The descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described. Changes in applicable laws or regulations, and in their interpretation and application by regulatory agencies and other governmental authorities, cannot be predicted, but may have a material effect on our business, results of operations or financial condition of the business, or results of operations or financial condition of our subsidiaries.

Overview

We are subject to extensive federal and state banking laws, regulations and policies that are intended primarily for the protection of clients, depositors and other consumers, the FDIC's Deposit Insurance Fund (the "DIF"), and the banking system as a whole; not for the protection of our other creditors and shareholders. We are examined, supervised and regulated by the California Department of Business Oversight's Division of Financial Institutions (the "DBO") and the FDIC (our primary federal regulator) as an insured state bank without a holding company that is not a member of the Federal Reserve System (the "Federal Reserve"). The statutes enforced by, and regulations and policies of, these agencies affect most aspects of our business, including prescribing permissible types of loans and investments, the amount of required reserves, requirements for branch offices, the permissible scope of our activities and various other requirements. Although we are not a member of the Federal Reserve, we are subject to certain regulations of the Board of Governors of the Federal Reserve, such as those dealing with availability of funds and check clearing activities (Regulation CC), margin lending (Regulations T and U) and establishment of reserves against deposits (Regulation D). Additionally, our offices in states other than California are subject to limited supervision and regulation by the applicable state bank regulatory agency. In addition, certain of our subsidiaries are subject to regulation, supervision and examination by self-regulatory organizations, such as Financial Industry Regulatory Authority ("FINRA") and the National Futures Association ("NFA"), and other regulatory authorities, including the SEC and state regulatory agencies, and our insurance activities are subject to licensing and regulation by state insurance regulatory agencies.

Our deposits are insured by the FDIC to the fullest extent permissible by law. As an insurer of deposits, the FDIC issues regulations, conducts examinations, requires the filing of reports and generally supervises the operations of all institutions to which it provides deposit insurance. The approval of the FDIC is required for certain transactions in which we may engage, including any merger or consolidation by us (including the acquisition of another bank), a change in control over us, or the establishment or relocation of any of our branch offices. In reviewing applications seeking approval of such transactions, the FDIC may consider, among other things, the competitive effect and public benefits of the transactions, the capital position, financial and managerial resources and future prospects of the organizations involved in the transaction, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the CRA (see "Community Reinvestment Act and Fair Lending" below) and the effectiveness of the organizations involved in the transaction in combating money laundering activities. The FDIC also has the power to prohibit these and

other transactions even if approval is not required, and could do so if we have otherwise failed to comply with all laws and regulations applicable to us. We are also subject to supervision, regulation, examination and enforcement by the Consumer Financial Protection Bureau ("CFPB") with respect to consumer protection laws and regulations.

Proposals to change the laws and regulations governing the banking industry are frequently introduced in Congress, in the state legislatures and before the various banking regulatory agencies. The Economic Growth, Regulatory Relief and Consumer Protection Act (the "EGRRCPA"), which was enacted in May 2018, made several changes to banking laws, and mandates the federal banking agencies to make certain changes to current regulations. The federal banking agencies have issued final or proposed rules to implement the changes mandated by the EGRRCPA. Existing and future rulemakings have resulted, and may continue to result, in a significant cost of compliance.

Provisions of the Dodd-Frank Act, and increased expectations of our banking regulators more generally, that may have a material effect on our results of operations include, among others, the imposition of additional underwriting standards on mortgages and increased expenses due to heightened regulatory requirements and standards imposed on larger institutions, including: internal audit standards, enterprise risk management standards, and enhanced compliance and standards for internal controls relating to anti-money laundering ("AML"), the Bank Secrecy Act ("BSA") and other matters. As a result of recent political developments with changes in Congress as well as changes in the leadership of the federal financial regulatory agencies in the United States, banking laws and regulations, including regulations mandated under the Dodd-Frank Act and the EGRRCPA could be further amended, although the timing and extent to which this may occur is presently uncertain. In addition, the results of the U.S. national election and the advent of a new presidential administration carry the potential to change the regulatory structure under which we operate in ways that may be difficult to anticipate and with effects that may be hard to predict.

Continued growth of the Bank may subject us to additional regulatory requirements, including those triggered by progressively larger consolidated asset thresholds, those imposed as a prudential matter by the FDIC, and those triggered by increased activities in certain areas.

California Law

California law governs the licensing and regulation of California commercial banks, including organizational and capital requirements, fiduciary powers, investment authority, branch offices and electronic terminals, declaration of dividends, changes of control and mergers, out of state activities, interstate branching and banking, debt offerings, borrowing limits, limits on loans to one obligor, liquidation, sale of shares or options in the Bank to its directors, officers, employees and others, the purchase by the Bank of its own shares, and the issuance of capital notes or debentures. The DBO is charged with our supervision and regulation.

Under California law, due to an exemption applicable to the Bank, there is no interest rate limitation on loans originated for personal, family or household purposes. However, for certain types of secured loans, California law imposes minimum collateral requirements. In addition, there are certain term and amortization restrictions on loans secured by real property.

Unsecured loans to one person generally may not exceed 15% of the sum of a bank's capital stock, allowance for loan losses and capital notes and debentures, and both secured and unsecured loans to one person (excluding certain secured lending and letters of credit) at any given time generally may not exceed 25% of the sum of a bank's capital stock, allowance for loan losses and capital notes and debentures. Except for limitations on the amount of loans to a single borrower, loans secured by real or personal property may be made to any person without regard to the location or nature of the collateral. We are required to invest our funds in accordance with limitations under California law and may only make investments that are permissible investments for banks, subject to any limitations under any other applicable law.

Under California law, the amount a bank generally may borrow may not exceed its shareholders' equity without the consent of the DBO, except for borrowings from the Federal Home Loan Bank and the Federal Reserve Bank.

In addition to remedies available to the FDIC (which are discussed below), the Commissioner of the DBO (the "Commissioner") may take possession of a bank if certain conditions exist such as insufficient shareholders' equity, unsafe or unauthorized operations, or violation of law.

Recently, the California Governor announced a reorganization of the DBO under which, among other things, the DBO's authority would be expanded to cover unlicensed financial service providers such as financial technology ("FinTech") companies, credit reporting agencies, and debt collections, which are not currently subject to DBO oversight. The DBO would be authorized to license and examine new industries and bring enforcement actions to address unfair, deceptive and abusive practices, and would establish a new Financial Technology Innovation office. It is anticipated that the reorganization, which also would involve renaming the agency as the Department of Financial Protection and Innovation, will take three years. At present, we cannot determine what, if any, effect this reorganization would have on the Bank.

Capital Requirements

The federal banking agencies have risk-based capital adequacy rules intended to provide a measure of capital adequacy that reflects the degree of risk associated with a banking organization's operations both for transactions reported on the balance sheet as assets and for transactions, such as letters of credit and recourse arrangements, that are recorded as off-balance sheet items. These rules (the "Basel III Capital Rules") implement the Basel Committee on Banking Supervision's (the "Basel Committee") capital framework ("Basel III"), as well as certain provisions of the Dodd-Frank Act. In November 2017, the FDIC adopted a final rule, the "Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to the Advanced Approaches Capital Rules," that was issued jointly by the federal banking agencies, which extended the existing transition provisions under the regulatory capital rules for a targeted set of items, including certain regulatory capital deductions and risk weights as well as certain minority interest requirements for banking organizations not subject to the advanced approaches capital rules, such as the Bank. The transition provisions for certain items will remain in effect until April 1, 2020, when the provisions of the final rule, the "Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996" (the "Simplifications Rule"), which was issued by the federal banking agencies in July 2019 took effect. The Simplifications Rule relates to simplifications of the capital rules applicable to non-advanced approaches organizations, such as the Bank, as described below.

Under the Basel III Capital Rules, the Bank is subject to a minimum Common Equity Tier 1 ("CET1") capital ratio (CET1 capital to risk-weighted assets) of 4.5%, a minimum Tier 1 capital ratio of 6.0% and a minimum total capital ratio of 8.0%. FDIC-supervised institutions, such as the Bank, are also subject to a Tier 1 leverage ratio of 4.0%.

A "capital conservation buffer" of 2.5% of risk-weighted assets is also required under the Basel III Capital Rules. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a CET1 capital ratio above the minimum requirement but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall and "eligible retained income" (that is, net income for the four calendar quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income).

The Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that (i) mortgage servicing rights ("MSRs"), (ii) deferred tax assets ("DTAs") arising from temporary differences that could not be realized through net operating loss carrybacks and (iii) significant investments in non-consolidated financial entities be deducted from CET1 to the extent that

any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1. The Simplifications Rule will simplify the threshold deductions for MSRs and temporary difference DTAs, requiring, among other things, that banking organizations, including the Bank, deduct from CET1 capital the amount of MSRs and temporary difference DTAs that individually exceed 25% of the banking organization's CET1 capital.

Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive income or loss items are not excluded from determining regulatory capital ratios; however, non-advanced approaches banking organizations, including the Bank, were permitted to make a one-time permanent election to continue to exclude these items. The Bank has elected to exclude these items in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of its available-for-sale securities portfolio.

The Basel III Capital Rules prescribe a standardized approach for risk weightings that depend on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for exposures to leveraged investment funds, and result in higher risk weights for certain securitization exposures. In November 2019, the federal banking agencies adopted a rule revising the definition of high volatility commercial real estate mortgages subject to a 150% risk weight. The Simplifications Rule will also require that the Bank assign a 250% risk weight to the amount of MSRs or temporary difference DTAs not deducted from CET1 capital. In determining the capital level that we are required to maintain, the federal banking agencies do not follow accounting principles generally accepted in the United States ("GAAP") in all respects and have special rules that may have the effect of reducing the amount of capital they will recognize for purposes of determining our capital adequacy.

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms (the standards are commonly referred to as "Basel IV"). Among other things, these standards revise the Basel Committee's standardized approach for credit risk (including recalibrating risk weights and introducing new capital requirements for certain "unconditionally cancellable commitments," such as home equity lines of credit) and provide a new standardized approach for operational risk capital. Under the Basel framework, these standards will generally be effective on January 1, 2022, with an aggregate output floor phasing in through January 1, 2027. Under the current U.S. Basel III rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to the Bank. The impact of Basel IV on the Bank will depend on the manner in which it is implemented by the FDIC.

In connection with the capital requirements, the FDIC has adopted regulations and guidance that mandate consideration of concentrations of credit risk and risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. This evaluation is part of the institution's regular safety and soundness examination. The FDIC's regulations also require consideration of general market risk, including interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance sheet position), in the evaluation of a financial institution's capital adequacy.

Current Expected Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments—Credit Losses (Accounting Standards Codification ("ASC") 326): Measurement of Credit Losses on Financial Instruments," which revises the methodology for estimating credit losses on loans receivable, held-to-maturity debt securities, and unfunded loan commitments. Under this guidance, 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. The Bank has adopted this new guidance effective January 1, 2020.

In December 2018, the federal banking agencies approved a final rule modifying their regulatory capital rules, which allow financial institutions that experience a reduction in retained earnings due to the adoption of CECL the option to phase in the effects on regulatory capital over a three-year period. A financial institution that elects to phase in the day-one adverse effects of CECL adoption will phase in the impacts of CECL transitional amounts to its regulatory capital calculations over a three-year period beginning on the first day of the fiscal year in which the financial institution adopts CECL. The Bank has not elected the option to phase in the effects on regulatory capital over a three-year period.

In October 2019, the federal banking agencies issued a request for comment on a proposed interagency policy statement on the new CECL methodology. Such comments were due in December 2019. The policy statement proposes to harmonize the agencies' policies on the allowance for credit losses with ASC 326. Specifically, the statement (1) updates concepts and practices from prior policy statements issued in December 2006 and July 2001 and specifies which prior guidance is no longer relevant; (2) describes the appropriate CECL methodology, in light of ASC 326, for determining the allowance for credit losses on financial assets measured at amortized cost and certain off-balance sheet credit exposures; and (3) describes the estimation of an allowance for credit losses for an impaired available-for-sale debt security. The proposed policy statement would become effective at the time an institution adopts ASC 326.

Prompt Corrective Action and Other Enforcement Mechanisms

The Federal Deposit Insurance Act, as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDIA"), requires the appropriate federal banking agency to take prompt corrective action to resolve the problems of insured depository institutions, including those that fall below one or more prescribed minimum capital ratios. The law requires each federal banking agency to promulgate regulations defining the following five categories in which an insured depository institution will be placed, based on the level of its capital ratios: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

Under the prompt corrective action provisions of the FDIA, an insured depository institution generally will be classified in the applicable category based on the capital measures indicated in the table below:

Capital Measure	Well-Capitalized	Adequately Capitalized	Undercapitalized	Significantly Undercapitalized
Tier 1 leverage ratio	5% or greater	4% or greater	Less than 4%	Less than 3%
CET1 ratio	6.5% or greater	4.5% or greater	Less than 4.5%	Less than 3%
Tier 1 risk-based capital ratio	8% or greater	6% or greater	Less than 6%	Less than 4%
Total risk-based capital ratio	10% or greater	8% or greater	Less than 8%	Less than 6%

An institution that is classified as "well-capitalized" based on its capital levels may be classified as "adequately capitalized," and an institution that is "adequately capitalized" or "undercapitalized" based upon its capital levels may be treated as though it were undercapitalized or significantly undercapitalized, respectively, if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment. At each successive lower capital category, an insured depository institution is subject to progressively more restrictive constraints on operations, management and capital distributions, as the capital category of an institution declines. Failure to meet the capital requirements could also subject a depository institution to capital raising requirements. Ultimately, critically undercapitalized institutions (with tangible equity to total assets of 2% or less) are subject to the appointment of a receiver or conservator.

As of December 31, 2019, the Bank was "well-capitalized" under the prompt corrective action requirements currently in effect, based on the aforementioned ratios.

In addition to measures taken under the prompt corrective action provisions, commercial banking organizations may be subject to potential enforcement actions by the federal banking agencies for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation, condition imposed in writing by the agency or written agreement with the agency. Enforcement actions may include the issuance of formal and informal agreements, the issuance of a cease-and-desist order that can be judicially enforced, the issuance of directives to increase capital, the imposition of civil money penalties, the issuance of removal and prohibition orders against institution-affiliated parties, the termination of insurance of deposits, the imposition of a conservator or receiver, and the enforcement of such actions through injunctions or restraining orders based upon a judicial determination that the agency would be harmed if such equitable relief was not granted.

Stress Testing

The EGRRCPA amended the Dodd-Frank Act to eliminate company-run stress testing requirements for financial institutions with less than $250 billion in total consolidated assets, effective as of November 2019. In October 2019, the FDIC issued a final rule to implement the EGRRCPA's stress testing requirements. As a result, we are no longer subject to the Dodd-Frank Act's company-run stress testing requirements, and the Bank will not be subject to the Dodd-Frank Act company-run stress testing requirements until it has $250 billion or more in total consolidated assets. Nevertheless, in the normal course of operations, the Bank periodically performs internal capital stress tests as part of its overall capital planning process.

Liquidity Rules

Historically, the regulation and monitoring of bank holding companies and bank liquidity has been addressed as a supervisory matter, without required formulaic measures. The Basel III framework requires bank holding companies and banks to measure their liquidity against specific liquidity thresholds that, although similar in some respects to liquidity measures historically applied by banks and regulators for management or supervisory purposes, going forward would be required explicitly by regulation. One test from the Basel III framework, referred to as the liquidity coverage ratio ("LCR"), is designed to ensure that a banking entity maintains an adequate level of unencumbered high-quality liquid assets ("HQLA") equal to the entity's expected net cash outflow for a 30-day time horizon under a liquidity stress scenario. EGRRCPA and the implementing FDIC rule expanded the definition of HQLA to include liquid and readily-marketable municipal obligations. The other test, referred to as the net stable funding ratio ("NSFR"), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. The Basel III Capital Rules and the liquidity coverage ratio rule ("LCR Rule") do not address the NSFR requirement called for by the final Basel III framework. In 2014, the Basel Committee published the final NSFR rule for internationally active banking organizations and expected such financial institutions to be subject to the rule by January 1, 2018. The U.S. federal banking agencies have proposed but not yet adopted a final NSFR rule.

Because we are a state-chartered, non-member bank without a bank holding company, and are not subject to Category II or Category III standards under the Tailoring Rules, as discussed below, we are not subject to the LCR Rule or the proposed NSFR. Nevertheless, we maintain on-balance sheet liquidity and a portfolio of HQLA.

Tailoring Rules

In October 2019, the federal banking agencies issued final rules under the EGRRCPA for tailoring the criteria for determining the applicability of capital and liquidity requirements for large U.S. banking organizations (the "Tailoring Rules"). The Tailoring Rules apply to banking organizations with total consolidated assets of $100 billion or more, with the most stringent requirements being applied to U.S. global systemically important banks as Category I institutions, and the least stringent requirements being applied to large domestic banking organizations with less than $250 billion in total consolidated assets or less than $75 billion in weighted short-term wholesale funding, off-balance sheet exposures, nonbank assets or cross-jurisdictional activities as Category IV banking organizations. Under the Tailoring Rules, a standalone bank without a holding company that is considered a Category IV banking organization, such as the Bank, is not subject to enhanced capital and

liquidity standards like the LCR Rule. Continued growth of the Bank that results in the Bank exceeding the asset thresholds under the Tailoring Rules would result in more stringent capital and liquidity requirements for the Bank.

Safety and Soundness Standards

Guidelines adopted by the federal banking agencies pursuant to the FDIA establish general safety and soundness standards for depository institutions related to internal controls, vendor management, information security and cybersecurity, loan underwriting and documentation, and asset growth. Among other things, the FDIA limits the interest rates paid on deposits by undercapitalized institutions, restricts the use of brokered deposits, and limits the aggregate extensions of credit by a depository institution to an executive officer, director, principal shareholder or related interest. These standards have not limited our operations in any material way to date.

The federal banking agencies may require an institution to submit an acceptable compliance plan as well as have the flexibility to pursue other more appropriate or effective courses of action given the specific circumstances and severity of an institution's noncompliance with one or more standards.

The FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Brokered Deposits

The FDIA and FDIC regulations limit the ability of an insured depository institution, such as the Bank, to accept, renew or roll over brokered deposits unless the institution is well-capitalized under the prompt corrective action framework described above, or unless it is adequately capitalized and obtains a waiver from the FDIC. In addition, less than well-capitalized banks are subject to restrictions on the interest rates they may pay on deposits. The characterization of deposits as "brokered" may result in the imposition of higher deposit assessments on such deposits. As mandated by the EGRRCPA, the FDIC adopted a final rule in February 2019 to include a limited exception for reciprocal deposits for FDIC-insured depository institutions that are well rated and well capitalized (or adequately capitalized and have obtained a waiver from the FDIC as mentioned above). Under the limited exception, qualified FDIC-insured depository institutions, like the Bank, are able to except from treatment as "brokered" deposits up to $5 billion or 20 percent of the institution's total liabilities in reciprocal deposits (which is defined as deposits received by a financial institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as deposits placed by the institution in other network member banks). Additionally, in December 2019, the FDIC issued a proposed rule that is designed to bring the brokered deposits regulations in line with modern deposit taking methods and that may reduce the amount of deposits that would be classified as brokered. The impact on the Bank, including the impact on the Bank's aggregate deposit insurance assessments, from any changes to the brokered deposit regulations will depend on the final form of the proposed rule, which the Bank is not able to predict, but is not expected to be material.

Resolution Plans

Under a rule adopted by the FDIC (commonly referred to as the "covered insured depository institution" or "CIDI" Rule), an insured depository institution with $50 billion or more in total assets, such as the Bank, is required to submit periodically to the FDIC a contingency plan for the resolution of such institution in the event of its failure. The rule requires a covered insured depository institution to submit a resolution plan that should enable the FDIC, as receiver, to resolve the institution under applicable receivership provisions of the FDIA in a manner that ensures that depositors receive access to their insured deposits within one business day of the institution's failure (two business days if the failure occurs on a day other than Friday), maximizes the net

present value return from the sale or disposition of its assets and minimizes the amount of any loss to be realized by the institution's creditors. If the FDIC determines that a plan is not credible, the insured depository institution will have 90 days to submit a revised plan that addresses the deficiencies identified by the FDIC and discusses revisions made to address such deficiencies. The Bank submitted its most recent resolution plan in June 2018.

In April 2019, the FDIC released an advance notice of proposed rulemaking regarding potential changes to the CIDI Rule, and voted not to require the next round of resolution plan submissions until the rulemaking process is complete.

Premiums for Deposit Insurance and Assessments

Our deposits are insured by the FDIC to the fullest extent permitted by law, and we are subject to deposit insurance assessments to maintain the DIF. Deposit insurance assessments are based on average total assets, less average tangible equity. For larger institutions, such as the Bank, the FDIC uses a performance score and a loss-severity score to calculate an initial assessment rate. In calculating these scores, the FDIC uses a bank's capital level and supervisory ratings (its CAMELS ratings) and certain financial measures to assess an institution's ability to withstand asset-related stress and funding-related stress. The FDIC has the ability to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the calculations.

The FDIC has set the long-range, minimum target reserve ratio at 2.0%. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease assessment rates, following notice- and- comment rulemaking, if required.

Anti-Money Laundering, the USA Patriot Act and Office of Foreign Assets Control Regulation

A major focus of governmental policy on financial institutions is combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 imposes significant compliance and due diligence obligations, and includes crimes and penalties for noncompliance and an expanded extra-territorial jurisdiction of the United States. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must use enhanced due diligence procedures in their dealings with certain types of high-risk customers and implement a written customer identification program. Financial institutions must also take certain steps to assist government agencies in detecting and preventing money laundering and to report certain types of suspicious transactions.

In addition, the United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others which are administered by the U.S. Treasury Department Office of Foreign Assets Control.

Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing and to prohibit transactions with targets of sanctions, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

Consumer Financial Protection Bureau Supervision

The CFPB, created by the Dodd-Frank Act, is directed to prevent unfair, deceptive and abusive practices and ensure that all consumers have access to markets for consumer financial products and services, and that such markets are fair, transparent and competitive. The CFPB has authority under the Dodd-Frank Act to enforce and issue rules and regulations implementing existing consumer protection laws and is responsible for all such existing laws and regulations. Depository institutions with assets exceeding $10 billion (such as us), their affiliates, and other "larger participants" in the markets for consumer financial services (as determined by the CFPB) are subject to direct supervision by the CFPB, including any applicable examination, enforcement and reporting requirements the CFPB may establish.

CFPB rules and the statutes it enforces broadly affect our relationships with consumers. For example, CFPB's rules affect nearly every aspect of the lifecycle of a residential mortgage loan. These rules implement the Dodd-Frank Act amendments to the Equal Credit Opportunity Act, the Truth-in-Lending Act ("TILA") and the Real Estate Settlement Procedures Act ("RESPA"). Among other things, the CFPB's rules require banks to: (i) develop and implement procedures to ensure compliance with a "reasonable ability-to-repay" test (as discussed below); (ii) implement new or revised disclosures, policies and procedures for originating and servicing mortgages, including, but not limited to, pre-loan counseling, early intervention with delinquent borrowers and specific loss mitigation procedures for loans secured by a borrower's principal residence, and mortgage origination disclosures, which integrate existing requirements under TILA and RESPA; (iii) comply with additional restrictions on mortgage loan originator hiring and compensation; and (iv) comply with new disclosure requirements and standards for appraisals and certain financial products.

Banking regulators take into account compliance with consumer protection laws when considering approval of a proposed transaction.

Ability-to-Repay Requirement

Under the TILA, mortgage lenders are required to show that they have verified the borrower's ability to repay a residential mortgage loan (which does not include HELOCs). Borrowers who bring actions within three years of a violation of the ability-to-repay requirement could be entitled to statutory damages equal to the sum of all financing charges and fees. In addition, a borrower can assert a violation of the ability-to-repay requirement in a foreclosure proceeding as a matter of defense by recoupment or setoff against the lender or any assignee of the lender, without time limit. In addition, CFPB rules establish the underwriting practices that are required by the ability-to-repay requirement. Lenders of mortgages that meet a "qualified mortgage" standard, however, may have a safe harbor or a presumption of compliance with the requirement.

Qualified mortgages cannot have negative amortization, interest-only payments, or balloon payments, terms over 30 years, or points and fees over certain thresholds. Qualified mortgages also have underwriting requirements that include verification of income, underwriting based on a fully amortizing payment schedule and the maximum interest rate during the first five years, and a 43% debt-to-income ratio. Lenders of qualified mortgages are granted either a safe harbor or a rebuttable presumption of compliance, depending on whether the qualified mortgage is a "higher priced" mortgage as compared to the average rates for comparable transactions. The CFPB's rules also prohibit prepayment penalties for residential mortgage loans, except for qualified mortgages that are not higher priced.

Incentive Compensation

Guidelines adopted by the federal banking agencies pursuant to the FDIA prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder.

Under guidance by the federal banking agencies, which covers all employees who have the ability to materially affect the risk profile of an organization, either individually or as part of a group, a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. These three principles are incorporated into the proposed joint compensation regulations under the Dodd-Frank Act, discussed below. The guidance provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-

management control or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

The Dodd-Frank Act requires the federal banking agencies and the SEC to establish joint regulations or guidelines for specified regulated entities, such as us, having at least $1 billion in total assets, to prohibit incentive-based payment arrangements that encourage inappropriate risk-taking by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. In addition, these regulators must establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based compensation arrangements. The agencies have not yet finalized these rules.

The scope and content of the federal banking agencies' policies on incentive compensation are continuing to develop and are likely to continue evolving.

Community Reinvestment Act and Fair Lending

We are subject to certain fair lending requirements and reporting obligations involving home mortgage lending operations. We are also subject to the CRA. The CRA generally requires the federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities, including low- and moderate- income neighborhoods in a safe and sound manner. In addition to substantive penalties and corrective measures that may be required for a violation of certain fair lending laws, the federal banking agencies may take compliance with such laws and CRA into account when regulating and supervising other activities. Federal regulators are required to provide a written examination report of an institution's CRA performance using a four-tiered descriptive rating system. We received a rating of "Satisfactory" in our most recent CRA examination. These ratings and written examination reports are available to the public.

In December 2019, the OCC and the FDIC proposed a rule that would seek to expand the types of activities that qualify for CRA credit; revise how banks delineate their CRA assessment areas; and establish new standards for evaluating banks with more than $500 million in assets, including, among others, the number of qualifying retail loan originations to low- and moderate-income individuals. The impact on the Bank from any changes to the CRA regulations will depend on the final form of the proposed rule and how it is implemented and applied.

Fair lending laws prohibit discrimination in the provision of banking services. The enforcement of these laws has been an increasing focus for bank regulators. Fair lending laws include the Equal Credit Opportunity Act (and Regulation B thereunder) and the Fair Housing Act, which outlaw discrimination in credit transactions and residential real estate transactions on the basis of prohibited factors including, among others, race, color, national origin, sex, and religion. A lender may be liable under these laws through administrative enforcement or private civil actions for policies that result in a disparate treatment of, or have a disparate impact on, a protected class of applicants or borrowers. We are required to have a fair lending program that is of sufficient scope to monitor the inherent fair lending risk of the institution and that appropriately remediates issues which are identified.

Permissible Financial Activities

The Bank conducts certain of its activities through wholly-owned subsidiary companies with activities limited to "bank eligible" activities that are permissible for a bank to conduct directly. These include securities brokerage, dealing in U.S. government and municipal securities, investment advisory, insurance agency, trust company, lending, payment processing and certain other activities. These subsidiaries are subject to regulation and supervision of the FDIC and DBO as well as various other state and federal financial regulators. The Bank also invests in small business investment companies ("SBICs"), low income housing tax credit funds ("LIHTC funds") and other companies or funds that engage in lending or investment activities consistent with the CRA and the public welfare investment powers of FDIC-insured California state chartered banks, subject to the investment limits specified under applicable banking laws.

Insured state non-member banks, including us, are also permitted to engage through "financial subsidiaries" in certain activities which have been determined by the Federal Reserve to be financial in nature or incidental to financial activity. To engage in such activities, the bank must be well-managed and the bank and its insured depository institution affiliates must each be well-capitalized and have received at least a "Satisfactory" rating in its most recent CRA examination. The Bank must also deduct the aggregate amount of its outstanding equity investment in financial subsidiaries, including retained earnings, from the bank's capital and assets for purposes of calculating regulatory capital ratios and must disclose this fact in any published financial statements. Additionally, the Bank must comply with Sections 23A and 23B of the Federal Reserve Act, which place quantitative and qualitative limits on transactions with a depository institution's affiliates, including restrictions on extensions of credit to affiliates, and comply with certain financial and operational standards as though the financial subsidiaries were subsidiaries of a national bank. At the present time, the Bank has no "financial subsidiaries."

The Dodd-Frank Act prohibits banks and their affiliates from engaging in proprietary trading and having certain interests in, relationships with or sponsoring hedge funds and private equity funds, as well as other private funds that are offered within specified exemptions to the Investment Company Act, known as "covered funds," subject to certain detailed exemptions. The statutory provision is commonly called the "Volcker Rule." Due to the limited size of our trading assets and liabilities, we have implemented a compliance program that references requirements of the Volcker Rule and the implementing regulations, but are not required to report quantitative metrics or otherwise demonstrate compliance with the implementing regulations on an ongoing basis.

In August 2019, the FDIC, together with other federal agencies, adopted a final rule amending the regulations that implement the Volcker Rule. The final rule is effective on January 1, 2020 with a compliance date of January 1, 2021 and is intended to simplify and tailor compliance requirements. Among other changes, the 2019 final rule tailors compliance program obligations for trading activities in tiers based on the level of trading assets and liabilities, which benefits banking entities with limited trading activities like the Bank, and simplifies certain conditions for exemptions to the restrictions that apply to activities engaged in by banking entities. In January 2020, the agencies proposed further amendments to the covered funds provisions of their Volcker Rule regulations. We do not believe the amendments to the regulations that implement the Volcker Rule will have a material impact on our business or operations.

Financial Privacy

Under federal and state statutes and FDIC and SEC regulations, we are limited in our ability to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party or to affiliates for marketing to that consumer. These regulations affect how consumer information is transmitted through diversified financial companies or conveyed to outside vendors. Changes or additions to these regulations, including the California Consumer Privacy Protection Act of 2018 (the "CCPA") and any final implementing regulations, may result in implementation and risk management costs, as well as risk to the Bank. The CCPA, which became effective on January 1, 2020, will give consumers the right to request disclosure of information collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of the consumer's personal information, and the right not to be discriminated against for exercising these rights.

In connection with the regulations governing the privacy of consumer financial information, the federal banking agencies, including the FDIC, have also adopted guidelines for establishing information security standards and programs to protect such information under the supervision of the board of directors.

Restrictions on Dividends and Other Distributions

The power of the board of directors of an insured depository institution to declare a cash dividend or other distribution with respect to capital is subject to statutory and regulatory restrictions that limit the amount available for such distribution depending upon earnings, financial condition and cash needs of the institution, as well as general business conditions. Insured depository institutions are also prohibited from paying management fees to any controlling persons or, with certain limited exceptions, making capital distributions, including dividends, if after such transaction the institution would be less than adequately capitalized.

Under California law, we may not make a distribution to shareholders that exceeds the lesser of (i) our retained earnings or (ii) our net income for the last three fiscal years, less the amount of any distributions made during that period. With the Commissioner's approval, however, we may make a distribution that does not exceed the greater of (i) our retained earnings, (ii) our net income for our last fiscal year or (iii) our net income for our current fiscal year. The Commissioner may otherwise limit our distributions to shareholders if the Commissioner finds that the shareholders' equity is not adequate or that such distributions would be unsafe or unsound for us.

The federal banking agencies also have authority to prohibit depository institutions from engaging in business practices that are considered unsafe or unsound, possibly including payment of dividends or other payments under certain circumstances even if such payments are not expressly prohibited by statute.

It is anticipated that our capital planning and risk management will be considered by the FDIC in evaluating whether proposed payments of dividends or stock repurchases may be an unsafe or unsound practice.

Change in Bank Control

Under the Change in Bank Control Act (the "CIBCA"), a notice must be submitted to the FDIC if any person (including a company), or group acting in concert, seeks to acquire "control" of us. Control is defined as the power, directly or indirectly, to direct our management or policies or to vote 25% or more of any class of our outstanding voting securities. Additionally, a rebuttable presumption of control arises when any person (including a company), or group acting in concert, seeks to acquire 10% or more, but less than 25%, of any class of our outstanding voting securities which are publicly traded. When reviewing a notice under the CIBCA, the FDIC will take into consideration the financial and managerial resources of the acquirer, the convenience and needs of the communities served by us, the anti-trust effects of the acquisition and other factors. California law similarly requires prior approval of the Commissioner of any change in control. Under the Bank Holding Company Act of 1956, as amended (the "BHCA"), any company that is not an existing bank holding company would be required to obtain prior approval from the Federal Reserve before it could obtain "control" of us (and thereby become a bank holding company) within the meaning of the BHCA. Control generally is defined to mean the ownership or power to vote 25% or more of any class of our voting securities, the ability to control in any manner the election of a majority of our directors or the ability to exercise a controlling influence over our management and policies. An existing bank holding company would be required to obtain the Federal Reserve's prior approval under the BHCA before acquiring more than 5% of any class of our voting securities.

Other Regulatory Matters

Insured depository institutions of our size must undergo a full-scope, on-site examination by their primary federal banking agency at least once every 12 months. The cost of examinations of insured depository institutions and any affiliates may be assessed by the appropriate federal banking agency against each institution or affiliate, as it deems necessary or appropriate. As a result of our current asset size, our regulators, the FDIC and DBO, now utilize an exam team that remains on site throughout the year, as is consistent with their large bank supervision practices.

Regulations require insured depository institutions to adopt written policies establishing appropriate limits and standards, consistent with such guidelines adopted by the federal banking agencies, for extensions of credit secured by real estate or made for purposes of financing permanent improvements to real estate.

The FDIC has also adopted regulations imposing minimum requirements on us with respect to appraisals obtained in connection with certain real estate related financial transactions. Appraisals by state-certified or state-licensed appraisers are required for all such transactions unless an exemption applies. The more common exceptions relate to smaller transactions and transactions that are not secured by real estate. Appraisals must comply with the FDIC's appraisal standards, and appraisal reports must be issued in writing.

Available Information

We are subject to the information reporting requirements of the Exchange Act, as administered and enforced by the FDIC, and we are subject to FDIC rules promulgated thereunder. Consequently, we file annual, quarterly and current reports, proxy statements and other information with the FDIC, copies of which are made available to the public over the Internet at https://efr.fdic.gov/fcxweb/efr/index.html.

We make available, free of charge through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, definitive proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are filed with or furnished to the FDIC. Additionally, we have adopted and posted on our website a code of ethics that applies to our principal executive officer, principal financial officer and principal accounting officer. Within the required time period, we will post on our website any amendment to the code of ethics and any waiver applicable to any executive officer, director or senior financial officer. Our website also includes our corporate governance guidelines and the charters for our audit committee, our compensation committee, and our corporate governance and nominating committee. The address for our website is firstrepublic.com.

You may also request a copy of any of the aforementioned documents at no cost by writing or by telephoning us at the following address or telephone number:

First Republic Bank
111 Pine Street, 2nd Floor
San Francisco, CA 94111
Attention: Investor Relations
(415) 392-1400

Item 1A. Risk Factors.

We are subject to a variety of risks, some of which are specific to us and some of which are inherent to the financial services industry. There are risks, many beyond our control, that could cause our financial condition, liquidity or results of operations to differ materially from management's expectations. This Annual Report on Form 10-K may not describe all of those risks. Some of the risks that may affect us are described below. Any of the risks described below, by itself or together with one or more other factors, may materially and adversely affect our business, results of operations, liquidity or financial condition or the market price or liquidity of our common stock. The risks presented below are not the only risks that we face. Additional risks that we do not presently know or that we currently deem immaterial may also materially and adversely affect our business, results of operations, liquidity or financial condition or the market price or liquidity of our common stock. Further, to the extent that any of the information contained in this Annual Report on Form 10-K constitutes forward-looking statements, the risk factors below also are cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any such forward-looking statements. *See "Information Regarding Forward-Looking Statements" on page 3.*

Risks Related to Our Business

We face significant competition to attract and retain banking clients.

We operate in the highly competitive banking industry and face significant competition for banking clients from other banks and financial institutions located both within and beyond our principal markets. We compete with commercial banks, savings and loan associations, mortgage companies, insurance companies, credit unions, non-bank financial services companies, money market funds, brokerage firms and other financial institutions operating within or near the areas we serve, particularly service-focused community banking institutions that target the same clients we do. We also face competition for home loans from large, nationwide banks and for deposits from nationwide and regional banks specializing in private banking. Additionally, we compete with companies that solicit loans and deposits or offer asset management services in our principal markets or over the Internet.

Many of our non-bank competitors are not subject to the same extensive regulations that govern our activities and may have greater flexibility in competing for business. Many of our competitors are also larger and have significantly more resources, greater name recognition and larger market shares than we do, enabling them to maintain more banking locations, mount extensive promotional and advertising campaigns and be more aggressive than we are in competing for loans and deposits. Certain of our similarly sized competitors may be acquired by larger institutions, thus giving them certain incremental competitive advantages. We expect competition to continue to intensify due to the continuing consolidation of many financial institutions. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes. Additionally, some of our current commercial banking clients may seek alternative banking sources as they develop needs for credit facilities larger than we may be able to accommodate.

In addition, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. In addition, we compete with other alternative lenders, including "marketplace" lenders, peer-to-peer lenders, and other FinTech lenders. Our ability to compete successfully will depend on a number of factors, including, among other things:

- Our ability to build and maintain long-term client relationships while ensuring safe and sound banking practices;
- The scope, relevance and pricing of products and services offered to meet client needs and demands;
- The regulatory environment for FinTech lenders as compared to traditional banks;
- Client satisfaction with our products and services; and
- Industry and general economic trends.

Our failure to perform or weakness in any of these areas could significantly and negatively impact our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our business, results of operations or financial condition. See "Item 1. Business—Competition."

The markets in which we operate are subject to the risk of earthquakes and other natural disasters.

A significant number of our properties, and real estate properties currently securing loans made by us and our borrowers in general, are located in California. California has had and will continue to have major earthquakes in many areas, including the San Francisco Bay Area, where a significant portion of the collateral and assets of our borrowers is concentrated, and the Southern California coastal regions. At December 31, 2019, approximately 51% of our loans outstanding were secured by real estate located in California.

California is also prone to brush and forest fires, mudslides and other natural disasters, the frequency and severity of which have increased in recent years and may be impacted by climate change. A number of these properties are not insured against such occurrences. Borrowers are not required to and may not insure for these hazards other than fire damage. In addition to possibly sustaining damage to our premises and disruption of our operations, if there is a major earthquake, flood, fire or other natural disaster in California or elsewhere in our markets, we will face the risk that many of our borrowers may experience uninsured property losses or sustained job interruption or loss that may materially impair their ability to meet the terms of their loan obligations. A major earthquake, flood, drought, fire, pandemic or other natural disaster in our California markets or our other markets could materially and adversely affect our business, results of operations or financial condition.

We are subject to interest rate risk.

Fluctuations in interest rates may negatively impact our banking business. Our primary source of income from operations is net interest income, which is the difference between the interest income received on interest-earning assets (primarily loans and investment securities) and the interest expense incurred on interest-bearing liabilities (usually deposits and borrowings). The level of net interest income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the yield on such assets and the cost of such liabilities during a given period. These factors are influenced by the pricing and mix of both interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as the local economy, client demand and product preferences, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the Federal Reserve System (the "FOMC") and market interest rates. In December 2015, the FOMC had begun tightening monetary policy and had increased the Federal Funds rate to a target range of 2.25% to 2.50% in December 2018. During 2019, the FOMC decreased the rate to a target range of 1.50% to 1.75%.

The rate paid on our deposits and short-term borrowings is largely based on short-term interest rates, the level of which is driven primarily by the FOMC's monetary policy actions. However, the yields generated by our loans and securities may also be driven by medium- and longer-term interest rates, which are set by the market and at times, the FOMC's actions. The level of net interest income is therefore influenced by movements in such interest rates and the pace at which such movements occur. If the interest rates on our interest-bearing liabilities increase faster than the interest rates on our interest-earning assets, our net interest income may decline and with it, a decline in our earnings may occur. As a result, our business, results of operations or financial condition may be adversely affected, perhaps materially.

Furthermore, our securities portfolio includes long-term municipal bonds with fixed interest rates. The yields on these bonds do not change with prevailing interest rates. In a rising rate environment, the prices of such securities would likely decline, which may result in unrealized losses for the Bank. Although most of our long-term municipal bonds are held-to-maturity, if we were to sell these securities we would have to recognize such losses in earnings, which could be material.

Changes in interest rates can also affect the slope of the yield curve and could also impact the net interest margin. A negative shift in the yield curve or a flatter or inverted yield curve could cause our net interest income and net interest margin to contract, which could have a material adverse effect on our net interest income, as well as the value of our assets. Changes in the yield curve may also adversely affect the expected cash flows of certain investment securities or loans by increasing prepayment risk.

An increase in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to make payments under their current adjustable-rate loan obligations. These circumstances could not only result in increased loan defaults, foreclosures and charge-offs, but also necessitate further increases to the allowance for credit losses, which may materially and adversely affect our business, results of operations or financial condition.

Our operations are concentrated geographically in California, particularly San Francisco, and the Northeastern United States, and poor economic conditions in these areas could adversely affect the demand for our products and our credit quality.

Our operations are located primarily in Northern and Southern California and the New York City and Boston metropolitan areas. Local economic conditions in these areas can have a significant impact on the demand for our products and services, our loans and wealth management business, the ability of borrowers to pay interest on and repay the principal of these loans, and the value of the collateral securing these loans. Adverse changes in economic conditions in these markets may negatively affect our business, results of operations or financial condition. In addition, any unfavorable impact of changes to state and local regulation may affect the general business environment in which we operate and could adversely affect our business, results of operations or financial condition. Our loan portfolio, in particular, is concentrated in California in general and the San Francisco Bay Area in particular. As of December 31, 2019, approximately 51% of our loans outstanding were secured by real estate located in California and approximately 32% of our loans outstanding were secured by real estate in and around the San Francisco Bay Area. Declines in values in the California real estate market could have an adverse impact on our borrowers and on the value of the collateral securing many of our loans, which in turn could adversely affect our currently performing loans, leading to future delinquencies or defaults and increases in our provision for credit losses. Furthermore, weak employment trends in our markets could negatively impact our clients' ability to repay their loans.

Our business may be adversely affected by conditions in the financial markets and economic conditions generally.

Our financial performance generally, and in particular, the ability of borrowers to pay interest on and repay the principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer and whose success we rely on to drive our future growth, is highly dependent on the business environment in the markets in which we operate and in the United States as a whole. Some elements of the business environment that affect our financial performance include short-term and long-term interest rates, the prevailing yield curve, inflation, consumer spending, employment levels, home prices, bankruptcies, U.S. fiscal and monetary policies, fluctuations in the debt and equity capital markets, and the strength of the domestic economy and the local economies in the markets in which we operate. Unfavorable market conditions can result in a deterioration of the credit quality of borrowers, an increase in the number of loan delinquencies, defaults and charge-offs, additional provisions for credit losses, adverse asset values and a reduction in assets under management or administration. The majority of our loan portfolio is secured by real estate. A decline in real estate values can negatively impact our ability to recover our investment should the borrower become delinquent. Loans secured by stock or other collateral may be adversely impacted by a downturn in the economy and other factors that could reduce the recoverability of our investment. Unsecured loans are dependent on the solvency of the borrower, which can deteriorate, leaving us with a risk of loss. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence, limitations on the availability of or increases in the cost of

credit and capital, increases in inflation or interest rates, high unemployment, natural disasters, state or local government insolvency, or a combination of these or other factors. Economic slowdown and instability outside of the United States may adversely affect economic and market conditions in the United States.

Uncertainty about the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal government, future tax rate changes and employment costs is a concern for businesses, consumers and investors in the United States. Any unfavorable impacts of recently enacted tax reform, unfavorable changes in the general business environment in which we operate, or in the United States as a whole or abroad, could adversely affect our business, results of operations or financial condition.

We face significant competition to attract and retain wealth management clients.

We face significant competition to attract and retain wealth management clients primarily from commercial banks, trust companies, mutual funds, investment advisory firms, brokerage firms, investment companies, insurance companies, and other financial services companies. We also compete with private equity firms, venture capital, hedge funds and other alternative investment firms, and Internet-based companies. Competition is especially keen in our principal markets because numerous well-established and successful investment advisory and brokerage firms exist throughout each of the markets in which we operate. In addition, the Bank faces increased competition from firms offering lower-priced investment products and services, including automated investment management services and index funds. Our ability to successfully attract and retain wealth management clients will depend on, among other things, our ability to compete with our competitors' scope and quality of investment products and services offered, level of investment performance, price, client services, marketing and distribution capabilities. In addition, our ability to retain wealth management clients may be impaired by the fact that investment advisory and brokerage contracts are typically terminable at will. Most of our clients may withdraw funds from accounts under management or administration at their discretion or close accounts at any time for any reason, including the performance of the investment account, a change in an investment strategy, change in investment advisor or any other reason in their discretion. If we cannot effectively compete to attract and retain clients, our business, results of operations or financial condition may be adversely affected.

The profitability of our wealth management business has been impacted in the past several years as a result of investments in acquiring assets and key personnel and the costs of maintaining and improving a business platform that can support a substantial asset base. Profitability in this area is also a function of the incurrence of legal and compliance costs and the management of lower-margin assets, such as sub-advisory, brokerage, money market and custody assets that support our overall client service and relationship model. Further increased costs in our wealth management business could materially and adversely affect our business, results of operations or financial condition.

Our wealth management business is highly dependent on investment managers and wealth advisors to produce investment returns and to solicit and retain clients. The market for investment managers and wealth advisors is extremely competitive and is increasingly characterized by frequent movement of such persons among different firms. In addition, our individual investment managers and wealth advisors often have regular direct contact with particular clients, which can lead to a strong client relationship based on the client's trust in the individual manager or advisor. The loss of a key investment manager or wealth advisor could jeopardize our relationships with our clients and lead to the loss of client accounts. Losses of such accounts could materially and adversely affect our results of operations or financial condition.

Our wealth management business may be negatively impacted by changes in economic and market conditions, and clients have sought and may continue to seek legal remedies for investment performance.

Our wealth management business may be negatively impacted by changes in general economic and market conditions because the performance of such business is directly affected by conditions in the financial and securities markets.

The financial markets and businesses operating in the securities industry are highly volatile (meaning that performance results can vary greatly within short periods of time) and are directly affected by, among other factors, domestic and foreign economic conditions, general trends in business and finance, and changes to the securities laws and regulations, all of which are beyond our control. We cannot guarantee that broad market performance will be favorable in the future. Declines in the financial markets or a lack of sustained growth may result in declines in the performance of our wealth management business and the level of assets under management or administration.

The investment advisory contracts of FRIM, our investment advisory subsidiary, generally provide for fees payable for investment advisory services based on the market value of assets under management. Because most contracts provide for fees based on the market values of securities, declines in securities prices may reduce our wealth management fees and have an adverse effect on our business, results of operations or financial condition.

In addition, following periods of volatile or declining market conditions, investment advisory or brokerage clients may seek legal remedies for investment performance. We may be required to defend against lawsuits involving our broker-dealer and investment management subsidiaries arising from clients' investment losses. These types of lawsuits may result in significant legal expenses or other costs that may not be covered by insurance. We may also face reputational risks with regard to such suits which could impair our ability to effectively compete to attract and retain clients. As a result, any such current or future lawsuits could adversely affect our business, results of operations or financial condition.

We must maintain and follow high underwriting standards to grow safely.

Our ability to grow our assets safely depends on maintaining disciplined and prudent underwriting standards and ensuring that our relationship managers and business bankers follow those standards. The weakening of these standards for any reason, such as to seek higher yielding loans, or a lack of discipline or diligence by our employees in underwriting and monitoring loans, may result in loan defaults, foreclosures and additional charge-offs and may necessitate that we significantly increase our allowance for credit losses, each of which could adversely affect our net income. As a result, our business, results of operations or financial condition could be adversely affected.

Our ability to maintain, attract and retain client relationships is highly dependent on our reputation.

Our clients rely on us to deliver superior, highly personalized financial services with the highest standards of ethics, performance, professionalism and compliance. A significant source of new clients has been, and we expect will continue to be, the reputation we maintain and the recommendations of satisfied clients. Damage to our reputation could undermine the confidence of our current and potential clients in our ability to provide financial services. Such damage could also impair the confidence of our counterparties and business partners, and ultimately affect our ability to effect transactions. Maintenance of our reputation depends not only on our success in maintaining our service-focused culture and controlling and mitigating our various risk exposures, including those described in this Annual Report on Form 10-K, but also on our success in identifying and appropriately addressing issues that may arise in areas such as potential conflicts of interest, anti-money laundering, client personal information, cybersecurity and privacy issues, record-keeping, regulatory investigations and any litigation that may arise from our failure or perceived failure to comply with legal and regulatory requirements.

Maintaining our reputation also depends on our ability to successfully prevent third-parties from infringing on the "First Republic" brand and associated trademarks. In addition, adverse or misleading publicity or information distributed on social media websites or other media, whether or not factually correct, may harm our reputation and affect our ability to attract and retain client relationships. Defense of our reputation and our trademarks, including through litigation, could result in costs adversely affecting our business, results of operations or financial condition.

Our operations and clients are concentrated in the United States' largest metropolitan areas, which could be the target of terrorist attacks.

The vast majority of our operations and our clients and 87% of the properties securing our real estate loans outstanding are located in the San Francisco Bay Area and the New York City, Los Angeles, and Boston metropolitan areas. These areas have been and may continue to be the target of terrorist attacks. A successful, major terrorist attack in one of these areas could severely disrupt our operations and the ability of our clients to do business with us and cause losses to loans secured by properties in these areas. Such an attack would therefore adversely affect our business, results of operations or financial condition.

Reforms of Fannie Mae and Freddie Mac and the Federal Home Loan Banks could reduce demand for residential mortgage loans, limit our ability to sell residential mortgage loans in the secondary market and affect our funding sources.

The U.S. Congress may consider reforms to the federal government's involvement in the housing market. Reforms could include reducing the scale of Fannie Mae's and Freddie Mac's secondary purchases of residential mortgage loans or winding down these entities entirely. This could significantly reduce the amount of residential mortgage loans that we can sell in the secondary market, which would limit the amount of loans we can originate and in turn limit our ability to create new relationships, manage our growth and earn revenue from loan sales and servicing. Reforms could also include cutting back or eliminating the Federal Home Loan Bank system, which could remove a significant source of term funding for our lending activities and likewise limit our ability to originate loans and manage our interest rate risk. Such reforms could also raise interest rates for residential mortgage loans, thereby reducing demand for our primary lending products, and could have an adverse effect on our business, results of operations or financial condition.

The reduction or elimination of the home mortgage interest income tax deduction could reduce demand for our residential mortgage loans.

Under federal income tax law prior to tax reform legislation enacted into law in December 2017 (the "Tax Reform Act"), homeowners could deduct from their taxable income interest on mortgage loans with a principal amount of up to $1 million secured by first or certain second homes. Under the Tax Reform Act, homeowners who purchased a home on or after December 15, 2017 may deduct interest on mortgage loans with a principal amount of up to $750,000 that are secured by such homes. The impact of this change increased the after-tax cost of mortgage loans to certain home buyers and owners, particularly those with higher incomes, and could therefore reduce demand for residential mortgage loans and depress housing prices. The U.S. Congress may consider further reducing the benefit of this deduction, such as by limiting total itemized deductions, allowing deductible expenses to be deducted only at rates less than the highest marginal tax rate, phasing out deductions over specified income thresholds, or eliminating the deduction entirely. Single family mortgage lending constitutes a majority of our lending business. Our most popular mortgage loan product has an initial interest-only period. The reduction in the benefit of the home mortgage interest deduction implemented by the Tax Reform Act and any further reductions to this benefit in the future could materially and adversely affect our business, results of operations or financial condition.

We face significant competition with respect to our deposits.

As of December 31, 2019, we had $32.3 billion of noninterest-bearing business checking accounts and $4.1 billion of interest-bearing business checking accounts. We face significant competition from other financial institutions with respect to the interest rates for checking accounts. If we need to offer higher interest rates on checking accounts to maintain current clients or attract new clients, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer interest in a sufficient amount to keep these demand deposits, our core deposits may be reduced, which would require us to obtain funding in other ways or risk slowing our future asset growth. Additionally, if we were to become less well capitalized, we may be restricted in the amount that we can pay on deposit accounts, which could impair our ability to retain clients or attract new clients.

Downgrades of the U.S. government's credit rating could have a material adverse effect on our business, financial condition and liquidity.

Future uncertainty over U.S. fiscal policy could result in a downgrade or a reduction in the outlook of the U.S. long-term sovereign credit rating by one or more credit ratings agencies. Any downgrade, or perceived future downgrade, in the U.S. sovereign credit rating or outlook could adversely affect global financial markets and economic conditions. Prices of U.S. Treasury securities and debt securities issued by Fannie Mae, Freddie Mac and other government-sponsored or government-related entities may be adversely affected by past or future credit rating downgrades. Further, the Federal Home Loan Banks, Fannie Mae and Freddie Mac may face higher costs of capital that could reduce their lending and secondary mortgage market activities, respectively, or increase the cost of any future advances which we may borrow from the Federal Home Loan Bank of San Francisco. As a member of the Federal Home Loan Bank of San Francisco, we are required to maintain stock ownership at least equal to 2.7% of outstanding advances.

The investments we currently own that may be impacted by such a downgrade totaled $7.5 billion at December 31, 2019, or approximately 6% of our total assets. These investments consisted of $7.1 billion of U.S. Government-sponsored agency securities, and mortgage-backed securities ("MBS") issued by government agencies or collateralized by MBS issued by government agencies and $367.9 million of Federal Home Loan Bank stock. See Note 3 in "Item 8. Financial Statements and Supplementary Data" for information on our investment securities. Negative credit rating actions with respect to U.S. government obligations may have unpredictable impacts on financial markets and economic conditions in the United States and abroad, which could in turn have a material adverse effect on our business, results of operations, financial condition or liquidity.

We may not be able to manage our growth successfully.

We seek to grow safely and consistently. Successful and safe growth requires that we follow adequate loan underwriting standards, balance loan, investment portfolio and deposit growth without increasing interest rate risk or compressing our net interest margin, maintain satisfactory regulatory capital at all times, raise capital in advance of growth, scale our operations and systems to support our growth, employ an effective risk management framework and hire and retain qualified employees. If we do not manage our growth successfully, then our business, results of operations or financial condition may be adversely affected. There is no assurance that any new office that we open in connection with our growth will be successful or will otherwise satisfy expectations. In addition, any plans to open new offices may change or become limited.

The loss of our deposit clients could force us to fund our business with more expensive and less stable sources of capital.

Over the past five years, our deposits have increased from $37.1 billion as of December 31, 2014 to $90.1 billion as of December 31, 2019. This growth has been driven by several factors, including many investors' desire for safer, more stable investments, such as insured deposits. In addition, at December 31, 2019, we had uninsured deposits in excess of the $250,000 FDIC insurance limit of $59.0 billion, which represented 65% of total deposits. Most deposit accounts do not have significant restrictions on withdrawal, and these clients can generally withdraw some or all of the funds in their accounts with us upon little or no notice.

We have traditionally obtained funds principally through deposits and borrowings, with the interest rates paid for borrowings generally fixed and medium to long-term in nature, typically exceeding the interest rates paid on deposits. An outflow of deposits because clients seek investments with higher yields or greater financial stability, prefer to do business with our competitors, or for other reasons could force us to rely more heavily on borrowings and other sources of funding to fund our business and meet withdrawal demands, adversely affecting our net interest margin. We may also be forced, as a result of any outflow of deposits, to rely more heavily on equity to fund our business, resulting in greater dilution of our existing shareholders. The occurrence of any of these events could materially and adversely affect our business, results of operations or financial condition.

Our loan portfolio is concentrated in single family residential mortgage loans, including non-conforming, adjustable-rate, initial interest-only period and jumbo mortgages.

As of December 31, 2019, our single family mortgage loans, including loans held for sale, represented $48.0 billion, or 53% of our loan portfolio. As of December 31, 2019, approximately 75% of single family mortgage loans are hybrid ARMs that will adjust within one to ten years in the future, 11% are adjustable-rate loans and 14% are fixed-rate loans. Any increase in prevailing market interest rates may result in increased payments for borrowers who have ARMs. Also, as of December 31, 2019, approximately 78% of our single family mortgage loans are jumbo loans (over $726,525 in size), and approximately 66% are loans with an initial interest-only period of generally ten years. In the case of interest-only loans, a borrower's monthly payment is subject to change when the loan converts to fully-amortizing status. Since the borrower's monthly payment may increase by a substantial amount, even without an increase in prevailing market interest rates, the borrower might not be able to afford the increased monthly payment. The adjustment of these loans to higher payment requirements can be a substantial factor in higher loan delinquency levels because the borrowers may not be able to make the higher payments. Also, real estate values may decline, and credit standards may tighten in concert with the higher payment requirement, making it difficult for borrowers to sell their homes or refinance their loans to pay off their mortgage obligations. For these reasons, interest-only loans are considered to have an increased risk of delinquency, default and foreclosure than conforming loans and may result in higher levels of realized losses. This could, consequently, adversely affect our business, results of operations or financial condition. In addition, the secondary market for jumbo mortgages has historically been less liquid compared to conforming loans.

Our loan portfolio possesses increased risk due to our level of adjustable-rate loans.

Our loan portfolio includes adjustable-rate loans. Any rise in prevailing market interest rates may result in increased payments for some borrowers who have adjustable-rate mortgage loans, increasing the possibility of defaults. This could have an adverse effect on our business, results of operations or financial condition.

Weakness in the commercial real estate and construction markets could adversely affect our performance.

As of December 31, 2019, commercial real estate loans outstanding represented 8% of our loan portfolio and non-single family construction loans represented 2% of our loan portfolio. The factors that impact the valuation of these loans, and the valuation of the underlying commercial real estate or undeveloped land, are more complicated than the valuation of single family mortgage loans. Commercial real estate loans and loans secured by undeveloped land also tend to have shorter maturities than residential mortgage loans and usually are not fully amortizing, meaning that they may have a significant principal balance or "balloon" payments due on maturity. In addition, commercial real estate properties, particularly industrial and warehouse properties, are generally subject to relatively greater environmental risks than noncommercial properties and to the corresponding burdens and costs of compliance with environmental laws and regulations. Also, there may be costs and delays involved in enforcing rights of a property owner against commercial tenants in default under the terms of their leases. For example, tenants may seek the protection of bankruptcy laws, which could result in termination of lease contracts.

The borrower's ability to repay a commercial real estate loan depends on leasing to tenants through the life of the loan or the borrower's successful operation of a business. Weak economic conditions may impair a borrower's business operations and typically slows the execution of new leases. Such economic conditions may also lead to greater existing lease turnover. Increased vacancies could result in rents falling further over the next several quarters. The combination of these factors could result in further deterioration in the fundamentals underlying the stability of the commercial real estate market and result in the deterioration in value of some of our loans. Any such deterioration could adversely affect the ability of our borrowers to repay the amounts due under their loans. As a result, our business, results of operations or financial condition may be adversely affected.

In the case of construction loans, borrowers face the additional risks that construction may take longer or be more expensive than expected, and that when completed, the value of the property, and therefore rents or sale proceeds, may be less than expected. Any of these circumstances could significantly impair borrowers' cash flows and their ability to repay the amounts due under their loans, and, as a result, our business, results of operations or financial condition may be adversely affected.

We have increased our lending to businesses, and these loans expose us to greater risk than mortgages.

In the past several years, we have expanded our lending to businesses and have increased the size of individual commercial loans. As of December 31, 2019, business loans and lines of credit outstanding were $11.6 billion, or 13% of total loans outstanding. In addition, the undisbursed commitments for business lines of credit amounted to an additional $12.3 billion. Business loans inherently have more risk of loss than real estate secured loans, in part because business loans may be larger or more complex to underwrite than mortgages, some of the loans or portions thereof may be unsecured, and the value of any collateral may be severely impacted by the performance of the business. If a decline in economic conditions or other issues cause difficulties for our business borrowers or we fail to evaluate the credit of the loan accurately when we underwrite the loan, it could result in delinquencies or defaults and a material adverse effect on our business, results of operations or financial condition.

We may not be able to sell loans in the secondary market.

We sell a portion of our loans that we originate in the secondary market. If secondary mortgage market conditions were to deteriorate in the future and we cannot sell loans at our desired levels, our loan origination volume may be limited. As a result, our ability to create new relationships and manage our growth, as well as our revenue from loan sales and servicing, would be limited, and our business, results of operations or financial condition may be adversely affected.

Our financial results depend on management's selection of accounting methods and certain assumptions and estimates.

Our accounting policies and methods are fundamental to how we record and report our results of operations and financial condition. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management's judgment of the most appropriate manner to report our financial condition and results. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet may result in our reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting our financial condition and results. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These accounting policies include the allowance for credit losses for loans and the accounting for income taxes. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for credit losses or sustain credit losses that are significantly higher than the reserve provided, or significantly increase our accrued tax liability or decrease the value of deferred tax assets. Any of these could adversely affect our business, results of operations or financial condition.

Our allowance for credit losses on loans and held-to-maturity debt securities may be inadequate.

Effective January 1, 2020, the Bank adopted new guidance for estimating credit losses on its loans and held-to-maturity debt securities. Under the new guidance, the allowance for credit losses represents lifetime expected losses rather than incurred losses, and is recognized upon origination or purchase of a loan or

held-to-maturity debt security. Our management determines the allowance for credit losses based on available information, including the credit quality of the loan and investments portfolio, the types of loans and investments composing the respective portfolios, current and forecasted economic conditions, the value of the underlying collateral and the level of nonaccrual assets, where applicable. Although our management has established an allowance for credit losses it believes is adequate to absorb expected credit losses, if deterioration in the general economy or in our principal markets occurs, this could result in a decrease in credit quality of our loans or investments and our allowance for credit losses may be inadequate. In addition, if an earthquake or other natural disaster were to occur in one of our principal markets, increases in the allowance for credit losses may also be necessary to absorb expected credit losses in or loan and investment portfolio. Such increases in our allowance for credit losses will result in additional provision for credit loss expense, which will reduce our net income, and our business, results of operations or financial condition may be materially and adversely affected.

We may not be able to attract and retain key personnel.

Our Chairman and Chief Executive Officer has significant involvement and experience with our operations, having been our founding CEO and having worked with us since First Republic was founded in 1985. As a result, the loss of our Chairman and CEO could have an adverse effect on our business, results of operations or financial condition. Although we have been successful in hiring and promoting experienced professionals on our management team, we need to continue to develop and retain senior management and have the ability to attract qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. Because we specialize in providing relationship-based banking and wealth management services, we need to continue to attract and retain qualified private banking personnel and wealth managers to expand. Competition for such personnel can be intense, and we may not be able to hire or retain such personnel. The loss of the services of any senior management personnel, relationship managers or wealth managers, or the inability to recruit and retain qualified personnel in the future, including to succeed key personnel, could have an adverse effect on our business, results of operations or financial condition. Additionally, to attract and retain personnel with appropriate skills and knowledge to support our business or succeed key personnel, we may offer a variety of benefits which may reduce our earnings or adversely affect our business, results of operations or financial condition.

We may take actions to maintain client satisfaction that result in losses or reduced earnings.

We may find it necessary to take actions or incur expenses in order to maintain client satisfaction even though we are not required to do so by law. The risk that we will need to take such actions and incur the resulting losses or reductions in earnings is greater in periods when financial markets and the broader economy are performing poorly or are particularly volatile. As a result, such actions may adversely affect our business, results of conditions, or financial condition perhaps materially.

We may be adversely affected by the soundness of other financial institutions.

As a result of trading, clearing or other relationships, we have exposure to many different counterparties and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers, dealers and investment banks. Many of these transactions expose us to credit risk in the event of a default by a counterparty. In addition, our credit risk may be exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to us. Any such losses could have a material adverse effect on our business, results of operations or financial condition.

Adverse changes in the ratings for our long-term debt or preferred stock could have a material adverse effect on our business, financial condition and liquidity and may increase our funding costs or impair our ability to effectively compete for business and clients.

The major rating agencies regularly evaluate us and their ratings of our long-term debt and preferred stock based on a number of factors, including our financial strength and conditions affecting the financial services industry generally. In general, rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix and level and quality of earnings, and we may not be able to maintain our current credit ratings and preferred stock ratings. Our ratings remain subject to change at any time, and it is possible that any rating agency will take action to downgrade us in the future.

The ratings for our debt securities and preferred stock impact our ability to obtain funding. Reductions in any of the ratings for our debt securities or preferred stock could adversely affect our ability to borrow funds and raise capital. Downgrades in our ratings could trigger additional collateral or funding obligations, which may adversely impact our liquidity. Therefore, any negative credit rating actions could have a material adverse effect on our business, results of operations, financial condition or liquidity.

Furthermore, our clients and counterparties may be sensitive to the risks posed by a downgrade to our ratings and may terminate their relationships with us, may be less likely to engage in transactions with us, or may only engage in transactions with us at a substantially higher cost. We cannot predict the extent to which client relationships or opportunities for future relationships could be adversely affected due to a downgrade in our ratings. The inability to retain clients or to effectively compete for new business may have a material and adverse effect on our business, results of operations or financial condition.

Additionally, rating agencies themselves have been subject to scrutiny arising from the financial crisis. As a result, or for unrelated reasons, the rating agencies may make or may be required to make substantial changes to their ratings policies and practices. Such changes may, among other things, adversely affect the ratings of our securities or other securities in which we have an economic interest.

We may be adversely affected by risks associated with completed and potential acquisitions.

We plan to continue to grow our business organically, although, from time to time, we may consider potential acquisition opportunities that we believe complement our activities and have the ability to enhance our profitability, including acquisitions of wealth management and related businesses. Acquisitions involve numerous risks, including:

- The risk that the acquired business will not perform to our expectations;
- Difficulties, inefficiencies or cost overruns in integrating the personnel, operations, services and products of the acquired business with ours;
- The diversion of management’s attention from other aspects of our business;
- Entering geographic and product markets in which we have limited or no direct prior experience;
- The potential loss of key employees; and
- The potential for liabilities and claims arising out of the acquired businesses.

If we were to consider acquisition opportunities, we expect to face significant competition from numerous other financial services institutions, many of which will have greater financial resources than we do. Accordingly, attractive acquisition opportunities may not be available. We may not be successful in identifying or completing any future acquisitions, integrating any acquired business into our operations or realizing any projected cost savings or other benefits associated with any such acquisition.

We must generally satisfy a number of meaningful conditions prior to completing any acquisition, including, in certain cases, federal and state bank and other regulatory approvals. Bank regulators consider a number of factors when determining whether to approve a proposed transaction, including the ratings and compliance history of all institutions involved, the AML and BSA compliance history of all institutions involved, CRA examination results and the effect of the transaction on financial stability. The process for obtaining required regulatory approvals has become substantially more difficult as a result of the financial crisis, which could affect our future business. We may fail to pursue, evaluate or complete strategic and competitively significant business opportunities as a result of our inability, or our perceived inability, to obtain required regulatory approvals in a timely manner or at all.

We could be held responsible for environmental liabilities of properties acquired through foreclosure.

If we are forced to foreclose on a defaulted mortgage loan to recover our investment, we may be subject to environmental liabilities related to the underlying real property. Hazardous substances or wastes, contaminants, pollutants or sources thereof may be discovered on properties during our ownership or after a sale to a third-party. The amount of environmental liability could exceed the value of real property. We could be fully liable for the entire cost of any removal and clean-up on an acquired property. In addition, we may find it difficult or impossible to sell the property before or after any environmental remediation. As a result, our business, results of operations or financial condition may be adversely affected.

Our operations could be interrupted if our third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.

We depend to a significant extent on a number of relationships with third-party service providers, including Internet, mobile technology and cloud service providers. Specifically, we receive core systems processing, essential web hosting and other Internet systems, deposit processing, wire processing and other processing services from third-party service providers. If these third-party service providers experience difficulties, do not perform the relevant services properly or terminate their services and we are unable to replace them with other service providers, our operations could be interrupted. If an interruption were to continue for a significant period of time, our business, results of operations or financial condition could be adversely affected, perhaps materially. Even if we are able to replace them, it may be at higher cost to us, which could adversely affect our business, results of operations or financial condition.

We face risks related to the ability of our information technology systems to support our existing operations and future growth.

We have developed, and are continuously developing, information technology and other systems and processes to support our business operations. As our business grows, we continue to invest in and enhance these systems and processes. These investments and enhancements entail significant costs and create risks associated with implementing new systems and integrating them with existing ones. If not implemented effectively, these changes may result in business interruptions, client losses, or damage to our reputation. Any failure in our information technology systems as a result of such changes could have an adverse effect on our business, results of operations or financial condition, perhaps materially.

The network and computer systems on which we depend could fail or experience a security breach.

Our computer systems are vulnerable to unforeseen problems. Because we conduct part of our business over the Internet and outsource several critical functions to third-parties, our operations depend on our ability, as well as that of third-party service providers, to protect computer systems and network infrastructure against damage from fire, power loss, telecommunications failure, physical break-ins or similar catastrophic events. Any damage or failure that causes interruptions in operations could have a material adverse effect on our business, results of operations or financial condition.

We also rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our client relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if it does occur, that it will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of client business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could adversely affect our business, results of operations or financial condition.

We may be adversely affected by disruptions to our network and computer systems or to those of our service providers as a result of denial-of-service or other cyber attacks.

We may experience disruptions or failures in our computer systems and network infrastructure or in those of our service providers as a result of denial-of-service or other cyber attacks in the future. In recent years, federal and state regulators, including the FDIC, SEC, and FINRA, have made statements concerning cybersecurity risk management, preparedness and resiliency for financial institutions such as us. These statements range from issues with respect to client account protections to business continuity, and represent the regulators' expectations for financial institutions to have more robust cybersecurity risk management, preparedness and resiliency program for themselves and their service providers. A financial institution is also expected to develop processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution, or its critical service providers, fall victim to this type of cyber attack. We have developed and continue to invest in, systems and processes that are designed to detect, prevent and minimize the impact of security breaches and cyber attacks. Due to the increasing sophistication of such attacks, we may not be able to prevent denial-of-service or other cyber attacks that could compromise our normal business operations or the normal business operations of our clients, or result in the unauthorized use of clients' confidential and proprietary information. The occurrence of any failure, interruption or security breach of network and computer systems resulting from denial-of-service or other cyber attacks could impact our ability to operate and serve our clients, damage our reputation, result in a loss of client business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could adversely affect our business, results of operations or financial condition.

We are subject to certain operational risks, including fraud by employees and third parties and data processing system failures and errors.

We are subject to certain operational risks, including, but not limited to, employee, customer and third-party fraud or theft and data processing system failures and errors. Fraudulent activities may take many forms, including online payment transfer fraud, debit card fraud, check fraud, fraud related to ATM machines, phishing attacks, social engineering and other dishonest attacks. Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. These fraudulent activities and system errors may result in financial losses or increased costs to us or our clients, disclosure or misuses of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation or damage to our reputation.

We maintain a system of internal controls designed to prevent, detect and mitigate against such occurrences and maintain insurance coverage for such risks. However, should such an event occur that is not prevented or detected by our internal controls, or is uninsured or in excess of applicable insurance limits, such an event could have a significant adverse effect on our business, results of operations or financial condition.

If we fail to maintain internal controls over financial reporting, we may not be able to accurately report our financial results, which could harm our reputation and have a negative effect on the price of our common stock.

The Sarbanes-Oxley Act of 2002 requires our management to evaluate the Bank's disclosure controls and procedures and its internal control over financial reporting and requires our auditors to issue a report on our internal control over financial reporting. Failure to maintain effective controls over financial reporting or implement new or improved controls may harm our operating results or cause us to fail to meet our reporting obligations. We are required to disclose, in our Annual Report on Form 10-K, the existence of any "material weaknesses" in our internal controls. The identification of one or more material weaknesses as of the end of any given quarter or year could have a negative impact on our reputation, results of operations or financial condition, as well as the price of our common stock.

We rely on the accuracy and completeness of information about our clients and counterparties.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We may also rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. If this information is inaccurate or incomplete, we may be subject to credit losses, regulatory action, reputational harm or other adverse effects on the operation of our business, results of operations or financial condition.

The systems and models we employ to analyze, monitor and mitigate risks, as well as for other business purposes, are inherently limited, may be not be effective in all cases and, in any case, cannot eliminate all risks that we face.

We use various systems and models in analyzing and monitoring several risk categories, as well as for other business purposes. However, these systems and models are inherently limited because they involve techniques and judgments that cannot anticipate every economic and financial outcome in the markets in which we operate, nor can they anticipate the specifics and timing of such outcomes. Further, these systems and models may fail to quantify accurately the magnitude of the risks we face. Our measurement methodologies rely on many assumptions and historical analyses and correlations. These assumptions may be incorrect, and the historical correlations on which we rely may not continue to be relevant. Consequently, the measurements that we make may not adequately capture or express the true risk profiles of our businesses or provide accurate data for other business purposes, each of which ultimately could have a negative impact on our business, financial condition and results of operations. Errors in the underlying model or model assumptions, or inadequate model assumptions, could result in unanticipated and adverse consequences to our business or financial condition, including material losses or noncompliance with regulatory requirements or expectations.

Failure to properly manage and aggregate data may result in our inability to manage risk and business needs and inaccurate financial, regulatory and operational reporting.

We rely on our ability to manage, aggregate, interpret and use data in an accurate, timely and complete manner for effective risk reporting and management. Our policies, programs, processes and practices govern how data is managed, aggregated, interpreted and used. While we continuously update our policies, programs, processes and practices, and implement emerging technologies, our data management and aggregation processes are subject to failure, including human error or system failure. Failure to manage data effectively and to aggregate data in an accurate, timely and complete manner may limit our ability to manage current and emerging risk, to produce accurate financial, regulatory and operational reporting as well as to manage changing business needs.

The value of our goodwill and other intangible assets may decline in the future.

As of December 31, 2019, we had $277.0 million of goodwill and other intangible assets, including MSRs. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates, a significant and sustained decline in the price of our common stock or the poor performance of an acquired business may require us to take charges in the future related to the impairment of our goodwill and other intangible assets. An increase in the rate at which our borrowers prepay their loans could result in a decline in the value of our MSRs, resulting in a charge for the impairment of those rights. The loss of several of our relationship managers to a competitor may also result in a charge against our goodwill and other intangible assets. If we were to conclude that a future write-down of our goodwill and other intangible assets is necessary, we would record the appropriate charge, which could have a material adverse effect on our business, results of operations or financial condition.

We are subject to liquidity risk.

We require liquidity to meet our deposit and debt obligations as they come due. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans are concentrated, difficult credit markets or adverse regulatory actions against us. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a majority of our liabilities on average during 2019 were checking accounts, money market checking and savings deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial majority of our assets were loans, which cannot be called or sold in the same time frame. Although we have been able to replace maturing deposits and advances historically as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors or those depositors with significant balances of deposits sought to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

We are subject to legal and litigation risk.

Because the Bank is extensively regulated by a variety of federal and state agencies, and because we are subject to a wide range of business, consumer and employment laws and regulations at the federal, state and local levels, we are at risk of governmental investigations and lawsuits as well as claims and litigation from private parties. We are from time to time involved in disputes with and claims from clients, government agencies, vendors, employees and other business parties, and such disputes and claims may result in litigation or settlements. Such litigation, alone or in the aggregate, may have an adverse impact on the Bank's operations, reputation, employee or customer relations, financial condition or results of operations as a result of the costs of any judgment, the terms of any settlement and/or the expenses incurred in defending the applicable claim.

We estimate our potential liability for pending and threatened claims, and record reserves when appropriate pursuant to GAAP, by evaluating the facts of particular claims under current judicial decisions and legislative and regulatory interpretations. This process is inherently subject to risk, including the risks that a judge or jury could decide a case contrary to our evaluation of the law or the facts or that a court could change or modify existing law on a particular issue important to the case. Our earnings will be adversely affected to the extent that our reserves are not adequate.

We may take filing positions or follow tax strategies that may be subject to challenge.

The amount of income taxes that we are required to pay on our earnings is based on federal and state legislation and regulations. We provide for current and deferred taxes in our financial statements based on our results of operations, business activity, legal structure and interpretation of tax statutes. We may take filing

positions or follow tax strategies that are subject to audit and may be subject to challenge. Our net income may be reduced if a federal, state or local authority assessed charges for taxes that have not been provided for in our consolidated financial statements. Taxing authorities could change applicable tax laws, challenge filing positions or assess taxes and interest charges. If taxing authorities take any of these actions, our business, results of operations or financial condition could be adversely affected, perhaps materially.

Uncertainty about the future of reference rates may adversely affect our business.

The future of some reference rates is uncertain as they have become subject to recent regulatory guidance and reforms, and proposals for future reforms. Many of our loan products determine the amount of interest by reference to certain reference rates or indices. The Financial Conduct Authority ("FCA"), which regulates LIBOR, has announced that it will no longer compel banks to submit rates for the calculation of LIBOR after December 31, 2021. In addition, the Federal Home Loan Bank of San Francisco has announced that it will no longer calculate and publish COFI after January 29, 2021.

Industry groups and certain committees (such as the Alternative Reference Rates Committee convened by the Federal Reserve Bank of New York and the Federal Reserve Board) have, among other things, published fallback language for certain floating rate instruments referenced to LIBOR, identified alternatives for certain LIBOR rates (for example, the Secured Overnight Financing Rate as an alternative to U.S. Dollar LIBOR, should U.S. Dollar LIBOR become unavailable), and proposed implementation of the alternatives in such instruments. At this time, it is not possible to predict whether these recommendations and proposals will be broadly accepted, whether they will continue to evolve, and what effect the implementation may have on the markets for floating-rate instruments.

If and when reference rates, such as LIBOR and COFI, are no longer available or an acceptable market reference rate, we will be required, or we may exercise discretion, to implement one or more substitute reference rate(s) for the calculation of interest rates under our loan agreements with our borrowers. We ceased offering new loans indexed to LIBOR in the first half of 2019 (with some limited exceptions for business loans) and to COFI in the first half of 2018 and have a transition plan in place with respect to existing loans indexed to LIBOR and COFI. In lieu of LIBOR or COFI, new loan originations are currently indexed to Prime or a 12-month average of 1-year Constant Maturity Treasury ("CMT"). We may incur significant expenses in effecting the transition, and may be subject to disputes or litigation with customers over the appropriateness or comparability to the prior reference rates of the substitute reference rates. In addition, developments related to reference rates could adversely affect our exposure to fluctuations in interest rates as well as the amounts we receive on, and the values of, the variable rate loans. As such, any changes to the calculation of the reference rates we currently use in our loan products, such as LIBOR or COFI, or the transition to one or more new reference rate(s) could have an adverse effect on our business, financial condition or results of operations.

Various factors could make a takeover attempt of us more difficult to achieve.

Certain provisions of our organizational documents, in addition to certain federal and state banking laws and regulations, could make it more difficult for a third-party to acquire us without the consent of our Board of Directors, even if doing so were perceived to be beneficial to our shareholders. These provisions also make it more difficult to remove our current Board of Directors or management or to appoint new directors, and also regulate the timing and content of shareholder proposals and nominations, and qualification for service on our Board of Directors. These provisions could effectively inhibit a non-negotiated merger or other business combination, which could adversely impact the value of our common stock.

Risks Related to the Regulatory Oversight of Our Institution

The banking industry is highly regulated, and legislative or regulatory actions taken now or in the future may have a significant adverse effect on our operations.

The banking industry is extensively regulated and supervised under both federal and state laws and regulations that are intended primarily to protect depositors, the public, the DIF, and the banking and financial systems as a whole, not our shareholders. We are subject to the regulation and supervision of the FDIC, the DBO and the CFPB. The banking laws, regulations and policies applicable to us govern matters ranging from the regulation of certain debt obligations, changes in the control of us and the maintenance of adequate capital to the general business operations conducted by us, including permissible types, amounts and terms of loans and investments, the amount of reserves held against deposits, restrictions on dividends, establishment of new offices and the maximum interest rate that may be charged by law. In addition, certain of our subsidiaries are subject to regulation, supervision and examination by other regulatory authorities, including the SEC and FINRA. See "Item 1. Business—Supervision and Regulation" above for more information on the laws and regulations applicable to us.

We are subject to changes in federal and state banking statutes, regulations and governmental policies, and the interpretation or implementation of them. Regulations affecting banks and other financial institutions in particular undergo continuous review and frequently change and the ultimate effect of such changes cannot be predicted. Regulations and laws may be modified at any time, and new legislation may be enacted that will affect us or our subsidiaries. Recent political developments have added additional uncertainty to the implementation, scope and timing of changes in regulations. Changes in federal and state laws, as well as regulations and governmental policies, have resulted in increased compliance costs, and future legal or regulatory changes could affect us in substantial and unpredictable ways, including ways that may adversely affect our business, results of operations or financial condition.

Federal and state banking regulators have broad authority to supervise our banking business and that of our subsidiaries, including the authority to prohibit activities that represent unsafe or unsound banking practices or constitute violations of statute, rule, regulation, or administrative order. Failure to appropriately comply with any such laws, regulations or regulatory policies could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could adversely affect our business, results of operations or financial condition. For example, federal banking agencies have increased their focus on compliance with consumer protection laws and BSA and AML regulations, and we expect this focus to continue. There have been a number of significant enforcement actions by regulators, as well as state attorneys general and the Department of Justice, against banks, broker-dealers and non-bank financial institutions with respect to AML and sanctions laws and some have resulted in substantial penalties, including criminal pleas. We have expended significant resources to enhance, and continue to enhance, our compliance programs. These enhancements, as well as any enhancements in other compliance areas that may be required in the future, will result in incremental professional fees and personnel costs, may limit our ability to offer competitive products to our clients and may divert resources from our ongoing business development activities. Notwithstanding our enhancements to these compliance programs, regulators may impose additional requirements on us or require us to take additional actions which could increase our costs, decrease our revenues or net income and reduce or restrict our ability to expand and effectively compete.

In addition, the CFPB has broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws. The CFPB also has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets, their service providers and certain non-depository entities such as mortgage companies, payday lenders, debt collectors and consumer reporting agencies. Since its formation, the CFPB has finalized a number of significant rules that could have a significant impact on our business and the financial services industry more generally. Depending on the CFPB's areas of supervisory and future rulemaking focus, it could have an adverse impact on our business, increase our compliance costs and potentially delay our response to marketplace changes.

The enactment of the EGRRCPA in May 2018 altered several provisions of the Dodd-Frank Act. Overall, the changes under the EGRRCPA and implementing rules issued by the federal banking agencies mainly apply to smaller U.S. banks and to U.S. bank holding companies and have a limited effect on the Bank. Among other changes, the EGRRCPA and corresponding FDIC rules eliminated company-run stress testing requirements for financial institutions with less than $250 billion in total consolidated assets, expanded the definition of HQLA to include certain municipal obligations, and added a limited exception for a capped amount of reciprocal deposits held by qualified FDIC-insured depository institutions from treatment as "brokered" deposits. See "Item 1. Business—Supervision and Regulation" for additional details on the laws and regulations applicable to us, including relevant provisions of the EGRRCPA and related regulations. The nature, extent, timing and impact of any future changes to the Dodd-Frank Act and related regulatory requirements or other laws and regulations impacting our business cannot be predicted. If further legislation or regulations are implemented or repealed, it may be time-consuming and expensive for us to alter our internal operations in order to comply with such changes.

Legislative and regulatory actions affecting us and the financial services industry may result in increased legal and compliance costs.

Since the financial crisis, financial institutions generally have been subjected to increased scrutiny from regulatory authorities. As a result of the current regulatory environment and our growth in recent years, we have made and expect to continue to make substantial investments in our legal, regulatory, audit and compliance infrastructure. As a result of the foregoing, our expenses associated with our legal, regulatory, audit and compliance infrastructure have increased. Our expenses could also be higher than anticipated in the future, which may adversely impact our results of operations.

Regulation of incentive compensation under the Dodd-Frank Act may adversely affect our ability to retain our key employees.

Under the Dodd-Frank Act, federal regulators are required to issue regulations relating to incentive compensation. Regulators have not yet issued these rules. Future regulations may limit the manner and amount of incentive compensation that banking organizations provide to employees, and could adversely affect our ability to attract and retain our key employees. If we were to experience such effects with respect to our employees, our business, results of operations or financial condition could be adversely affected. We are not able to predict at this time when regulators will issue incentive compensation rules, and the impact on the Bank will depend on the final form of any such rules and how they are implemented and applied.

The ability-to-repay requirement for residential mortgage loans may limit our ability to sell or securitize certain of our mortgage loans and give borrowers potential claims against us.

Under TILA, mortgage lenders are required to show that they have verified the borrower's ability to repay a residential mortgage loan (which does not include HELOCs). Borrowers could possibly claim statutory damages against us for violations of this requirement. Lenders of mortgages that meet a "qualified mortgage" standard have a safe harbor or a presumption of compliance with the requirement. Under CFPB rules, qualified mortgages cannot have negative amortization, interest-only payments, or balloon payments, terms over 30 years, or points and fees over certain thresholds.

Currently, a majority of the non-conforming mortgage loans that we originate generally have an initial interest-only period of ten years, subsequent to which these loans fully and evenly amortize over a period of generally twenty years. Such loans are not "qualified mortgages" under the standard. If institutional mortgage investors limit their mortgage purchases to "qualified mortgages," demand for our non-qualifying mortgages in the secondary market may be significantly limited in the future. We do not currently intend to discontinue originating interest-only, non-qualifying mortgages, and we may be liable to borrowers under non-qualifying mortgages for violations of the ability-to-repay requirement. If demand for our non-qualifying mortgages in the

secondary market declines significantly in the future, it would limit the amount of loans we can originate and in turn limit our ability to create new relationships, manage our growth and earn revenue from loan sales and servicing, all of which could materially and adversely affect our business, results of operations or financial condition.

Increases in FDIC insurance premiums may adversely affect our earnings.

Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums we will be required to pay for FDIC insurance. See “Item 1. Business—Supervision and Regulation—Premiums for Deposit Insurance and Assessments” for additional information. Additional increases in our assessment rate may be required in the future to achieve the targeted reserve ratio or to address the impact of future financial institution failures. Future increases of FDIC insurance premiums or special assessments, including increases as a result of any future rulemaking, may adversely affect our business, results of operations or financial condition.

We are subject to stringent capital requirements.

We are subject to regulatory requirements specifying minimum amounts and types of capital that we must maintain. From time to time, the regulators change these regulatory capital adequacy rules. If we fail to meet these minimum capital rules and other regulatory requirements, we or our subsidiaries may be restricted in the types of activities we may conduct and we may be prohibited from taking certain capital actions, such as paying dividends and repurchasing or redeeming capital securities.

Although we meet the requirements of the Basel III Capital Rules, including the capital conservation buffer, we may fail to do so in the future. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions or make capital distributions in the form of increased dividends or share repurchases. Higher capital levels could also lower our return on equity.

We may become subject to more stringent liquidity requirements.

As a banking organization, our liquidity is subject to supervision by our banking regulators. Because we are a state-chartered, non-member bank without a bank holding company, we currently are not subject to the LCR Rule. Nevertheless, we maintain on-balance sheet liquidity and a portfolio of HQLA, and our regulators monitor our liquidity as part of their regular supervisory process. If we fail to maintain adequate liquidity, we could become subject to a variety of formal or informal enforcement actions, which may include restrictions on our business activities.

It is possible that we may become subject to an LCR requirement or other heightened liquidity requirements in the future as a result of further growth, or if the FDIC or the federal banking agencies apply such a requirement to us as a supervisory matter. In addition, we may become subject to any rule implementing the NSFR that is promulgated in the future. As a result, we could be required to increase our holdings of HQLA or other liquidity resources, such as Federal Reserve balances and U.S. Treasury securities, and increase the use of long-term debt as a funding source. Increasing our holdings of lower-yielding assets and our use of higher-cost liabilities would reduce our net interest income and could limit our loan and deposit growth and our ability to attract and retain new clients, all of which could adversely affect our business, results of operations and financial conditions.

The investment management and brokerage businesses are highly regulated.

The investment management and brokerage business are highly regulated, primarily at the federal level. One of our subsidiaries, FRIM, is a registered investment adviser under the Investment Advisers Act of 1940, as amended (“Investment Advisers Act”), and FRSC is a registered broker-dealer regulated by the SEC, FINRA and

state regulatory agencies. The Investment Advisers Act imposes numerous obligations on federally registered investment advisers, including fiduciary, record-keeping, operational and disclosure obligations.

FRIM is also subject to the provisions and regulations of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") to the extent it acts as a "fiduciary" under ERISA with respect to certain of its clients. ERISA and the applicable provisions of the federal tax laws impose a number of duties on persons who are fiduciaries under ERISA and prohibit transactions involving the assets of each ERISA plan that is a client, as well as certain transactions by the fiduciaries (and certain other related parties) to such plans. FRIM and FRSC are also both licensed and regulated under state law as insurance agencies, and FRIM is registered as a commodity pool operator and commodity trading adviser with the Commodity Futures Trading Commission ("CFTC") and a member of the NFA in connection with advising wealth management clients on investments in commodity pools and serving as adviser to private funds that invest in commodity pools. The relationships between the Bank and its subsidiaries and the private funds advised by FRIM are subject to restrictions and requirements under the Volcker Rule.

In June 2019, the SEC issued a set of final rules to limit conflicts of interest for non-retirement and retirement accounts, and which include establishing a "best interest" standard of conduct for broker-dealers when making a recommendation on any securities transaction or investment strategy to a retail customer and clarify certain aspects of the fiduciary duty that a registered investment adviser owes to its clients. In addition, the SEC issued a final rule that requires broker-dealers and investment advisers to provide a standardized summary disclosure to retail customers describing their relationship with and services offered by the broker dealer or investment adviser. Certain states are also advancing their own standard of conduct for investment advisers and broker-dealers. The impact of these new regulations is uncertain and difficult to predict, and, could have varying implications for our business, including, among other things, the products and services that we are able to provide to our clients, and the new regulations could result in increases in compliance and other costs.

Our failure or the failure of our subsidiaries that provide investment management services, brokerage services, or any related regulated services to comply with applicable laws or regulations could result in civil or criminal monetary penalties, fines or restitution, suspensions of individual employees, or other sanctions, including revocation of such subsidiary's registration as an investment adviser or otherwise. Any such failure could have an adverse effect on our reputation and could adversely affect our business, results of operations or financial condition.

Changes in consumer privacy laws, such as in California, or any non-compliance with such laws, could adversely affect our business, financial condition and results of operations.

Several states have recently enacted consumer privacy laws that impose compliance obligations with respect to personal information. For example, the CCPA was enacted in June 2018, and became effective for certain companies conducting business in California on January 1, 2020. The CCPA imposes significant requirements on covered companies with respect to consumer data privacy rights. See "Item 1. Business—Supervision and Regulation—Financial Privacy" for additional information on the CCPA. Compliance with the CCPA and other state statutes or regulations designed to protect consumer personal data could potentially require us to implement substantive technology infrastructure and process changes. Non-compliance with the CCPA or similar laws and regulations could lead to substantial regulatory imposed fines and penalties and/or reputational harm. We cannot predict whether any pending or future legislation will be adopted, or the substance and impact of any legislation on us. Future legislation could result in substantial costs to us and could have an adverse effect on our business, financial condition and results of operations.

Risks Related to Our Common Stock

The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our shareholders.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, shareholders may be unable to resell their shares of common stock at or above their purchase price, if at all. The market price of our common stock could fluctuate or decline significantly in the future. Some, but certainly not all, of the factors that could negatively affect the price of our common stock, or result in fluctuations in the price or trading volume of our common stock, include:

- Variations in our quarterly operating results or failure to meet the market's earnings expectations;
- Publication of research reports about us or the financial services industry in general;
- Additions to or departures of our key personnel;
- Adverse market reactions to any indebtedness we may incur or securities we may issue in the future;
- Actions by our shareholders;
- The operating and securities price performance of companies that investors consider to be comparable to us;
- Changes or proposed changes in laws or regulations affecting our business; and
- Actual or potential litigation and governmental investigations.

In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of the common stock could decline for reasons unrelated to our business, or results of operations or financial condition. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

We may not continue to pay dividends on our common stock.

Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for payment. We are not required to pay dividends on our common stock and may reduce or eliminate dividends on our common stock at any time in the future. This could adversely affect the market price of our common stock. Dividends on our common stock are also subject to bank regulatory limits and possible approval requirements. In addition, we cannot declare or pay dividends on our common stock or redeem or repurchase our common stock for any period for which we have not declared and paid in full dividends on our preferred stock. Our capital planning and risk management is subject to supervisory review, and, as a result of that review, our discretion to pay dividends or determine the amount of any dividend could be limited. Our Board of Directors will continue to evaluate the payment of dividends based on our results of operations, financial condition, capital requirements, regulatory and contractual restrictions, our business strategy and other factors our Board of Directors deems relevant.

Future issuances of equity securities could adversely affect our stock price.

We have historically approached the capital markets opportunistically, making public offerings of our common stock and preferred stock, from time to time. To the extent practicable, we expect to continue this approach. In addition, we may issue debt securities convertible into or exercisable or exchangeable for equity securities. In each case, we access the capital markets to raise additional capital, support growth or to make acquisitions. Further, we expect to issue stock awards to retain and motivate our employees, executives and directors. These issuances of securities could dilute the voting and economic interests of our existing shareholders. These issuances or the perception that such issuances may occur could also adversely affect the market price of our common stock.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our management believes that our current and planned facilities are adequate for our current level of operations. Our principal executive offices are at 111 Pine Street, 2nd Floor, San Francisco, California 94111. As of December 31, 2019, we provided our services through 78 licensed deposit-taking offices primarily in the following areas: San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach and San Diego, California; Portland, Oregon; Boston, Massachusetts; Palm Beach, Florida; Greenwich, Connecticut; New York, New York; and Jackson, Wyoming. We have 11 additional offices that offer exclusively lending, wealth management or trust services. All of our properties, except for two offices, are leased with terms expiring at dates ranging from 2020 to 2037, although most of the leases contain options to extend beyond these dates.

Item 3. Legal Proceedings.

There are no material pending legal proceedings to which we or any of our subsidiaries is a party or to which any of our property is subject. We are subject to ordinary routine litigation incidental to our business but we believe the results of such matters will not have a material effect on our business or financial condition.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Bank's common stock is listed on the New York Stock Exchange under the symbol "FRC."

As of February 14, 2020, there were fewer than 20 shareholders of record, although the Bank believes that its shares are held beneficially by approximately 185,000 shareholders.

Common Stock Dividends

The following table presents cash dividends per share of our common stock declared and paid by the Bank for the periods indicated:

	2019	2018
Quarter Ended:		
December 31	$ 0.19	$ 0.18
September 30	$ 0.19	$ 0.18
June 30	$ 0.19	$ 0.18
March 31	$ 0.18	$ 0.17

We paid a cash dividend for the fourth quarter of 2019 of $0.19 per share of common stock on February 13, 2020 to shareholders of record as of January 30, 2020.

For information on dividend restrictions, refer to "Item 1. Business—Supervision and Regulation—Restrictions on Dividends and Other Distributions" and "Item 1A. Risk Factors—Risks Related to Our Common Stock—We may not continue to pay dividends on our common stock."

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2019, regarding common stock of First Republic Bank to be issued upon exercise of outstanding stock options or pursuant to outstanding restricted stock units or performance share units, and common stock of First Republic Bank remaining available for issuance under the 2017 Omnibus Award Plan and the Employee Stock Purchase Plan:

Plan Category	Number of Shares to Be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by security holders	4,271,568 [(1)]	$16.40 [(2)]	2,005,036 [(3)]
Equity compensation plans not approved by security holders	—	—	—
Total	4,271,568	$16.40	2,005,036

(1) Includes 319,753 outstanding stock options, 2,963,073 outstanding restricted stock units and 988,742 outstanding performance share units.

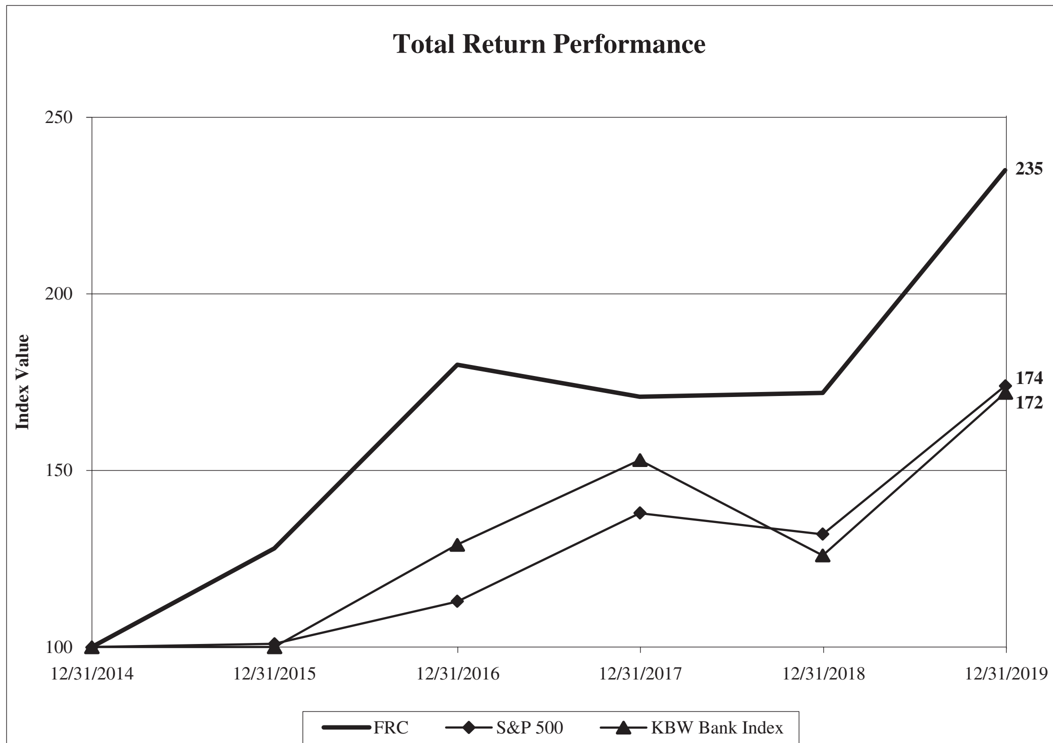
(2) Represents the weighted average exercise price of outstanding stock options. Does not include outstanding restricted stock units or performance share units, which do not have an exercise price.

(3) The number of shares remaining available for future issuance consists of 1,022,183 shares reserved for future purchase under the Bank's Employee Stock Purchase Plan and 982,853 shares reserved for future awards under our stock award plan, the Bank's 2017 Omnibus Award Plan.

See Note 18 in "Item 8. Financial Statements and Supplementary Data" for information on our 2017 Omnibus Award Plan and Employee Stock Purchase Plan.

Performance Graph

The following graph compares, for the period from December 31, 2014 through December 31, 2019, the cumulative shareholder return (change in the stock price plus reinvested dividends) and the total compounded annual growth rate ("CAGR") for the common stock of First Republic Bank with the cumulative return and the CAGR for the (i) Standard and Poor's 500 ("S&P 500") Index and (ii) KBW Bank Index. The performance reflected below assumes that $100 was invested in our common stock and each of the indices listed below at their closing prices on December 31, 2014. The performance of our common stock reflected below is not indicative of our future performance.



	Cumulative Return as of December 31,						5-year
	2014	2015	2016	2017	2018	2019	CAGR
First Republic Bank ("FRC")	$100	$128	$180	$171	$172	$235	19%
S&P 500 Index	$100	$101	$113	$138	$132	$174	12%
KBW Bank Index	$100	$100	$129	$153	$126	$172	11%

Recent Sales of Unregistered Securities

During the quarter ended December 31, 2019, we sold 52,418 shares of common stock to eligible employees under the Employee Stock Purchase Plan for aggregate cash consideration of $4.9 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 quarter ended December 31, 2019, we granted 40,238 restricted stock units, net of forfeitures, that are time vesting. In addition, we granted 987,111 restricted stock units, net of forfeitures, and 309,250 performance share units that vest over time, provided certain performance criteria are achieved. These awards (both time-vesting and performance-vesting) were granted to certain employees and officers, and had an aggregate grant date fair value of $153.3 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.

During the fourth quarter of 2019, we sold 15,800,000 depositary shares, each representing a 1/40th interest in a share of the Bank's 4.70% Noncumulative Perpetual Series J Preferred Stock for aggregate cash consideration of $395.0 million. The aggregate underwriting discount was $11.5 million. Net proceeds, after underwriting discounts, were $383.5 million, which we used for general corporate purposes. The principal underwriters in the transaction were BofA Securities, Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, UBS Securities LLC and Wells Fargo Securities, LLC. This transaction was exempt from registration under the Securities Act, pursuant to Section (3)(a) (2) thereof because the transaction involved securities issued by a bank.

On January 14, 2020, we sold 2,500,000 shares of common stock as part of an underwritten public offering. The aggregate public offering price was $295.0 million, and the aggregate underwriting discount was $4.1 million. Net proceeds, after underwriting discounts, were $290.9 million ($116.36 per share), which we used for general corporate purposes. The underwriters in the transaction were BofA Securities, Inc., J.P. Morgan Securities LLC, Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC and Keefe, Bruyette & Woods, Inc. 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.

On February 5, 2020, we sold $500.0 million in aggregate principal amount of 1.912% senior fixed-to-floating rate notes due 2024 as part of an underwritten public offering. The aggregate public offering price was $500.0 million, and the aggregate underwriting discount was $2.3 million. Net proceeds, after underwriting discounts, were $497.8 million, which we used for general corporate purposes. The principal underwriters in the transaction were BofA Securities, Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC. This transaction was exempt from registration under the Securities Act pursuant to Section 3(a)(2) thereof because the transaction involved securities issued by a bank.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers

We did not repurchase any of our common stock during the fourth quarter of 2019 or at any time since our inception on July 1, 2010.

On October 18, 2019 (the "Redemption Date"), we redeemed all outstanding depositary shares, each representing a 1/40th interest in the Bank's 5.50% Noncumulative Perpetual Series D Preferred Stock ("Series D Preferred Stock"). In total, 7,600,000 depositary shares were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $190.0 million plus all accrued and unpaid dividends as of the Redemption Date. As of the Redemption Date, the Series D Preferred Stock was deemed no longer outstanding, and no further dividends will be declared on the Series D Preferred Stock.

Item 6. Selected Financial Data.

The following table presents our selected financial and other data. The balance sheet and results of operations data have been derived from our audited financial statements. Certain of the information presented below under the captions "Selected Ratios," "Selected Asset Quality Ratios" and "Capital Ratios" is unaudited. The selected financial and other data is qualified in its entirety by, and should be read in conjunction with, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data."

($ in millions, except per share amounts)	As of or for the Year Ended December 31, 2019	2018	2017	2016	2015
Selected Financial Data:					
Interest income	$ 3,579	$ 3,032	$ 2,451	$ 1,981	$ 1,664
Interest expense	815	531	300	164	148
Net interest income	2,764	2,501	2,151	1,817	1,516
Provision for loan losses	62	76	60	47	55
Net interest income after provision for loan losses	2,702	2,425	2,091	1,770	1,461
Noninterest income	577	543	460	395	325
Noninterest expense	2,146	1,917	1,640	1,337	1,096
Net income	930	854	758	673	522
Dividends on preferred stock	49	58	58	69	59
Net income available to common shareholders	$ 881	$ 796	$ 700	$ 605	$ 463
Selected Ratios:					
Basic earnings per common share ("EPS")	$ 5.25	$ 4.89	$ 4.44	$ 4.07	$ 3.27
Diluted EPS	$ 5.20	$ 4.81	$ 4.31	$ 3.93	$ 3.18
Net income to average assets	0.88%	0.93%	0.95%	1.02%	0.96%
Net income available to common shareholders to average common equity	10.59%	10.90%	10.99%	11.67%	10.72%
Net income available to common shareholders to average tangible common equity	10.94%	11.34%	11.54%	12.38%	11.34%
Average total equity to average total assets	8.76%	9.08%	9.25%	9.59%	9.67%
Dividends per common share	$ 0.75	$ 0.71	$ 0.67	$ 0.63	$ 0.59
Dividend payout ratio	14.4%	14.8%	15.5%	16.1%	18.5%
Book value per common share	$ 51.63	$ 46.92	$ 42.23	$ 37.39	$ 32.28
Tangible book value per common share	$ 50.24	$ 45.26	$ 40.43	$ 35.35	$ 30.16
Net interest margin [1]	2.83%	2.96%	3.13%	3.20%	3.21%
Efficiency ratio [2]	64.2%	63.0%	62.8%	60.5%	59.5%
Selected Balance Sheet Data:					
Total assets	$116,264	$ 99,205	$ 87,781	$73,278	$58,981
Investment securities	18,449	16,235	18,576	15,158	10,452
Loans:	90,797	75,865	62,840	52,008	44,083
Less: Allowance for loan losses	(496)	(439)	(366)	(306)	(261)
Loans, net	90,301	75,426	62,474	51,702	43,822
Goodwill and other intangible assets	235	274	290	316	309
Deposits	90,133	79,063	68,919	58,602	47,893
Short-term borrowings	800	100	100	100	100
Long-term Federal Home Loan Bank ("FHLB") advances	12,200	8,700	8,300	5,900	4,000
Senior notes	498	896	895	398	397
Subordinated notes	778	777	777	387	—
Total equity	$ 9,851	$ 8,678	$ 7,818	$ 6,909	$ 5,706
Other Financial Information:					
Wealth management assets	$151,043	$126,213	$106,961	$83,580	$72,293
Loans serviced for others	$ 9,298	$ 11,573	$ 12,495	$11,655	$10,531
Selected Asset Quality Ratios:					
Nonperforming assets to total assets	0.12%	0.05%	0.04%	0.07%	0.12%
Nonperforming assets to loans and REO	0.16%	0.06%	0.06%	0.09%	0.17%
Allowance for loan losses to total loans	0.55%	0.58%	0.58%	0.59%	0.59%
Allowance for loan losses to nonperforming loans	346%	945%	972%	625%	355%
Net loan charge-offs to average total loans	0.01%	0.00%	0.00%	0.00%	0.00%
Capital Ratios:					
Tier 1 leverage ratio	8.39%	8.68%	8.85%	9.37%	9.21%
Common Equity Tier 1 ratio	9.86%	10.38%	10.63%	10.83%	10.76%
Tier 1 risk-based capital ratio	11.21%	11.70%	12.22%	13.07%	13.13%
Total risk-based capital ratio	12.73%	13.43%	14.11%	14.46%	13.78%

(1) Calculated on a fully taxable-equivalent basis. Beginning in 2018, reflects the new federal tax rate following the enactment of the Tax Reform Act.

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

The discussion of our results of operations for the past three fiscal years that follows should be read in conjunction with our financial statements and related notes thereto presented elsewhere in our Annual Report on Form 10-K. For a discussion of the changes in our results of operations for the year ended December 31, 2018 compared to the year ended December 31, 2017, refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2018. In addition to historical information, this discussion includes certain forward-looking statements regarding events and trends that may affect our future results. Refer to "Information Regarding Forward-Looking Statements" on page 3. For a more complete discussion of the factors that could affect our future results, see "Item 1A. Risk Factors."

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 fee income from 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 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 the accounting policies below 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.

Allowance for Loan Losses

We maintain an allowance for loan losses that represents management's best estimate of probable credit losses inherent in the loan portfolio as of the balance sheet date. As part of our quarterly and ongoing review, management considers historical loss rates, changes in economic conditions, underlying collateral values and other trends and factors. Changes in estimates and assumptions could cause changes in the allowance for loan losses, and therefore, in the related provision for loan losses. For a description of our related accounting policies, see Note 1 in "Item 8. Financial Statements and Supplementary Data."

In determining the allowance for loan losses for loans that do not meet our definition of impaired, loss factors are applied to pools of homogeneous loans with similar risk characteristics. These factors represent credit losses inherent in the portfolio and are based on the Bank's historical loss experience during the look-back period, subject to adjustments for certain portfolio segments, and what can reasonably be anticipated over the loss emergence period based on specific conditions at the time. In determining the allowance for loan losses on

the portfolio of impaired loans, measurement is made on an individual loan basis and is determined using the present value of expected future cash flows or the fair value of the underlying collateral, net of estimated selling costs.

We also maintain a qualitative reserve 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 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 the Bank's loan portfolio, the existence and effects of credit concentrations, problem loan trends, lending policies and procedures, and other external factors, such as competition and the legal and regulatory environment.

If the financial condition of our borrowers were to deteriorate, resulting in an impairment of their ability to make payments, or the value of collateral securing mortgage loans were to decline, an increase in the allowance may be required. A significant decline in the credit quality of our loan portfolio requiring an increase in our allowance for credit losses would have a material adverse effect on our financial condition, results of operations and cash flows.

Income Taxes

The Bank estimates income tax expense based on amounts expected to be owed to various tax jurisdictions in which we operate and includes estimates for potential taxes, interest and penalties related to uncertain tax positions. On a quarterly basis, we evaluate tax accruals to determine if they are sufficient based on a probability of potential outcomes. Changes in the estimate of accrued taxes occur periodically due to changes in tax rates and interpretation of tax laws and regulations. See Note 21 in "Item 8. Financial Statements and Supplementary Data" for additional information.

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Bank records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, sources of taxable income in carryback periods and tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. The Bank will continue to evaluate the realizability of the deferred tax assets by assessing the need for a valuation allowance.

A tax position that meets the "more likely than not" recognition threshold is measured to determine the amount of benefits to recognize. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Interest and penalties are recognized as a component of income tax expense.

Current Accounting Developments

The following Accounting Standards Updates ("ASUs") have been issued by the FASB, but were not yet effective as of December 31, 2019:

ASU 2016-13—Financial Instruments—Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments and subsequent related ASUs

ASC 326, which was issued in June 2016, revises the methodology for estimating credit losses on loans receivable, held-to-maturity debt securities, and unfunded loan commitments and requires certain additional disclosures. 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.

The Bank adopted this guidance effective January 1, 2020. Upon adoption, the Bank's allowance for credit losses reflects lifetime expected losses of loans and held-to-maturity debt securities based on its historical experience, current conditions as well as reasonable and supportable forecasts of future conditions. For its loan portfolio, the Bank forecasted losses over a two year reasonable and supportable period with a one year reversion period to historical loss rates. For its held-to-maturity debt securities, the Bank utilized a three year forecast period with an immediate reversion to historical loss rates. The Bank adopted this guidance using a modified retrospective approach and recorded a cumulative effect adjustment on its consolidated balance sheet effective January 1, 2020 to decrease retained earnings by $4.7 million, with a corresponding net increase of $6.7 million in allowance for credit losses ($1.7 million decrease for loans, $3.7 million increase for unfunded commitments, and $4.7 million increase for held-to-maturity debt securities), and an increase of $2.0 million in deferred tax assets. The impact to the Bank's regulatory capital ratios (on a fully phased-in basis) from the adoption of this guidance was approximately 1 basis point. Additional quantitative and qualitative disclosures required under this guidance will be included in the consolidated financial statements beginning in the first quarter of 2020.

ASU 2017-04—Intangibles—Goodwill and Other (ASC 350): Simplifying the Test for Goodwill Impairment

The amendments, which were issued in January 2017, simplify the accounting for goodwill impairment by removing Step 2 of the impairment test, which compared the implied fair value of goodwill to its carrying amount. Measuring the implied fair value of goodwill followed the same process as determining the fair value of individual assets and liabilities assumed in a business combination, which was complex. The amended guidance simplifies the impairment test to only require a comparison of the fair value of a reporting unit with its carrying amount, including the effect of tax deductible goodwill on the carrying amount of the reporting unit. Entities still have the option to perform a qualitative assessment to determine if the quantitative impairment test is needed.

The Bank adopted this guidance effective January 1, 2020 on a prospective basis. The adoption of this guidance did not have a material impact on its consolidated financial statements.

ASU 2018-13—Fair Value Measurement (ASC 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement

The amendments, which were issued in August 2018, revise certain disclosure requirements for fair value measurements. The amendments remove the requirement to disclose the amounts and reasons for transfers between Levels 1 and 2 of the fair value hierarchy, the Bank's policy for the timing of transfers between levels, and the valuation processes for Level 3 fair value measurements. In addition, the amendments require disclosures of the changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements and the range and weighted average of significant unobservable inputs to develop Level 3 fair value measurements.

The Bank adopted this guidance effective January 1, 2020. Amendments to add new disclosures will be applied prospectively, while amendments to remove disclosures will be applied retrospectively to all periods presented in the consolidated financial statements beginning in the first quarter of 2020. When applicable, certain revised or additional required disclosures will be made beginning in the first quarter of 2020.

ASU 2018-15—Intangibles—Goodwill and Other—Internal-Use Software (ASC 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract

The amendments, which were issued in August 2018, require certain implementation costs for cloud computing arrangements that are service contracts to be capitalized under the internal-use software guidance. Capitalized costs should generally be amortized over the term of the arrangement on a straight-line basis. The amortization term includes fixed non-cancellable periods plus renewal periods the customer is reasonably certain to exercise, termination periods the customer is reasonably certain not to exercise, and periods covered by an option to extend that is controlled by the vendor.

When an arrangement includes multiple elements (e.g., hosting service, software license, professional service), the amendments require the purchase price be allocated based on the relative standalone price of each element. This requirement will also be applicable to internal-use software.

The Bank adopted this guidance effective January 1, 2020 on a prospective basis. The adoption of this guidance did not have a material impact on its consolidated financial statements.

Key Factors Affecting Our Business and Financial Statements

Interest Rates

Net interest income is our largest source of income and is the difference between the interest income on interest-earning assets (usually loans and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (usually deposits and borrowings). The level of net interest income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the contractual yield on such assets and the contractual cost of such liabilities. These factors are influenced by both the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as the local economy, competition for loans and deposits, the monetary policy of the FOMC and market interest rates.

The rates paid on our deposits and short-term borrowings are largely based on short-term interest rates, the level of which is driven primarily by the FOMC's actions. However, the yields generated by our loans and securities are typically driven by short-term and longer-term interest rates, which are set by the market, or, at times by the FOMC's actions, and generally vary from day to day. The level of net interest income is therefore influenced by movements in such interest rates and the pace at which such movements occur. Declines in the yield curve or a decline in longer-term yields relative to short-term yields (a flatter yield curve) would have an adverse impact on our net interest margin and net interest income.

See "Item 1A. Risk Factors—We are subject to interest rate risk" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

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 continues to evolve as the legal and regulatory framework changes and as our business grows. See "Item 1. Business—Supervision and Regulation," for a discussion of the changes under the EGRRCPA and corresponding FDIC rules, which, among other items, eliminated company-run stress testing requirements for financial institutions with less than $250 billion in total consolidated assets, therefore, we are no longer subject to the Dodd-Frank Act's company-run stress testing requirements. In addition, changes under the EGRRCPA and corresponding FDIC rules expanded the definition of HQLA to include certain municipal obligations. As described further under "Item 1. Business—Supervision and Regulation—Liquidity Rules," because we are a California-chartered, non-member bank without a bank holding company, and are not subject to Category II or III standards under the Tailoring Rules, we are not subject to the LCR Rule. Nevertheless, we maintain on-balance sheet liquidity and a portfolio of HQLA. We continue to evaluate the impact of these changes, and the nature, extent, timing and impact of any future changes to the Dodd-Frank Act and related regulatory requirements cannot be predicted.

Financial Highlights

Our total assets were $116.3 billion at December 31, 2019 and $99.2 billion at December 31, 2018, a 17% increase.

At December 31, 2019, total investment securities were $18.4 billion, a 14% increase compared to $16.2 billion at December 31, 2018. Total investment securities represented 16% of total assets at both December 31, 2019 and 2018. The increase in investment securities was primarily due to purchases of securities considered HQLA, including certain municipal securities, agency residential MBS and U.S. Government-sponsored agency securities, partially offset by repayments. Our holdings of assets that are considered HQLA, including eligible cash, totaled $14.5 billion at December 31, 2019, compared to $14.8 billion at December 31, 2018. At December 31, 2019, HQLA represented 12.7% of average total assets for the fourth quarter of 2019. For additional discussion regarding our investment portfolio, see "—Balance Sheet Analysis—Investments."

At December 31, 2019, loans, excluding loans held for sale, were $90.8 billion, an increase of 20% compared to $75.9 billion at December 31, 2018, and average loan balances in 2019 were $82.2 billion, an increase of 19% compared to $69.2 billion in 2018. Our single family mortgage loans, including loans held for sale and HELOCs, were $50.5 billion and represented 56% of total loans at December 31, 2019, compared to $40.6 billion, or 53% of total loans at December 31, 2018.

Loan origination volume was $38.0 billion in 2019, compared to $31.4 billion in 2018 and $27.6 billion in 2017, an increase of 21% in 2019 and an increase of 14% in 2018. Loan originations increased in 2019 primarily due to increases in single family, stock and other secured, and commercial real estate lending.

Total deposits were $90.1 billion at December 31, 2019, an increase of 14% compared to $79.1 billion at December 31, 2018, and average deposit balances were $81.0 billion in 2019, an increase of 14% compared to $70.8 billion in 2018. Deposits increased as a result of expanding existing client relationships, referrals from existing clients, and new deposit clients. We continue to emphasize building banking relationships through checking and other transaction deposit accounts. At December 31, 2019, balances in business and personal checking accounts were $52.8 billion, or 59% of total deposits, compared to $47.1 billion, or 60% of total deposits at December 31, 2018. At December 31, 2019, business deposits were $50.9 billion and represented 56% of total deposits, compared to $44.3 billion, or 56% of total deposits, at December 31, 2018. Consumer deposits were $39.2 billion and represented 44% of total deposits at December 31, 2019, compared to $34.8 billion, or 44% of total deposits, at December 31, 2018.

Our Tier 1 leverage ratio at December 31, 2019 was 8.39%. 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 $51.63 at December 31, 2019, a 10% increase from December 31, 2018. Tangible book value per common share was $50.24 at December 31, 2019, an 11% increase from December 31, 2018.

Our capital markets activity for 2019 included the following:

- In January 2019, an "at-the-market" offering and sale of 2,000,000 new shares of common stock. Net proceeds, after commissions and expenses, were $170.6 million.
- In October 2019, redemption of all outstanding shares of our 5.50% Noncumulative Perpetual Series D Preferred Stock, which totaled $190.0 million plus all accrued and unpaid dividends through the date of redemption.
- In December 2019, a public offering of 15,800,000 depositary shares, each representing a 1/40th interest in a share of our 4.70% Noncumulative Perpetual Series J Preferred Stock ("Series J Preferred Stock"), at a public offering price of $25.00 per depositary share. We issued 395,000 shares of the Series J Preferred Stock in connection with the offering, each with a liquidation preference of $1,000. Net proceeds, after underwriting discounts and expenses, were $382.5 million.

In addition, our recent capital markets activity in 2020 included the following:

- In January 2020, an offering and sale of 2,500,000 new shares of common stock in an underwritten public offering. Net proceeds, after underwriting discounts and estimated expenses, were approximately $290.6 million.
- In February 2020, an underwritten public offering of $500.0 million of 1.912% unsecured senior fixed-to-floating rate notes, which were issued on February 12, 2020. Net proceeds, after underwriting discounts and estimated expenses, were approximately $496.7 million. The senior notes will mature on February 12, 2024 unless previously redeemed, and are redeemable on February 12, 2023.

Cash dividends paid in 2019 were $0.75 per share of common stock, compared to $0.71 in 2018 and $0.67 in 2017. On January 14, 2020, the Bank declared a cash dividend for the fourth quarter of 2019 of $0.19 per share, which was paid on February 13, 2020 to shareholders of record as of January 30, 2020. Any future payment of dividends will be subject to ongoing regulatory oversight and board approval.

Wealth management AUM and AUA increased 20% to $151.0 billion at December 31, 2019, from $126.2 billion at December 31, 2018. The increase in AUM and AUA was due to market appreciation and net new assets from both existing and new clients.

The Bank's effective tax rate for 2019, 2018 and 2017 was 17.9%, 18.8% and 16.9%, respectively. See "—Provision for Income Taxes" for additional information.

Results of Operations—Years Ended December 31, 2019, 2018 and 2017

Overview

Net income was $930.3 million in 2019, compared to $853.8 million in 2018 and $757.7 million in 2017, an increase of 9% in 2019 and an increase of 13% in 2018. Diluted EPS were $5.20 in 2019, compared to $4.81 in 2018 and $4.31 in 2017, an increase of 8% in 2019 and an increase of 12% in 2018.

Net income for the Commercial Banking segment was $828.6 million in 2019, compared to $768.6 million in 2018 and $690.7 million in 2017, an increase of 8% in 2019 and an increase of 11% in 2018. The Wealth Management segment's net income was $101.8 million in 2019, compared to $85.3 million in 2018 and $67.0 million in 2017, an increase of 19% in 2019 and an increase of 27% in 2018. For a discussion of segment results, see "—Business Segments."

Net Interest Income and Net Interest Margin

Net interest income was $2.8 billion in 2019, compared to $2.5 billion in 2018 and $2.2 billion in 2017, an increase of 11% in 2019 and an increase of 16% in 2018. The increase in 2019 was primarily due to an increase in interest-earning assets, partially offset by a decrease in net interest margin.

Net interest margin represents net interest income on a fully taxable-equivalent basis divided by total average interest-earning assets. Net interest margin was 2.83% in 2019, compared to 2.96% in 2018 and 3.13% in 2017, a decrease of 13 basis points in 2019 and a decrease of 17 basis points in 2018. The decrease in 2019 was primarily due to an increase in total funding costs, partially offset by an increase in the average yield on loans. The decrease in 2018 was primarily the result of lower tax-equivalent yields on tax-advantaged investments and tax-exempt loans from the reduction of the federal tax rate for corporations from 35% to 21%.

Fully taxable-equivalent net interest income was $2.9 billion in 2019, compared to $2.6 billion in 2018 and $2.4 billion in 2017, an increase of 10% in both 2019 and 2018.

On an average basis, interest-earning assets and interest-bearing liabilities both increased 15% in 2019 and both increased 16% in 2018.

Yields/Rates (Fully Taxable-Equivalent Basis)

The following table presents the distribution of average assets, liabilities and equity, interest income and resulting yields on average interest-earning assets, and interest expense and rates on average interest-bearing liabilities on a fully taxable-equivalent basis.

	Year Ended December 31,								
	2019			2018			2017		
($ in thousands)	Average Balance	Interest Income/ Expense [1]	Yields/ Rates	Average Balance	Interest Income/ Expense [1]	Yields/ Rates	Average Balance	Interest Income/ Expense [1]	Yields/ Rates
Assets:									
Cash and cash equivalents	$ 1,268,405	$ 23,835	1.88%	$ 1,325,174	$ 23,197	1.75%	$ 1,217,293	$ 11,850	0.97%
Investment securities:									
U.S. Treasury and other U.S. Government agency securities	—	—	—%	4,694	87	1.85%	101,164	742	0.73%
U.S. Government-sponsored agency securities	818,000	24,066	2.94%	1,072,391	31,761	2.96%	1,181,353	32,527	2.75%
MBS:									
Agency residential and commercial MBS	6,735,598	191,869	2.85%	7,370,501	203,505	2.76%	7,431,780	186,725	2.51%
Other residential and commercial MBS	4,450	170	3.83%	5,027	265	5.28%	8,072	231	2.86%
Municipal securities [2]	9,218,509	409,127	4.44%	8,126,173	382,662	4.71%	8,097,134	466,302	5.76%
Other investment securities [3]	26,848	726	2.70%	19,617	480	2.44%	8,787	174	1.99%
Total investment securities	16,803,405	625,958	3.73%	16,598,403	618,760	3.73%	16,828,290	686,701	4.08%
Loans:									
Residential real estate	44,655,754	1,465,364	3.28%	37,184,625	1,185,240	3.19%	31,784,581	952,949	3.00%
Multifamily	11,309,622	443,174	3.86%	9,602,522	357,780	3.67%	7,498,125	268,141	3.58%
Commercial real estate	7,157,799	306,401	4.22%	6,352,419	265,664	4.12%	5,761,123	237,035	4.11%
Construction	2,188,874	106,566	4.80%	1,954,078	93,613	4.73%	1,529,192	71,645	4.69%
Business [2]	11,302,160	503,782	4.40%	9,579,793	417,636	4.30%	7,493,820	325,148	4.34%
Other	5,559,309	187,536	3.33%	4,520,492	148,873	3.25%	3,202,979	95,586	2.98%
Total loans	82,173,518	3,012,823	3.64%	69,193,929	2,468,806	3.54%	57,269,820	1,950,504	3.41%
FHLB stock [4]	331,862	21,446	6.46%	293,359	25,187	8.59%	235,259	14,861	6.32%
Total interest-earning assets	100,577,190	3,684,062	3.64%	87,410,865	3,135,950	3.57%	75,550,662	2,663,916	3.53%
Noninterest-earning assets:									
Noninterest-earning cash	347,065			347,639			324,696		
Goodwill and other intangibles	266,062			281,633			303,498		
Other assets	4,376,016			3,501,575			3,272,772		
Total noninterest-earning assets	4,989,143			4,130,847			3,900,966		
Total Assets	$105,566,333			$91,541,712			$79,451,628		
Liabilities and Equity:									
Deposits:									
Checking	$ 48,097,161	30,318	0.06%	$43,793,120	21,892	0.05%	$38,792,204	10,818	0.03%
Money market checking and savings	20,113,724	196,582	0.98%	17,774,302	108,290	0.61%	16,999,755	45,852	0.27%
CDs	12,769,459	273,657	2.14%	9,220,835	159,858	1.73%	6,133,143	78,116	1.27%
Total deposits	80,980,344	500,557	0.62%	70,788,257	290,040	0.41%	61,925,102	134,786	0.22%
Borrowings:									
Short-term borrowings	2,278,831	50,361	2.21%	793,606	15,277	1.93%	670,919	7,601	1.13%
Long-term FHLB advances	9,738,767	209,816	2.15%	9,039,658	165,081	1.83%	7,019,452	105,272	1.50%
Senior notes [5]	680,199	18,169	2.67%	895,584	23,709	2.65%	682,216	17,883	2.62%
Subordinated notes [5]	777,681	36,409	4.68%	777,280	36,391	4.68%	731,018	34,197	4.68%
Other borrowings	—	—	—%	—	—	—%	17,722	416	2.35%
Total borrowings	13,475,478	314,755	2.34%	11,506,128	240,458	2.09%	9,121,327	165,369	1.81%
Total interest-bearing liabilities	94,455,822	815,312	0.86%	82,294,385	530,498	0.64%	71,046,429	300,155	0.42%
Noninterest-bearing liabilities	1,859,115			939,028			1,052,700		
Preferred equity	929,849			1,004,110			987,633		
Common equity	8,321,547			7,304,189			6,364,866		
Total Liabilities and Equity	$105,566,333			$91,541,712			$79,451,628		
Net interest spread [6]			2.78%			2.92%			3.11%
Net interest income (fully taxable-equivalent basis) and net interest margin [2],[7]		$2,868,750	2.83%		$2,605,452	2.96%		$2,363,761	3.13%
Reconciliation of tax-equivalent net interest income to reported net interest income:									
Municipal securities tax-equivalent adjustment [2]		(77,970)			(78,007)			(164,864)	
Business loans tax-equivalent adjustment [2]		(26,613)			(26,337)			(47,434)	
Net interest income, as reported		$2,764,167			$2,501,108			$2,151,463	

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(1) Interest income is presented on a fully taxable-equivalent basis.
(2) Beginning in 2018, tax equivalent adjustments to interest income and yields reflect the corporate federal tax rate of 21%.
(3) Includes corporate debt securities, mutual funds and marketable equity securities.
(4) Yield for 2018 includes FHLB special dividends received of $4.8 million.
(5) Average balances include unamortized issuance discounts and costs. Interest expense includes amortization of issuance discounts and costs.
(6) Net interest spread represents the average yield on interest-earning assets less the average rate on interest-bearing liabilities.
(7) Net interest margin represents net interest income on a fully taxable-equivalent basis divided by total average interest-earning assets.

Interest Income

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

	Year Ended December 31,			% Change	
($ in thousands)	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Interest income:					
Loans	$2,986,210	$2,442,469	$1,903,070	22%	28%
Investments	547,988	540,753	521,837	1%	4%
Other (1)	21,446	25,187	14,861	(15)%	69%
Cash and cash equivalents	23,835	23,197	11,850	3%	96%
Total interest income	$3,579,479	$3,031,606	$2,451,618	18%	24%
Fully taxable-equivalent interest income:					
Loans (2)	$3,012,823	$2,468,806	$1,950,504	22%	27%
Investments (2)	$ 625,958	$ 618,760	$ 686,701	1%	(10)%

(1) Represents dividends on FHLB stock.
(2) Beginning in 2018, tax equivalent adjustments to interest income reflect the corporate federal tax rate of 21%.

Total interest income consists of interest income on loans and investments, FHLB stock dividends, and interest income on cash and cash equivalents. Total interest income was $3.6 billion in 2019, compared to $3.0 billion in 2018 and $2.5 billion in 2017. The increase in 2019 was the result of an increase of 15% in average interest-earning assets, which were $100.6 billion compared to $87.4 billion in 2018, and an increase in the average yield on interest-earning assets to 3.64% from 3.57% in 2018.

Loans

Interest income on loans was $3.0 billion in 2019, compared to $2.4 billion in 2018 and $1.9 billion in 2017. Fully taxable-equivalent interest income on loans was $3.0 billion in 2019, compared to $2.5 billion in 2018 and $2.0 billion in 2017. The increase in 2019 was due to continued loan growth and an increase in the average yield. Average loan balances were $82.2 billion in 2019, compared to $69.2 billion in 2018 and $57.3 billion in 2017, an increase of 19% in 2019 and an increase of 21% in 2018. The average yield on loans was 3.64% in 2019, an increase of 10 basis points compared to 3.54% in 2018, and an increase of 13 basis points compared to 3.41% in 2017.

Interest income on loans included prepayment penalty fees of $13.3 million, $7.8 million and $7.5 million in 2019, 2018 and 2017, respectively. The increase in 2019 was primarily due to higher prepayments given the decline in market interest rates on multifamily, single family and commercial real estate loans.

Our yield on loans is affected by a number of factors: market interest rates, the level of adjustable-rate loan indices, interest rate floors and caps, the repayment rate of loans, portfolio mix and the level of nonaccrual loans.

Our weighted average contractual loan rate (on a fully taxable-equivalent basis) was 3.50% at December 31, 2019, compared to 3.68% at December 31, 2018. For ARM loans, the yield is also affected by the timing of changes in the loan rates, which generally lag market rate changes. At December 31, 2019, approximately 29% of our total loans were adjustable-rate or mature within one year, compared to 33% at December 31, 2018.

Investments

Interest income on investments was $548.0 million in 2019, compared to $540.8 million in 2018 and $521.8 million in 2017. Fully taxable-equivalent interest income on investments was $626.0 million in 2019, compared to $618.8 million in 2018 and $686.7 million in 2017. Average investment balances were $16.8 billion in 2019, compared to $16.6 billion in 2018 and $16.8 billion in 2017, a slight increase in 2019 and a slight decrease in 2018. The average yield on investment securities was 3.73% in both 2019 and 2018 and 4.08% in 2017.

FHLB Stock

Dividends on FHLB stock were $21.4 million in 2019, compared to $25.2 million in 2018 and $14.9 million in 2017. Dividend income in 2018 included an FHLB special dividend of $4.8 million. Average FHLB stock balances were $331.9 million in 2019, compared to $293.4 million in 2018 and $235.3 million in 2017, an increase of 13% in 2019 and an increase of 25% in 2018. The average yield on FHLB stock was 6.46% in 2019, compared to 8.59% in 2018 and 6.32% in 2017.

Interest Expense

The following table presents interest expense:

	Year Ended December 31,			% Change	
($ in thousands)	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Interest expense:					
Deposits:					
Checking	$ 30,318	$ 21,892	$ 10,818	38%	102%
Money market checking and savings	196,582	108,290	45,852	82%	136%
CDs	273,657	159,858	78,116	71%	105%
Total interest expense on deposits	500,557	290,040	134,786	73%	115%
Borrowings:					
Short-term borrowings	50,361	15,277	7,601	230%	101%
Long-term FHLB advances	209,816	165,081	105,272	27%	57%
Senior notes	18,169	23,709	17,883	(23)%	33%
Subordinated notes	36,409	36,391	34,197	0%	6%
Other borrowings	—	—	416	NM	NM
Total interest expense on borrowings	314,755	240,458	165,369	31%	45%
Total interest expense	$815,312	$530,498	$300,155	54%	77%

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

Total interest expense consists of interest expense on deposits, federal funds purchased, FHLB advances, senior notes, subordinated notes and other borrowings. Total interest expense was $815.3 million in 2019,

compared to $530.5 million in 2018 and $300.2 million in 2017. The increase in 2019 was the result of a 15% increase in the amount of average interest-bearing liabilities, which were $94.5 billion in 2019, compared to $82.3 billion in 2018, and an increase in the average cost of interest-bearing liabilities to 0.86% in 2019 from 0.64% in 2018.

Deposits

Interest expense on deposits was $500.6 million in 2019, compared to $290.0 million in 2018 and $134.8 million in 2017. The increase in 2019 was primarily due to an increase in rates paid on deposits due to an increase in market rates of interest, as well as an increase in average deposit balances. The average interest rate paid on deposits was 0.62% in 2019, 0.41% in 2018 and 0.22% in 2017.

Interest expense on checking deposits was $30.3 million in 2019, compared to $21.9 million in 2018 and $10.8 million in 2017. The increases in 2019 and 2018 were due to increases in both average balances and rates paid. Average checking deposit balances were $48.1 billion in 2019, compared to $43.8 billion in 2018 and $38.8 billion in 2017, an increase of 10% in 2019 and an increase of 13% in 2018. The average interest rate paid on checking deposits was 0.06% in 2019, compared to 0.05% in 2018 and 0.03% in 2017.

Interest expense on money market checking and savings deposits was $196.6 million in 2019, compared to $108.3 million in 2018 and $45.9 million in 2017. The increases in 2019 and 2018 were due to increases in both average balances and rates paid. Average money market checking and savings deposit balances were $20.1 billion in 2019, compared to $17.8 billion in 2018 and $17.0 billion in 2017, an increase of 13% in 2019 and an increase of 5% in 2018. The average interest rate paid on money market checking and savings deposits was 0.98% in 2019, compared to 0.61% in 2018 and 0.27% in 2017.

Interest expense on CDs was $273.7 million in 2019, compared to $159.9 million in 2018 and $78.1 million in 2017. The increases in 2019 and 2018 were due to increases in both average balances and rates paid. Average CD balances were $12.8 billion in 2019, compared to $9.2 billion in 2018 and $6.1 billion in 2017, an increase of 38% in 2019 and an increase of 50% in 2018. The average interest rate paid on CDs was 2.14% in 2019, compared to 1.73% in 2018 and 1.27% in 2017.

Average deposit balances were $81.0 billion in 2019, compared to $70.8 billion in 2018 and $61.9 billion in 2017, an increase of 14% in both 2019 and 2018. The following table presents average deposit balances by deposit type as a percentage of average total deposits:

	Year Ended December 31,		
Average Deposits by Type as a % of Average Total Deposits	**2019**	**2018**	**2017**
Checking	59%	62%	63%
Money market checking and savings	25%	25%	27%
CDs	16%	13%	10%

At December 31, 2019, our total deposits were $90.1 billion, compared to $79.1 billion at December 31, 2018, an increase of 14%, and the weighted average contractual rate paid on total deposits was 0.58% and 0.56%, respectively. We will continue to focus on growth in our core deposit base to fund a significant percentage of our future asset growth, although there can be no assurance we will be successful. If we are not successful, we may need to use other sources of funding, such as federal funds purchased, FHLB advances, unsecured term senior notes or unsecured term subordinated notes, which are generally higher in cost.

Borrowings

Interest expense on borrowings was $314.8 million in 2019, compared to $240.5 million in 2018, and $165.4 million in 2017. The increase in 2019 was primarily due to increases in average short-term and long-term borrowings, as well as higher market interest rates on new borrowings.

Short-term borrowings, which include federal funds purchased and short-term FHLB advances, have an original maturity of one year or less. At December 31, 2019 and 2018, short-term borrowings were $800.0 million and $100.0 million, respectively. Interest expense on short-term borrowings was $50.4 million in 2019, compared to $15.3 million in 2018 and $7.6 million in 2017. The increase in 2019 was due to increases in both average short-term borrowings and their average cost. Average short-term borrowings in 2019 were $2.3 billion, compared to $793.6 million in 2018 and $670.9 million in 2017. The average cost of short-term borrowings was 2.21% in 2019, compared to 1.93% in 2018 and 1.13% in 2017. Such increases in the average cost were consistent with increases in the average Federal Funds rate, which was 2.28% in 2019, 1.91% in 2018 and 1.10% in 2017.

At December 31, 2019, long-term FHLB advances outstanding were $12.2 billion, compared to $8.7 billion at December 31, 2018. Interest expense on long-term FHLB advances was $209.8 million in 2019, compared to $165.1 million in 2018 and $105.3 million in 2017. The increase in 2019 was due to higher average balances and an increase in the average cost of long-term FHLB advances as a result of higher interest rates on new advances, compared to the interest rates on matured borrowings. Average long-term FHLB advances in 2019 were $9.7 billion, compared to $9.0 billion in 2018 and $7.0 billion in 2017, an increase of 8% in 2019 and an increase of 29% in 2018. Average long-term FHLB advances as a proportion of total average interest-bearing liabilities were 10% in 2019, 11% in 2018 and 10% in 2017. The average cost of long-term FHLB advances was 2.15%, 1.83% and 1.50% in 2019, 2018 and 2017, respectively.

At December 31, 2019, the carrying value of unsecured senior notes was $497.7 million, compared to $896.4 million at December 31, 2018. Interest expense on our fixed-rate senior notes was $18.2 million in 2019, $23.7 million in 2018 and $17.9 million in 2017, and includes contractual interest, increased by amortization of issuance discounts and offering costs. The 2.375% fixed-rate senior notes issued in June 2014 of $400.0 million were repaid at their maturity date in the second quarter of 2019, which resulted in a decrease in interest expense in 2019.

At December 31, 2019, the carrying value of unsecured subordinated notes totaled $777.9 million, compared to $777.5 million at December 31, 2018. Interest expense on our fixed-rate subordinated notes was $36.4 million in both 2019 and 2018 and $34.2 million in 2017, and includes contractual interest, increased by amortization of issuance discounts and offering costs.

Rate and Volume Variances (Fully Taxable-Equivalent Basis)

Net interest income is affected by changes in both volume and interest rates. Volume changes are caused by increases or decreases during the year in the level of average interest-earning assets and average interest-bearing liabilities. Rate changes result from increases or decreases in the yields earned on assets or the rates paid on liabilities. The following table presents for each of the last two years a summary of the changes in interest income and interest expense resulting from changes in the volume of average asset and liability balances and changes in the average yields or rates compared to the preceding year, on a fully taxable-equivalent basis. Unallocated changes in interest income or interest expense due to both volume and rate changes (such as for changes in investment or borrowing types) have been allocated proportionally between the volume and the rate variances.

	2019 vs. 2018			2018 vs. 2017		
($ in thousands)	Volume	Rate	Total	Volume	Rate	Total
Increase (decrease) in interest income:						
Cash and cash equivalents	$ (1,023)	$ 1,661	$ 638	$ 1,180	$ 10,167	$ 11,347
Investment securities:						
U.S. Treasury and other U.S. Government agency securities	(87)	—	(87)	(1,758)	1,103	(655)
U.S. Government-sponsored agency securities	(7,485)	(210)	(7,695)	(3,134)	2,368	(766)
MBS:						
Agency residential and commercial MBS	(17,949)	6,313	(11,636)	(1,553)	18,333	16,780
Other residential and commercial MBS	(28)	(67)	(95)	(129)	163	34
Municipal securities	49,485	(23,020)	26,465	1,668	(85,308)	(83,640)
Other investment securities	190	56	246	253	53	306
Loans:						
Residential real estate	244,136	35,988	280,124	169,157	63,134	232,291
Multifamily	66,063	19,331	85,394	77,919	11,720	89,639
Commercial real estate	34,333	6,404	40,737	24,669	3,960	28,629
Construction	11,406	1,547	12,953	20,314	1,654	21,968
Business	76,543	9,603	86,146	90,998	1,490	92,488
Other	34,940	3,723	38,663	42,038	11,249	53,287
FHLB stock	3,092	(6,833)	(3,741)	4,234	6,092	10,326
Total increase	493,616	54,496	548,112	425,856	46,178	472,034
Increase (decrease) in interest expense:						
Deposits:						
Checking	2,321	6,105	8,426	1,621	9,453	11,074
Money market checking and savings	16,285	72,007	88,292	2,280	60,158	62,438
CDs	70,131	43,668	113,799	47,251	34,491	81,742
Short-term borrowings	32,124	2,960	35,084	1,655	6,021	7,676
Long-term FHLB advances	13,502	31,233	44,735	33,962	25,847	59,809
Senior notes	(5,752)	212	(5,540)	5,646	180	5,826
Subordinated notes	18	—	18	2,166	28	2,194
Other borrowings	—	—	—	(416)	—	(416)
Total increase	128,629	156,185	284,814	94,165	136,178	230,343
Increase (decrease) in net interest income	$364,987	$(101,689)	$263,298	$331,691	$ (90,000)	$241,691

Provision for Loan Losses

The provision for loan losses was $61.7 million in 2019, compared to $76.1 million in 2018 and $60.2 million in 2017. 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 current trends in the Bank's markets. The decrease in the provision in 2019 was driven primarily by business and stock secured loans and a slight change in loan mix with a greater portion of total loans being single family.

Noninterest Income

The following table presents noninterest income:

($ in thousands)	Year Ended December 31, 2019	2018	2017	% Change 2019 vs. 2018	2018 vs. 2017
Noninterest income:					
Investment management fees	$359,332	$341,539	$282,868	5%	21%
Brokerage and investment fees	41,035	31,867	26,666	29%	20%
Insurance fees	12,708	10,090	5,555	26%	82%
Trust fees	16,549	14,633	13,658	13%	7%
Foreign exchange fee income	41,026	35,606	27,691	15%	29%
Deposit fees	26,071	24,974	22,633	4%	10%
Loan and related fees	19,819	15,713	13,012	26%	21%
Loan servicing fees, net	11,348	13,302	13,800	(15)%	(4)%
Gain on sale of loans	535	5,616	9,233	(90)%	(39)%
Gain (loss) on investment securities	(3,436)	5,202	(833)	NM	NM
Income from investments in life insurance	45,570	40,670	37,874	12%	7%
Other income	6,663	4,233	8,304	57%	(49)%
Total noninterest income	$577,220	$543,445	$460,461	6%	18%

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

Noninterest income in 2019 was $577.2 million, compared to $543.4 million in 2018 and $460.5 million in 2017. The increase in 2019 was primarily due to an increase in wealth management fees and income from investments in life insurance.

Wealth Management Fees

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

Investment management fees. We provide traditional full-service portfolio management and customized client portfolios through FRIM. We earn fee income from the management of equity securities, fixed income securities, balanced portfolios, and alternative investments for our clients. In addition, we employ experienced wealth managers to work with our relationship managers to generate new AUM using an open architecture platform. Investment management fees were $359.3 million in 2019, $341.5 million in 2018 and $282.9 million in 2017. The increase in investment management fees in 2019 was primarily due to an increase in AUM. FRIM's AUM were $66.0 billion at December 31, 2019, compared to $60.6 billion at December 31, 2018, an increase of 9% driven by market appreciation and the addition of assets from existing and new clients, partially offset by the departure of wealth managers in 2019. The addition of client assets was the result of growth in investment management services to Bank clients, acquiring new clients, the successful marketing efforts of existing wealth managers and the hiring of experienced wealth managers who brought their clients with them. Investment management fees vary by client with the amount of assets managed and the type of investment management chosen by the client. Generally, these wealth managers 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, type of investment management chosen by the client, market conditions and our ability to attract new clients.

Brokerage and investment fees. We perform brokerage and investment activities for clients through FRSC. We employ wealth managers to offer brokerage services for equity securities, mutual funds, exchange-traded funds, unit investment trusts, alternative investments, hedging strategies, treasury securities, municipal bonds, other fixed income securities, money market mutual funds and other shorter-term liquid investments at the request of clients or their financial advisors. Brokerage and investment fees were $41.0 million in 2019, $31.9 million in 2018 and $26.7 million in 2017. Such fees vary based on the volume and type of transaction activity, conditions in the securities markets and our ability to attract new clients. At December 31, 2019, we held $73.1 billion of client assets in brokerage accounts through FRSC and in third-party money market mutual funds, compared to $55.4 billion at December 31, 2018, an increase of 32% driven by market appreciation and the addition of assets from existing and new clients.

Insurance fees. We earn revenue from selling life insurance and annuity policies to our clients through FRSC and FRIM. Insurance fees consist of initial commissions when a policy is sold and subsequent commissions each year that a policy is renewed. Insurance fees were $12.7 million in 2019, $10.1 million in 2018 and $5.6 million in 2017. Such fees vary based on the level of sales of insurance and annuity products and our ability to attract new clients. The Bank does not retain any underwriting risk from the sale of insurance products.

Trust fees. The Trust Company specializes in personal trusts and custody services and operates in California, Oregon, Washington, New York, Massachusetts, Delaware, Florida, Wyoming and Connecticut. The Trust Company draws new trust clients from our Preferred Banking and wealth management client base, as well as from outside of our organization. Trust fees were $16.5 million in 2019, $14.6 million in 2018 and $13.7 million in 2017. The increase in 2019 was primarily due to an increase in assets under custody or administration from market appreciation and the addition of assets from existing and new clients. At December 31, 2019, assets under custody or administration were $11.9 billion, compared to $10.2 billion at December 31, 2018, an increase of 17%. 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 clients. We earned foreign exchange income of $41.0 million in 2019, compared to $35.6 million in 2018 and $27.7 million in 2017. 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 clients and then offset those trades with other financial institution counterparties, such as major investment banks or large commercial banks. We do not retain significant foreign exchange risk associated with these transactions, as the trades with the client and the financial institution counterparty are matched on our books. We do retain credit risk, both to the client and the counterparty institution, which is evaluated and managed by us in the normal course of our operations. In addition, we have foreign exchange contracts associated with client deposits denominated in various foreign currencies.

Other Noninterest Income

Deposit fees. We earn fees from our clients for deposit services. Deposit fees were $26.1 million in 2019, compared to $25.0 million in 2018 and $22.6 million in 2017. The increase in deposit fees in 2019 was primarily driven by volume of activity from both existing and new clients and growth in overall deposits.

Loan and related fees. Loan and related fee income was $19.8 million in 2019, compared to $15.7 million in 2018 and $13.0 million in 2017. Loan and related fee income includes: late charge income, which generally increases with growth in the average loan and servicing portfolios; loan related processing or commitment fees that vary with market conditions and origination volumes; prepayment penalties on sold loans; and payoff fees that vary with loan repayment activity and market conditions such as the general level of longer-term interest rates.

Loan servicing fees, net. Net loan servicing fees are derived from the amount of loans serviced, the fees earned from servicing such loans (expressed as a percent of loans serviced that are retained), the amortization rate of MSRs and the amount of provisions for, or reversal of, the MSR valuation allowance. The following table presents net loan servicing fees:

	Year Ended December 31,		
($ in thousands)	**2019**	**2018**	**2017**
Contractually specified servicing fees	$ 26,563	$ 30,087	$ 30,069
MSR amortization expense	(13,352)	(16,785)	(16,269)
MSR net provision for valuation allowance	(1,863)	—	—
Loan servicing fees, net	$ 11,348	$ 13,302	$ 13,800

Net loan servicing fees were $11.3 million in 2019, compared to $13.3 million in 2018 and $13.8 million in 2017. The decrease in 2019 was primarily due to the decline in the servicing portfolio and an MSR provision for valuation allowance, as a result of higher prepayments due to the interest rate environment. The average servicing portfolio in 2019 was $10.8 billion, a decrease of 11% compared to $12.0 billion in 2018, and a slight increase compared to $11.9 billion in 2017.

Contractual servicing fees were $26.6 million in 2019, compared to $30.1 million in both 2018 and 2017, a decrease of 12% in 2019. 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. Weighted average servicing fees collected as a percentage of loans serviced were 0.25% for 2019, 2018 and 2017.

The amount of net loan servicing fees that we record is affected by the repayment of loans in the servicing portfolio. In 2019, the overall repayment speed experienced on loans serviced was 21%, compared to 14% in 2018 and 15% in 2017. If actual repayments of loans serviced are lower than our estimate of future repayments, we could reduce the amortization of MSRs and release a valuation allowance, if any, which would increase our expected level of future earnings. If actual repayments on loans serviced are higher than our estimates of future repayments, we may be required to increase the amortization of MSRs and reduce the carrying value of MSRs through the establishment of a valuation allowance, thereby decreasing our expected level of current and future earnings.

Gain on sale of loans. The net gain on sales of loans fluctuates with the amount and type of loans sold. The amount of loans that we sell depends upon conditions in the mortgage origination, loan securitization and secondary loan sales markets, the interest rate environment, as well as our as well as our pricing and asset/ liability management strategy. Gain on sale of loans also includes adjustments made to loans held for sale from any adjustments to the cost of loans based on current market prices. The following table presents loan sales activity and gain on sale of loans:

($ in thousands)	Year Ended December 31, 2019	2018	2017
Gain on sale of loans	$ 535	$ 5,616	$ 9,233
Loans sold	$289,047	$1,239,130	$2,877,177
Gain on sale of loans as a percentage of loans sold	0.19%	0.45%	0.32%

The lower level of gain on sales in 2019 was the result of a lower volume of loans sold and lower margins.

Gain (loss) on investment securities. The gain (loss) on investment securities consists of activity from sales of investment securities and, beginning in 2018, also includes changes in fair value of the Bank's marketable equity securities. The gain (loss) varies based on the amount and type of investments sold and market conditions. The following table presents gain (loss) on investment securities:

($ in thousands)	Year Ended December 31, 2019	2018	2017
Net gain (loss) on sales of investment securities	$(4,303)	$ 6,800	$(833)
Net change in fair value of equity securities	867	(1,598)	—
Gain (loss) on investment securities	$(3,436)	$ 5,202	$(833)

Income from investments in life insurance. Income from investments in life insurance was $45.6 million in 2019, $40.7 million in 2018 and $37.9 million in 2017. Income from investments in life insurance in 2019 included a gain of $3.5 million from life insurance claims. The book value of this portfolio of tax-exempt investments was $1.4 billion at both December 31, 2019 and 2018.

Noninterest Expense

The following table presents noninterest expense:

($ in thousands)	Year Ended December 31, 2019	2018	2017	% Change 2019 vs. 2018	2018 vs. 2017
Noninterest expense:					
Salaries and employee benefits	$1,245,526	$1,109,228	$ 930,908	12%	19%
Information systems	273,337	241,752	208,625	13%	16%
Occupancy	192,678	152,258	136,746	27%	11%
Professional fees	68,099	60,058	56,950	13%	5%
Advertising and marketing	65,961	60,463	48,398	9%	25%
FDIC assessments	38,759	58,122	55,792	(33)%	4%
Other expenses	262,101	234,838	202,122	12%	16%
Total noninterest expense	$2,146,461	$1,916,719	$1,639,541	12%	17%

Noninterest expense was $2.1 billion in 2019, compared to $1.9 billion in 2018 and $1.6 billion in 2017. The increase in 2019 was primarily due to higher salaries and employee benefits, occupancy and information systems expenses from the continued investments in the expansion of the franchise.

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 $176.7 million in 2019, compared to $128.5 million in 2018 and $124.2 million in 2017. The amount of capitalized costs varies directly with the volume of loan originations and the costs incurred to make new loans. The capitalized costs are reported as net deferred loan fees and costs on our balance sheet and are amortized to interest income over the contractual life of the loans.

Our efficiency ratio, the ratio of noninterest expense to the sum of net interest income and noninterest income, was 64.2% in 2019, compared to 63.0% in 2018 and 62.8% in 2017. The increase in 2019 was primarily attributable to increased salaries and employee benefits, occupancy and information systems expenses from the continued investments in the expansion of the franchise. The increase in the efficiency ratio was further attributable to the reduction of the net interest margin, which impacted the growth in total revenues.

Salaries and employee benefits. Salaries and employee benefits is the largest component of noninterest expense and includes the cost of salaries, incentive compensation, benefit plans, health insurance and payroll taxes, which have collectively increased as we hired additional personnel to support our growth and our enhanced regulatory infrastructure. Salaries and employee benefit expenses were $1.2 billion in 2019, compared to $1.1 billion in 2018 and $930.9 million in 2017. The increase in 2019 was primarily the result of the addition of new personnel to support higher levels of lending, deposit growth, expansion of wealth management and higher incentive compensation related to the continued expansion of our franchise. At December 31, 2019, we had 4,812 full-time equivalent employees, including temporary employees and independent contractors, compared to 4,480 full-time equivalent employees at December 31, 2018, a 7% increase in 2019.

Information systems. These expenses include payments to vendors that provide software and services on an outsourced basis, costs related to supporting and developing digital platforms and the costs associated with telecommunications for ATMs, office activities and internal networks. Expenses for information systems were $273.3 million in 2019, $241.8 million in 2018 and $208.6 million in 2017. The increase in information systems costs in 2019 was primarily due to continued technology initiatives to upgrade our systems, including our mobile and online banking platform, enhance the client experience and support our growth.

Occupancy. Occupancy costs were $192.7 million in 2019, $152.3 million in 2018 and $136.7 million in 2017. The increase in occupancy costs in 2019 was primarily due to expanding our office space in existing markets for new employees, increased rental costs in certain locations and rental costs for additional banking office locations. We expect the level of occupancy costs to vary with the number of offices and our staffing levels.

Professional fees. Professional fees include legal services required to complete certain transactions, resolve legal matters or delinquent loans, and the cost of loan review professionals, co-sourced internal audit, external auditors and other consultants, including consulting services dedicated to technology initiatives. Such expenses were $68.1 million in 2019, compared to $60.1 million in 2018 and $57.0 million in 2017. The increase in professional fees in 2019 was primarily due to higher legal, audit and consulting fees.

Advertising and marketing. We advertise in various forms of media, including digital media, newspapers, radio, and television, primarily to support growth in our Preferred Banking offices and for advertising and marketing initiatives. Advertising and marketing expenses were $66.0 million in 2019, $60.5 million in 2018 and

$48.4 million in 2017. These expenses vary based on the number of marketing initiatives, level of advertising costs and costs associated with holding client events to support our growth. The increase in 2019 was primarily due to increases in advertising and marketing initiatives associated with the Bank's next generation of clients, costs associated with holding client events to support our growth and corporate sponsorships, partially offset by a decrease in deposit-related promotions.

FDIC assessments. FDIC assessments were $38.8 million in 2019, $58.1 million in 2018 and $55.8 million in 2017. The decrease in 2019 was primarily due to the elimination of the FDIC assessment surcharge in the fourth quarter of 2018, partially offset by growth in the assessment base as a result of the growth in average total assets.

Other expenses. Other expenses were $262.1 million in 2019, compared to $234.8 million in 2018 and $202.1 million in 2017. These expenses include costs related to lending and deposit activities, client service, amortization of intangibles, insurance, hiring, training 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 in 2019 primarily due to higher transaction volumes of loans, deposits and AUM and AUA, as well as an increase in the number of office locations and employees. The following table presents the main components of other expenses:

	Year Ended December 31,		
($ in thousands)	**2019**	**2018**	**2017**
Other expenses:			
Deposit client related costs	$ 72,669	$ 55,581	$ 39,891
Travel and entertainment	25,950	23,049	20,163
Subscriptions	17,024	14,827	11,989
Loan related costs	14,729	21,507	18,886
Training	13,483	13,029	7,783
Recruiting fees	11,786	10,086	8,566
Amortization of intangibles	11,874	16,247	20,625
Insurance	11,670	11,400	11,218
Other operating expenses	82,916	69,112	63,001
Total other expenses	$262,101	$234,838	$202,122

Provision for Income Taxes

The provision for income taxes varies from statutory rates due to the amount of income for financial statement and tax purposes and the rates charged by federal and state authorities.

The Bank's effective tax rate for 2019 was 17.9%, compared to 18.8% for 2018 and 16.9% for 2017. The effective tax rate varies based on the level of tax credit investments, tax-exempt securities, tax-advantaged loans, investments in life insurance and the amount of excess tax benefits from exercise or vesting of share-based awards. The decrease in the effective tax rate in 2019 was primarily due to higher excess tax benefits from an increase in stock options exercised by employees.

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

Effective Tax Rate	Year Ended December 31, 2019	2018	2017
Effective tax rate, prior to excess tax benefits and deferred tax assets valuation adjustment	21.4%	21.0%	22.9%
Excess tax benefits—stock options	(2.9)	(1.3)	(8.3)
Excess tax benefits—other stock awards	(0.6)	(0.9)	(2.1)
Total excess tax benefits	(3.5)	(2.2)	(10.4)
Deferred tax assets valuation adjustment [1]	—	—	4.4
Effective tax rate	17.9%	18.8%	16.9%

[1] During 2017, as a result of tax reform legislation, the Bank recorded a one-time revaluation adjustment of $39.7 million to reduce its deferred tax assets, which increased the provision for income taxes.

The number of options exercised or stock awards vested impact the amount of excess tax benefits recorded as a reduction in provision for income taxes. The following table presents excess tax benefits recognized for stock options and other stock awards:

	Year Ended December 31,					
	2019		2018		2017	
($ in thousands)	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit
Stock options	1,444,654	$33,696	621,945	$13,986	2,428,027	$75,825
Other stock awards	1,221,979	6,476	1,071,476	9,110	1,100,473	18,546
Total	2,666,633	$40,172	1,693,421	$23,096	3,528,500	$94,371

Business Segments

We currently conduct our business through two reportable business segments: Commercial Banking and Wealth Management.

The principal business activities of the Commercial Banking segment are gathering deposits (retail deposit gathering and private banking activities), originating and servicing loans (primarily real estate secured mortgage loans) and investing in investment securities. The primary sources of revenue for this segment are: interest earned on loans and investment securities, fees earned in connection with loan and deposit services, and income earned on loans serviced for investors. Principal expenses for this segment are interest incurred on interest-bearing liabilities, including deposits and borrowings, general and administrative costs and provision for loan losses.

The principal business activities of the Wealth Management segment are (i) the investment management activities of FRIM, which manages investments for individuals and institutions in equity securities, fixed income securities, balanced portfolios, and alternative investments; (ii) our money market mutual fund activities through third-party providers and the brokerage activities of FRSC (these two activities collectively, "Brokerage and Investment"); (iii) sales of insurance and annuity products through FRSC and FRIM; (iv) trust and custody services provided by the Trust Company; and (v) our foreign exchange activities conducted on behalf of clients.

The primary sources of revenue for this segment are investment management fees, brokerage and investment fees, insurance fees, trust fees and foreign exchange fee income. In addition, the Wealth Management segment earns a deposit earnings credit for client deposit accounts that are maintained at the Bank, including sweep deposit accounts. The Wealth Management segment's principal expenses are personnel-related costs and other general and administrative expenses. For complete segment information, see Note 25 to "Item 8. Financial Statements and Supplementary Data."

Commercial Banking

The following table presents the operating results of the Bank's Commercial Banking segment:

	Year Ended December 31,			% Change	
($ in thousands)	**2019**	**2018**	**2017**	**2019 vs. 2018**	**2018 vs. 2017**
Net interest income	$2,674,061	$2,420,252	$2,084,137	10%	16%
Provision for loan losses	61,690	76,092	60,181	(19)%	26%
Noninterest income	104,757	108,042	100,133	(3)%	8%
Noninterest expense	1,725,443	1,519,635	1,322,836	14%	15%
Income before provision for income taxes	991,685	932,567	801,253	6%	16%
Provision for income taxes	163,132	164,002	110,593	(1)%	48%
Net income	$ 828,553	$ 768,565	$ 690,660	8%	11%

Net interest income for Commercial Banking was $2.7 billion in 2019, compared to $2.4 billion in 2018 and $2.1 billion in 2017. The increase in 2019 was primarily due to an increase in interest-earning assets, partially offset by a decrease in net interest margin.

The provision for loan losses for Commercial Banking was $61.7 million in 2019, compared to $76.1 million in 2018 and $60.2 million in 2017. 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 current trends in the Bank's markets. The decrease in the provision in 2019 was driven primarily by business and stock secured loans and a slight change in loan mix with a greater portion of total loans being single family.

Noninterest income for Commercial Banking was $104.8 million in 2019, compared to $108.0 million in 2018 and $100.1 million in 2017. The decrease in 2019 was primarily due to a loss on investment securities, while noninterest income in 2018 included a gain on investment securities from the repositioning of the Bank's investment portfolio.

Noninterest expense for Commercial Banking was $1.7 billion in 2019, compared to $1.5 billion in 2018 and $1.3 billion in 2017. The increase in 2019 was primarily due to higher salaries and employee benefits, occupancy and information systems expenses from the continued investments in the expansion of the franchise. The overall increase in 2019 was primarily attributable to the addition of new personnel, higher incentive compensation and other activities that support lending and deposit growth.

Provision for income taxes for Commercial Banking in 2019 was $163.1 million, compared to $164.0 million in 2018 and $110.6 million in 2017. The provision for income taxes varies based on the level of tax-advantaged investments, and the amount of tax benefits from exercise or vesting of share-based awards.

Wealth Management

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

	Year Ended December 31,			% Change	
($ in thousands)	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Net interest income	$ 90,106	$ 80,856	$ 67,326	11%	20%
Noninterest income	506,634	469,876	393,962	8%	19%
Noninterest expense	455,189	431,557	350,339	5%	23%
Income before provision for income taxes	141,551	119,175	110,949	19%	7%
Provision for income taxes	39,775	33,912	43,949	17%	(23)%
Net income	$101,776	$ 85,263	$ 67,000	19%	27%

Net interest income for Wealth Management was $90.1 million in 2019, compared to $80.9 million in 2018 and $67.3 million in 2017. Net interest income is earned from Wealth Management client deposits with the Bank, for which Wealth Management earns a deposit earnings credit and fees earned for Wealth Management sweep deposit accounts. Net interest income increased in 2019 primarily as a result of growth in Wealth Management client deposits, including sweep deposit accounts.

Wealth Management client deposits totaled $9.8 billion and $9.1 billion at December 31, 2019 and 2018, respectively, including sweep deposits. Wealth Management client deposits, including sweep accounts, averaged $8.8 billion, $7.5 billion and $7.1 billion in 2019, 2018 and 2017, 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. Net interest income as a percentage of the average deposits generated by Wealth Management represented 1.02% in 2019, compared to 1.08% in 2018 and 0.95% in 2017.

The allocated earnings credit represents only a portion of the total net interest income generated by these deposits for the Bank. The Bank's holistic approach to generating a full relationship with our clients is reflected in the total impact that these Wealth Management deposits have to the Bank's overall net interest income. The Bank's consolidated net interest margin was 2.83% in 2019, 2.96% in 2018 and 3.13% in 2017. Using this overall net interest margin and the average Wealth Management deposits for each year, the Wealth Management deposits, on a consolidated basis, contributed net interest income of approximately $249.8 million in 2019, $221.9 million in 2018 and $221.8 million in 2017.

Noninterest income for Wealth Management was $506.6 million in 2019, compared to $469.9 million in 2018 and $394.0 million in 2017. The increase in 2019 was primarily due to higher investment management fees, brokerage and investment fees and foreign exchange fee income. Investment management fees increased as a result of an increase in AUM from the addition of assets from existing and new clients, and the hiring of new wealth managers, who brought in additional clients, partially offset by the departure of wealth managers in 2019. Brokerage and investments fees and foreign exchange fee income increased primarily due to volume of activity from both existing and new clients.

Noninterest expense for Wealth Management was $455.2 million in 2019, compared to $431.6 million in 2018 and $350.3 million in 2017. The increase in 2019 was primarily due to higher salaries and benefits, including incentive compensation, as a result of overall growth in our business and the addition of new wealth managers. We continue to expand our client base and capabilities in all markets to grow this segment.

Provision for income taxes for Wealth Management in 2019 was $39.8 million, compared to $33.9 million in 2018 and $43.9 million in 2017. The increase in 2019 was primarily the result of higher pre-tax income.

AUM and AUA, in aggregate, were $151.0 billion at December 31, 2019, compared to $126.2 billion a year ago, an increase of 20%. Our Wealth Management strategy is focused on both managing investment portfolios for our clients and keeping custody of such assets in brokerage accounts at FRSC. By providing multiple services, we are able to better develop a full Wealth Management and banking relationship, as well as the ability to gather deposits, including sweep accounts. As described above, client deposits from Wealth Management generate net interest income for the Bank. Certain Wealth Management client assets that are held or managed by different areas within our Wealth Management business generate multiple revenue streams for the Bank. As a result of having these multiple revenue streams from certain client assets, such assets are included in more than one type of Wealth Management asset category in the table below. The following table presents the AUM and AUA by the entities comprising our Wealth Management segment:

($ in millions)	December 31, 2019	December 31, 2018
First Republic Investment Management	$ 66,029	$ 60,591
Brokerage and investment:		
Brokerage	68,807	53,046
Money market mutual funds	4,268	2,358
Total brokerage and investment	73,075	55,404
Trust Company:		
Trust	7,121	5,350
Custody	4,818	4,868
Total Trust Company	11,939	10,218
Total AUM and AUA	$ 151,043	$ 126,213

The following table presents changes in AUM and AUA. 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).

($ in millions)	Year Ended December 31, 2019	2018	2017
AUM and AUA:			
Beginning balance	$ 126,213	$ 106,961	$ 83,580
Net client flow	1,350	24,366	11,000
Market appreciation (depreciation)	23,480	(5,114)	12,381
Ending balance	$ 151,043	$ 126,213	$ 106,961

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

	% of AUM	
	December 31,	
Investment Type	2019	2018
Equities	51%	46%
Fixed income	30	33
Alternative investments	11	12
Cash and cash equivalents	8	9
Total	100%	100%

The following table presents fee income as a percentage of average AUM and AUA for Wealth Management:

	Year Ended December 31,		
	2019	2018	2017
First Republic Investment Management	0.57%	0.59%	0.60%
Brokerage and investment:			
Brokerage	0.05%	0.05%	0.05%
Money market mutual funds	0.33%	0.41%	0.42%
Total brokerage and investment	0.06%	0.06%	0.07%
Trust Company:			
Trust	0.20%	0.21%	0.23%
Custody	0.08%	0.08%	0.09%
Total Trust Company	0.15%	0.15%	0.15%
Total	0.30%	0.32%	0.34%

Balance Sheet Analysis

Investments

The following table presents the investment portfolio:

($ in thousands)	December 31, 2019	2018	2017
Available-for-sale:			
U.S. Treasury securities	$ —	$ —	$ 54,998
Agency residential MBS	370,326	26,095	34,574
Other residential MBS	4,240	4,552	4,860
Agency commercial MBS	860,153	1,701,021	2,255,890
Securities of U.S. states and political subdivisions—taxable	47,450	47,448	47,449
Mutual funds and marketable equity securities [1]	—	—	20,317
Total	$ 1,282,169	$ 1,779,116	$ 2,418,088
Held-to-maturity:			
U.S. Government-sponsored agency securities	$ 368,065	$ 1,044,912	$ 1,400,025
Agency residential MBS	2,224,252	1,868,587	2,734,819
Other residential MBS	—	—	1,631
Agency commercial MBS	3,296,724	3,375,409	3,017,012
Securities of U.S. states and political subdivisions:			
Tax-exempt municipal securities	10,483,668	7,952,605	8,804,924
Tax-exempt nonprofit debentures	138,140	142,508	146,529
Taxable municipal securities	612,704	52,952	53,005
Corporate debt securities	24,080	—	—
Total	$ 17,147,633	$ 14,436,973	$ 16,157,945
Equity (fair value):			
Mutual funds and marketable equity securities [1]	$ 19,586	$ 18,719	$ —

[1] Beginning January 1, 2018, as a result of the adoption of new accounting guidance, equity securities with readily determinable fair values are no longer classified as securities available-for-sale.

The total combined investment securities portfolio represented 16% of total assets at both December 31, 2019 and 2018.

The average duration of the available-for-sale portfolio was 3.5 and 1.5 years at December 31, 2019 and 2018, respectively. The average duration of the held-to-maturity portfolio was 8.3 and 7.7 years at December 31, 2019 and 2018, respectively.

At December 31, 2019, 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 $20.9 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.

The following table presents the remaining contractual principal maturities of debt securities and contractual yields calculated on a taxable-equivalent basis at December 31, 2019. The weighted average yield is calculated using the amortized cost of debt securities. Actual maturities for certain U.S. Treasury securities, U.S. Government agency securities, U.S. Government-sponsored agency securities and municipal securities may occur earlier than their stated contractual maturities because the note issuers may have the right to call outstanding amounts ahead of their contractual maturities. In addition, the remaining contractual principal maturities for MBS do not consider prepayments. Expected remaining maturities for MBS can differ from contractual maturities because borrowers have the right to prepay obligations, with or without penalties, prior to contractual maturity.

			Contractual Principal—Remaining Maturity							
			Within 1 Year		After 1 Through 5 Years		After 5 Through 10 Years		After 10 Years	
($ in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available-for-sale:										
Agency residential MBS	$ 370,326	3.02%	$ 1,144	2.16%	$ 1,725	1.70%	$ 599	1.86%	$ 366,858	3.03%
Other residential MBS	4,240	3.70%	—	—%	—	—%	—	—%	4,240	3.70%
Agency commercial MBS	860,153	2.57%	—	—%	164,521	2.07%	25,727	2.28%	669,905	2.70%
Securities of U.S. states and political subdivisions—taxable	47,450	2.92%	—	—%	—	—%	—	—%	47,450	2.92%
Total carrying value of debt securities	$ 1,282,169		$ 1,144		$166,246		$ 26,326		$ 1,088,453	
Held-to-maturity:										
U.S. Government-sponsored agency securities	$ 368,065	2.73%	$ —	—%	$ —	—%	$143,065	2.91%	$ 225,000	2.62%
Agency residential MBS	2,224,252	2.71%	—	—%	—	—%	3,747	2.72%	2,220,505	2.71%
Agency commercial MBS	3,296,724	2.85%	—	—%	—	—%	—	—%	3,296,724	2.85%
Securities of U.S. states and political subdivisions:										
Tax-exempt municipal securities	10,483,668	4.32%	309,975	5.57%	469,078	5.77%	205,354	4.57%	9,499,261	4.20%
Tax-exempt nonprofit debentures	138,140	4.66%	—	—%	—	—%	—	—%	138,140	4.66%
Taxable municipal securities	612,704	3.53%	5,000	6.15%	—	—%	—	—%	607,704	3.51%
Corporate debt securities	24,080	3.35%	—	—%	—	—%	—	—%	24,080	3.35%
Total carrying value of debt securities	$17,147,633		$314,975		$469,078		$352,166		$16,011,414	
Estimated fair value of debt securities	$17,765,944		$320,051		$513,497		$370,660		$16,561,736	

Loan Portfolio

The following table presents the recorded investment in the Bank's loan portfolio, allowance for loan losses and loans held for sale:

	December 31,				
($ in millions)	2019	2018	2017	2016	2015
Single family (1-4 units)	$47,986	$37,955	$31,508	$26,267	$23,088
Home equity lines of credit	2,501	2,543	2,736	2,635	2,378
Multifamily (5+ units)	12,428	10,358	8,640	6,676	5,355
Commercial real estate	7,537	6,677	6,083	5,465	4,436
Single family construction	762	645	591	495	434
Multifamily/commercial construction	1,533	1,577	1,117	919	687
Total real estate mortgages	72,747	59,755	50,675	42,457	36,378
Business	11,647	10,999	8,295	6,872	6,217
Stock secured	1,898	1,433	1,084	823	522
Other secured	1,433	1,106	1,015	724	542
Unsecured	3,072	2,572	1,771	1,132	424
Total other loans	18,050	16,110	12,165	9,551	7,705
Total loans	90,797	75,865	62,840	52,008	44,083
Less:					
Allowance for loan losses	(496)	(439)	(366)	(306)	(261)
Loans, net	90,301	75,426	62,474	51,702	43,822
Loans held for sale	23	99	88	407	49
Total	$90,324	$75,525	$62,562	$52,109	$43,871

The following table presents an analysis of the recorded investment in our loan portfolio at December 31, 2019, by category 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) [(1)]	$19,393	$10,039	$ 8,198	$4,986	$1,451	$ 437	$3,486	$47,990	53%
Home equity lines of credit	1,014	478	460	279	65	14	191	2,501	3
Multifamily (5+ units) [(1)]	4,986	2,696	2,148	374	1,258	350	635	12,447	14
Commercial real estate	3,251	1,574	1,380	307	206	146	673	7,537	8
Business	4,277	2,695	1,645	819	383	16	1,812	11,647	13
Construction	582	402	910	52	104	22	223	2,295	2
Stock and other secured	685	784	509	287	75	125	866	3,331	4
Unsecured	830	822	665	303	137	49	266	3,072	3
Total	$35,018	$19,490	$15,915	$7,407	$3,679	$1,159	$8,152	$90,820	100%
% by location at December 31, 2019	39%	21%	18%	8%	4%	1%	9%	100%	
% by location at December 31, 2018	39%	21%	17%	8%	4%	2%	9%	100%	

(1) Includes loans held for sale.

At December 31, 2019 and 2018, approximately 51% and 50%, respectively, of total loans (based on recorded investment) were secured by real estate properties located in California. Future economic or political conditions, natural disasters or other developments in California could adversely affect the value of real estate secured mortgage loans.

The following table presents the maturity distribution (based on unpaid principal balance) of our business, real estate construction loans and other non-mortgage loans as of December 31, 2019. The maturity dates were determined based on the remaining scheduled principal repayment dates, without consideration of prepayments.

($ in thousands)	1 Year or Less	>1 Through 5 Years	>5 Years	Total
Maturity distribution:				
Business	$ 5,411,665	$ 2,168,211	$ 4,079,363	$ 11,659,239
Real estate construction	1,456,737	851,732	695	2,309,164
Stock secured	1,679,389	194,393	19,801	1,893,583
Other secured	76,168	981,524	374,571	1,432,263
Unsecured	367,716	575,367	2,123,899	3,066,982
Total	$ 8,991,675	$ 4,771,227	$ 6,598,329	$ 20,361,231

The following table presents the distribution (based on unpaid principal balance) of our business, real estate construction loans and other non-mortgage loans outstanding as of December 31, 2019 that are due after one year between fixed and adjustable interest rates:

($ in thousands)	Fixed	Adjustable	Total
Business	$ 4,567,066	$ 1,680,508	$ 6,247,574
Real estate construction	508,870	343,557	852,427
Stock secured	38,988	175,206	214,194
Other secured	174,751	1,181,344	1,356,095
Unsecured	2,579,758	119,508	2,699,266
Total	$ 7,869,433	$ 3,500,123	$ 11,369,556

The Bank's loan portfolio includes: (1) adjustable-rate loans tied to Prime, LIBOR, COFI, and other reference rates such as 12-month average of 1-year CMT, which are currently adjustable; (2) hybrid-rate loans, for which the initial rate is fixed for a period from one year to as many as ten years, and thereafter the rate becomes adjustable; and (3) fixed-rate loans, for which the interest rate does not change through the life of the loan. The following table presents the recorded investment in our loan portfolio at December 31, 2019, by rate type:

	Adjustable Rate					Hybrid	Fixed	
($ in millions)	Prime	LIBOR	COFI	Other	Total	Rate	Rate	Total
Single family (1-4 units) [(1)]	$ 173	$2,133	$2,692	$170	$ 5,168	$36,068	$ 6,754	$47,990
Home equity lines of credit	2,493	5	—	—	2,498	—	3	2,501
Multifamily (5+ units) [(1)]	284	384	2,064	123	2,855	5,969	3,623	12,447
Commercial real estate	333	341	436	14	1,124	2,631	3,782	7,537
Business	5,159	1,686	10	2	6,857	484	4,306	11,647
Construction	730	137	—	7	874	19	1,402	2,295
Stock and other secured	801	1,618	—	666	3,085	1	245	3,331
Unsecured	407	40	—	6	453	—	2,619	3,072
Total	$10,380	$6,344	$5,202	$988	$22,914	$45,172	$22,734	$90,820
% by rate type at December 31, 2019	11%	7%	6%	1%	25%	50%	25%	100%
% by rate type at December 31, 2018	12%	9%	8%	0%	29%	47%	24%	100%

(1) Includes loans held for sale.

At December 31, 2019, included in the hybrid-rate and fixed-rate loan portfolios are $3.2 billion, or 4% of the total loan portfolio, that either (1) mature within one year; (2) are within one year of adjusting from the initial fixed-rate period; or (3) are committed for sale.

Many of our loan products determine the amount of interest by reference to certain benchmark rates or indices. The FCA, which regulates LIBOR, has announced that it will no longer compel banks to submit rates for the calculation of LIBOR after December 31, 2021. In addition, the Federal Home Loan Bank of San Francisco has announced that it will no longer calculate and publish COFI after January 29, 2021. The Bank ceased offering new loans indexed to LIBOR in the first half of 2019 (with some limited exceptions for business loans) and to COFI in the first half of 2018 and the Bank has a transition plan in place with respect to existing loans indexed to LIBOR and COFI. In lieu of LIBOR or COFI, new loan originations are currently indexed to Prime or a 12-month average of 1-year CMT.

Single Family

Our single family loans include loans that have an initial interest-only period. Subsequent to the initial interest-only period, these loans fully and evenly amortize until maturity. Underwriting standards for all such loans require substantial borrower net worth, substantial post-loan liquidity, excellent credit scores and significant down payments. As part of our underwriting standards, we verify the ability of the borrowers to repay our loans. At December 31, 2019, approximately $31.7 billion, or 66%, 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 $25.6 billion, or 68%, of the unpaid principal balance of our single family loan portfolio, at December 31, 2018. At December 31, 2019, loans of this type had a weighted average LTV of approximately 56%, based on appraised value at the time of origination, and had credit scores averaging 763 at origination. At December 31, 2019, interest-only home loans with an LTV at origination of more than 80% comprised less than 1% of the unpaid principal balance of our single family loan portfolio, including loans held for sale.

The following table presents the years in which amortization begins for single family loans, including loans held for sale:

($ in thousands)	December 31, 2019 Unpaid Principal Balance
Currently amortizing	$ 16,140,537
Amortization period starts in:	
2020	400,639
2021	524,757
2022	771,570
2023	811,600
2024	1,121,686
2025 and thereafter	28,045,722
Total	$ 47,816,511

The following table presents additional LTV information at origination for all single family loans, including loans held for sale:

($ in thousands)	December 31, 2019	
	Unpaid Principal Balance	% of Total
LTV at Origination		
Less than or equal to 60%	$ 25,094,868	52.5%
Greater than 60% to 70%	14,905,369	31.2
Greater than 70% to 80%	7,389,552	15.4
Greater than 80%	426,722	0.9
Total	$ 47,816,511	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 766, 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 CLTV basis, including the total HELOC commitment and any balance on a first residential mortgage. As of December 31, 2019, approximately 37% 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:

($ in thousands)	December 31, 2019		
	Unpaid Principal Balance	Total Commitment	% of Unpaid Principal Balance
CLTV at Origination			
Less than or equal to 60%	$ 1,565,474	$ 5,514,059	63.2%
Greater than 60% to 70%	662,907	1,866,829	26.8
Greater than 70% to 80%	242,128	608,430	9.8
Greater than 80%	5,787	10,385	0.2
Total	$ 2,476,296	$ 7,999,703	100.0%

The following table presents the years in which amortization begins on our HELOC portfolio:

($ in thousands)	December 31, 2019	
	Unpaid Principal Balance	Total Commitment
Currently amortizing	$ 70,535	$ 70,539
Amortization period starts in:		
2020	97,068	226,369
2021	101,406	287,487
2022	110,524	426,151
2023	127,078	559,400
2024	194,206	661,343
2025 and thereafter	1,775,479	5,768,414
Total	$ 2,476,296	$ 7,999,703

Multifamily

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

($ in thousands)	Unpaid Principal Balance December 31, 2019	Unpaid Principal Balance December 31, 2018
Multifamily (5+ units) [1]	$12,455,356	$10,379,260
Multifamily (5+ units)—interest-only [1], [2]	$ 5,496,689	$ 4,674,114

[1] Includes loans held for sale.
[2] Excludes lines of credit.

At December 31, 2019, interest-only multifamily loans (excluding lines of credit), including loans held for sale, had a weighted average LTV of 51% based on the appraised value at the time of origination.

Additionally, certain multifamily lines of credit allow for interest-only payments for an initial period. The following table presents the unpaid principal balance, total commitment and percentage of interest-only lines of credit secured by the equity in multifamily real estate:

	December 31,					
	2019			2018		
($ in thousands)	Unpaid Principal Balance	Total Commitment	% of Total Multifamily	Unpaid Principal Balance	Total Commitment	% of Total Multifamily
Multifamily lines of credit (5+ units)—interest-only	$ 145,982	$ 399,040	1.2%	$ 134,406	$ 351,320	1.3%

Commercial Real Estate

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

	Unpaid Principal Balance	
	December 31,	
($ in thousands)	2019	2018
Commercial real estate	$ 7,546,909	$ 6,689,958
Commercial real estate—interest-only [(1)]	$ 2,334,774	$ 1,936,337

(1) Excludes lines of credit.

At December 31, 2019, interest-only commercial real estate loans (excluding lines of credit) that allow for interest-only payments had a weighted average LTV of 44% based on the appraised value at the time of origination.

Additionally, certain commercial real estate lines of credit allow for interest-only payments for an initial period. The following table presents the unpaid principal balance, total commitment and percentage of interest-only lines of credit secured by the equity in commercial real estate:

	December 31,					
	2019			2018		
($ in thousands)	Unpaid Principal Balance	Total Commitment	% of Total Commercial Real Estate	Unpaid Principal Balance	Total Commitment	% of Total Commercial Real Estate
Commercial real estate lines of credit—interest-only	$ 189,708	$ 483,258	2.5%	$ 120,240	$ 336,237	1.8%

Business

Business loans provide funding for investment opportunities, bridge capital calls from investors, and meet the working capital cash flow requirements and various other financing needs of our business and non-profit clients. The business loan portfolio is comprised primarily of capital call lines to private equity and venture capital funds, and loans to independent schools and other non-profit organizations, which include social service organizations, the performing arts, museums, historical societies and community foundations. In addition, we

provide operating lines of credit and term loans to other business clients to meet their working capital needs. The following table presents the recorded investment and total commitment for business loans by type:

	December 31,			
	2019		2018	
($ in thousands)	Recorded Investment	Total Commitment (1)	Recorded Investment	Total Commitment (1)
Private Equity/Venture Capital Funds	$ 5,730,335	15,529,658	$ 5,116,390	$ 12,614,126
Schools/Non-profit Organizations	3,437,471	4,229,283	3,356,479	4,107,191
Investment Firms	467,295	988,643	400,609	894,772
Real Estate Related Entities	540,870	904,076	339,278	737,221
Professional Service Firms	188,794	438,278	204,718	417,625
Aviation/Marine	361,696	372,603	360,926	367,591
Vineyards/Wine	185,408	258,205	192,402	254,085
Clubs and Membership Organizations	147,104	235,096	155,921	207,960
Entertainment Industry	29,045	108,542	333,334	534,223
Other	558,798	893,431	538,446	840,704
Total	$ 11,646,816	$ 23,957,815	$ 10,998,503	$ 20,975,498

(1) Total commitment amounts for certain business lines of credit (i.e., capital call lines of credit) reflect the Bank's contractual obligations in effect during the reporting period, and exclude amounts that are contingent upon future credit approvals. Prior periods presented have also been adjusted to exclude the contingent amounts for these lines of credit.

The following table presents the unpaid principal balance, total commitment and utilization percentages for business lines of credit by type:

	Lines of Credit					
	December 31,					
	2019			2018		
($ in thousands)	Unpaid Principal Balance	Total Commitment (1)	Utilization Percentage	Unpaid Principal Balance	Total Commitment (1)	Utilization Percentage
Private Equity/Venture Capital Funds	$ 5,481,904	$ 15,275,057	35.9%	$ 5,050,905	$ 12,545,412	40.3%
Schools/Non-profit Organizations	296,089	1,085,330	27.3%	267,712	1,015,701	26.4%
Investment Firms	250,673	771,744	32.5%	221,658	715,583	31.0%
Real Estate Related Entities	245,720	607,478	40.4%	146,282	542,698	27.0%
Professional Service Firms	76,275	325,654	23.4%	85,958	298,701	28.8%
Vineyards/Wine	59,648	132,191	45.1%	63,088	124,467	50.7%
Clubs and Membership Organizations	31,923	119,638	26.7%	25,244	77,025	32.8%
Entertainment Industry	29,534	108,094	27.3%	316,338	514,610	61.5%
Aviation/Marine	933	11,139	8.4%	5,767	11,760	49.0%
Other	178,929	513,879	34.8%	207,578	506,896	41.0%
Total	$ 6,651,628	$ 18,950,204	35.1%	$ 6,390,530	$ 16,352,853	39.1%

(1) Total commitment amounts for certain business lines of credit (i.e., capital call lines of credit) reflect the Bank's contractual obligations in effect during the reporting period, and exclude amounts that are contingent upon future credit approvals. Prior periods presented have also been adjusted to exclude the contingent amounts for these lines of credit.

Included within business lines of credit are capital call lines of credit, which are credit facilities that enable private equity and venture capital funds to bridge the timing between funding investments and receiving funds from limited partner capital calls. As of December 31, 2019, the unpaid principal balance and total commitment for capital call lines of credit was $5.3 billion and $15.1 billion, respectively, resulting in a utilization rate for these lines of credit of 35.4% at December 31, 2019.

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

	Term Loans Unpaid Principal Balance	
	December 31,	
($ in thousands)	2019	2018
Schools/Non-profit Organizations	$ 3,143,953	$ 3,091,490
Aviation/Marine	361,464	355,831
Real Estate Related Entities	296,598	194,523
Private Equity/Venture Capital Funds	254,601	68,714
Investment Firms	216,899	179,189
Vineyards/Wine	126,014	129,618
Clubs and Membership Organizations	115,458	130,935
Professional Service Firms	112,624	118,924
Entertainment Industry	448	19,613
Other	379,552	333,808
Total	$ 5,007,611	$ 4,622,645

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 December 31, 2019, approximately 29% of our total loans, including loans held for sale, were currently adjustable-rate and reprice with indices 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 December 31, 2019, we have originated approximately $267 billion of loans, of which approximately $35 billion have been sold to investors.

Total loan origination volume was $38.0 billion in 2019, compared to $31.4 billion in 2018 and $27.6 billion in 2017, an increase of 21% in 2019 and an increase of 14% in 2018. Loans originated increased during 2019 due to increases in single family, stock and other secured, and commercial real estate lending. The volume and type of loan originations depend on the level of interest rates, the demand for loans in our markets and other economic conditions.

We focus on originating specific loan types in our primary markets. The majority of our mortgage loans are secured by properties located in close proximity to one of our offices. The following table presents loan originations, by product type:

($ in thousands)	Year Ended December 31, 2019	2018	2017
Single family (1-4 units)	$ 16,405,784	$ 10,784,654	$ 11,568,111
Home equity lines of credit	1,524,031	1,542,747	1,731,988
Multifamily (5+ units)	3,340,258	3,321,334	2,703,242
Commercial real estate	1,823,687	1,235,819	1,263,776
Construction	1,631,384	1,694,788	1,480,957
Business [1]	9,080,396	9,379,905	6,252,983
Stock and other secured	2,780,617	2,101,390	1,587,393
Unsecured	1,377,319	1,382,552	1,044,769
Total loans originated	$ 37,963,476	$ 31,443,189	$ 27,633,219

(1) Origination amounts for certain business lines of credit (i.e., capital call lines of credit) reflect the Bank's contractual obligations in effect during the reporting period, and exclude amounts that are contingent upon future credit approvals. 2018 originations have been adjusted to exclude the contingent amounts for these lines of credit, and no adjustments were required for 2017.

The following table presents the weighted average LTVs for new loans secured by real estate originated during each of the periods indicated based on the appraised value at the time of origination. The single family loan category also includes loans originated and subsequently sold to investors.

LTVs for New Originations	Year Ended December 31, 2019	2018	2017
Single family (1-4 units)	56%	59%	58%
Home equity lines of credit [1]	52%	52%	50%
Multifamily (5+ units)	49%	51%	50%
Commercial real estate	44%	50%	47%
Construction	56%	55%	56%

(1) Presented on a CLTV basis, including the first residential mortgage and a second lien, where applicable.

The weighted average LTVs in all categories have remained consistent and conservative over the periods and are indicative of the high quality of the Bank's underwriting standards.

The following table presents the weighted average credit scores for home loans originated during each of the periods indicated. The single family loan category also includes loans originated and subsequently sold to investors.

Weighted Average Credit Scores	Year Ended December 31, 2019	2018	2017
Single family (1-4 units)	767	765	764
Home equity lines of credit	764	768	766

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

Purchase and Refinance Composition	Year Ended December 31, 2019	2018	2017
Purchase loans	40%	53%	46%
Refinance loans	60	47	54
Total	100%	100%	100%

We have approved a limited group of third-party appraisers to appraise all of the properties on which we make loans. Certain larger single family loans require two appraisals (with the lower value used for underwriting purposes). Our practice is to seldom exceed an 80% LTV on single family loans and an 80% CLTV on HELOCs. LTV ratios generally decline as the size of the loan increases. At origination, we generally do not exceed a 75% LTV on multifamily loans and a 70% LTV on commercial real estate loans.

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

	December 31,	
Portfolio LTVs	**2019**	**2018**
Single family (1-4 units) [1]	58%	58%
Home equity lines of credit [2]	51%	52%
Multifamily (5+ units) [1]	51%	51%
Commercial real estate	47%	48%
Construction	55%	55%

(1) Includes loans held for sale.
(2) Presented on a CLTV basis, including the first residential mortgage and a second lien, where applicable.

We either retain originated home loans in our loan portfolio or sell the loans in whole loan or loan participation arrangements, either in the secondary market or in loan securitizations. Loan sales are highly dependent upon market conditions. We have retained in our loan portfolio both ARMs and intermediate-fixed rate loans. As interest rates rise, payments on ARMs increase, which may be financially burdensome to some borrowers and could increase the risk of default. Subject to market conditions, our ARMs generally provide for a life cap that is 5% to 9% above the initial interest rate, thereby protecting borrowers from unlimited interest rate increases. As part of our standard underwriting guidelines, borrowers undergo a qualification process for an ARM loan assuming an interest rate that is higher than the initial rate.

Asset Quality

We place an asset on nonaccrual status when any installment of principal or interest is 90 days or more past due (except for single family loans that are well secured and in the process of collection) or when management determines the ultimate collection of all contractually due principal or interest to be unlikely. Restructured loans for which we grant payment or interest rate concessions because of a borrower's financial difficulties ("troubled debt restructurings") are placed on nonaccrual status until collectibility improves and a satisfactory payment history is established, generally by the receipt of at least six consecutive timely payments.

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, 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:

	December 31,				
($ in thousands)	2019	2018	2017	2016	2015
Nonaccrual loans:					
Single family (1-4 units)	$ 59,013	$23,830	$16,897	$24,560	$21,330
Home equity lines of credit	11,158	9,526	8,585	10,464	11,211
Multifamily (5+ units)	—	2,056	4,651	4,516	8,690
Commercial real estate	—	266	286	306	5,519
Single family construction	—	—	—	—	—
Multifamily/commercial construction	68,856	—	—	—	11,600
Business	2,721	6,540	5,765	8,728	14,726
Stock secured	—	—	—	—	—
Other secured	23	—	—	—	—
Unsecured	1,410	4,247	1,472	446	469
Total nonaccrual loans	143,181	46,465	37,656	49,020	73,545
Other real estate owned	—	—	—	—	—
Total nonperforming assets	$143,181	$46,465	$37,656	$49,020	$73,545
Nonperforming assets to total assets	0.12%	0.05%	0.04%	0.07%	0.12%
Restructured accruing loans	$ 13,287	$11,514	$12,605	$14,278	$14,043
Accruing loans 90 days or more past due	$ —	$ —	$ —	$ —	$ 4,199

See Note 4 in "Item 8. Financial Statements and Supplementary Data" for information related to interest income on nonaccrual loans for the years ended December 31, 2019 and 2018.

Of the loans on nonaccrual status, $125.0 million were current at December 31, 2019, compared to $21.1 million at December 31, 2018. The increase in nonaccrual loans at December 31, 2019 was from one lending relationship totaling $89.9 million, consisting of single family, home equity lines of credit and non-owner occupied single family construction loans.

The future level of nonperforming assets depends upon a number of factors, including the performance of borrowers under loan terms, the timing of the sale of future other real estate owned properties and economic conditions nationally and in our primary markets.

Allowance for Loan Losses

The following discussion summarizes the Bank's methodology for determining its allowance for loan losses. For a complete description of the related accounting policies, see Note 1 and Note 4 in "Item 8. Financial Statements and Supplementary Data."

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 during the look-back period, 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 over the loss emergence period based upon specific conditions at the time. Our allowance for loan losses methodology, including allocation to specific criticized and classified loans and between the loan portfolio categories, requires management's consideration of a number of factors.

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 Year Ended December 31, 2019	2018	2017	2016	2015
Allowance for loan losses:					
Balance at beginning of period	$ 439,048	$ 365,932	$ 306,398	$ 261,058	$ 207,342
Provision	61,690	76,092	60,181	47,192	55,439
Charge-offs:					
Single family (1-4 units)	(1,018)	(239)	(1,176)	(1,694)	(146)
Home equity lines of credit	(539)	(497)	(848)	(272)	(1,632)
Multifamily (5+ units)	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Single family construction	—	—	—	—	—
Multifamily/commercial construction	—	—	—	—	—
Business	(3,389)	(1,748)	(616)	(93)	(95)
Stock secured	—	—	—	—	—
Other secured	(1,229)	—	—	—	—
Unsecured	(866)	(1,074)	(346)	(57)	(169)
Total charge-offs	(7,041)	(3,558)	(2,986)	(2,116)	(2,042)
Recoveries:					
Single family (1-4 units)	237	77	30	15	89
Home equity lines of credit	1,654	110	2,167	103	49
Multifamily (5+ units)	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Single family construction	—	—	—	—	—
Multifamily/commercial construction	—	—	—	—	—
Business	91	265	47	117	50
Stock secured	—	—	—	—	—
Other secured	—	—	—	—	—
Unsecured	425	130	95	29	131
Total recoveries	2,407	582	2,339	264	319
Net loan charge-offs	(4,634)	(2,976)	(647)	(1,852)	(1,723)
Balance at end of period	$ 496,104	$ 439,048	$ 365,932	$ 306,398	$ 261,058
Average total loans for the period	$82,138,263	$68,934,629	$56,864,796	$47,508,150	$40,640,098
Total loans at period end	$90,796,831	$75,865,282	$62,840,215	$52,008,317	$44,083,569
Total nonaccrual loans	$ 143,181	$ 46,465	$ 37,656	$ 49,020	$ 73,545
Ratios:					
Net charge-offs to:					
Average total loans	0.01%	0.00%	0.00%	0.00%	0.00%
Allowance for loan losses to:					
Total loans	0.55%	0.58%	0.58%	0.59%	0.59%
Nonaccrual loans	346.5%	944.9%	971.8%	625.0%	355.0%

The following tables present management's historical allocation of the allowance for loan losses by loan category to specific loans in those categories as a result of our loan review process at the dates indicated:

	December 31,					
	2019		2018		2017	
($ in thousands)	Amount	% of Loan Portfolio	Amount	% of Loan Portfolio	Amount	% of Loan Portfolio
Allocation of allowance for loan losses:						
Single family (1-4 units) and home equity lines of credit	$ 90,060	55%	$ 78,289	53%	$ 65,057	54%
Multifamily (5+ units)	105,763	14	80,134	14	67,605	14
Commercial real estate	61,550	8	54,907	9	52,268	10
Construction	20,576	3	17,760	3	13,271	3
Business	174,743	13	167,591	15	137,956	13
Stock secured	—	2	8,724	2	6,596	2
Other secured	8,277	2	8,301	1	7,850	1
Unsecured	35,135	3	23,342	3	15,329	3
Total	$496,104	100%	$439,048	100%	$365,932	100%

	December 31,			
	2016		2015	
($ in thousands)	Amount	% of Loan Portfolio	Amount	% of Loan Portfolio
Allocation of allowance for loan losses:				
Single family (1-4 units) and home equity lines of credit	$ 52,870	55%	$ 33,144	58%
Multifamily (5+ units)	53,373	13	25,416	12
Commercial real estate	48,880	11	24,690	10
Construction	10,935	3	4,862	3
Business	118,874	13	92,568	14
Stock secured	5,102	2	1,809	1
Other secured	5,822	1	6,610	1
Unsecured	10,542	2	6,918	1
Unallocated [(1)]	—	—	65,041	—
Total	$306,398	100%	$261,058	100%

(1) For periods after December 31, 2015, the unallocated qualitative reserve was allocated to the individual loan portfolios.

Mortgage Banking Activities

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

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

($ in thousands)	Year Ended December 31, 2019	2018	2017
Single family loans originated	$16,405,784	$10,784,654	$11,568,111
Loans sold:			
Flow sales:			
Agency	$ 85,945	$ 42,081	$ 131,111
Non-agency	50,983	172,077	309,482
Total flow sales	136,928	214,158	440,593
Bulk sales:			
Non-agency	152,119	773,041	2,436,584
Securitizations	—	251,931	—
Total loans sold	$ 289,047	$ 1,239,130	$ 2,877,177
Gain on sale of loans:			
Amount	$ 535	$ 5,616	$ 9,233
Gain as a percentage of loans sold	0.19%	0.45%	0.32%

The level of loan originations, loan sales and gain on loan sales depend upon market conditions and the interest rate environment, as well as our pricing and asset/liability management strategies. The lower level of gain on sale of loans in 2019 compared to a year ago was primarily the result of a lower volume of loans sold and lower margins. The level of future loan originations, loan sales and gain on loan sales will depend on overall credit availability, the interest rate environment, the strength of the general economy, local real estate markets and the housing industry, and conditions in the secondary loan sale market.

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

As of December 31, 2019, the Bank has an obligation to reimburse Freddie Mac for losses up to $30.2 million, or 12% of the multifamily loans securitized in 2018. As of December 31, 2019, the weighted average LTV of those loans was 55% based on the appraised value at the time of origination. The liability for estimated losses related to this reimbursement obligation was only $254,000 at December 31, 2019, and the Bank has experienced no cumulative losses through December 31, 2019. The remaining unpaid principal balance of multifamily loans securitized was $173.1 million at December 31, 2019, a decrease compared to $240.8 million at December 31, 2018.

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

($ in thousands)	At or for the Year Ended December 31, 2019	2018	2017
Loans serviced for others	$9,297,972	$11,573,326	$12,495,321
Loan servicing fees, net	$ 11,348	$ 13,302	$ 13,800

Mortgage loans serviced for investors decreased to $9.3 billion at December 31, 2019, from $11.6 billion at December 31, 2018, due to repayments in the servicing portfolio exceeding loan sales over the past twelve months. MSRs are recognized as separate assets on our balance sheet and are reported at the lower of amortized cost or fair value. At December 31, 2019, MSRs were $41.7 million (45 basis points of loans serviced), compared to $54.5 million (47 basis points of loans serviced) at December 31, 2018.

Our loan origination policies and consistent underwriting standards have resulted in a low historical loan loss experience on single family loans sold in the secondary market. Since our inception in 1985, we have experienced cumulative net loan losses of only $9.6 million on single family loans sold. At December 31, 2019, single family loans serviced for investors that are 90 days or more past due were $6.8 million, or 8 basis points of such loans serviced.

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 December 31, 2019, our total deposits were $90.1 billion, a 14% increase from $79.1 billion at December 31, 2018, as we continued to expand relationships with existing clients and acquire new deposit clients, both business and consumer. The following table presents the balances and average contractual cost of deposits:

	December 31, 2019		2018		2017	
($ in thousands)	Amount	Weighted Ave. Cost	Amount	Weighted Ave. Cost	Amount	Weighted Ave. Cost
Checking	$52,821,124	0.05%	$47,123,178	0.04%	$43,680,014	0.04%
Money market checking	12,790,707	1.09%	10,317,436	1.13%	9,251,504	0.52%
Money market savings and passbooks	10,586,355	0.85%	10,245,107	0.73%	8,752,396	0.30%
CDs	13,935,060	1.94%	11,377,515	2.05%	7,234,794	1.37%
Total	$90,133,246	0.58%	$79,063,236	0.56%	$68,918,708	0.28%

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 $81.4 billion and $72.6 billion at December 31, 2019 and 2018, respectively, and represented 90% of total deposits at December 31, 2019, compared to 92% at December 31, 2018. At December 31, 2019, total deposits included $2.9 billion of brokered deposits, an increase from $1.7 billion at December 31, 2018. At December 31, 2019, brokered deposits primarily consist of brokered CDs. The weighted average contractual rate paid on brokered CDs was 1.89% and 2.37% at December 31, 2019 and 2018, respectively.

Our deposit base consists of: (1) Preferred Banking deposits, which are placed by clients who enter into deposit relationships directly with a relationship manager, business banker, preferred banker or wealth management professional; (2) deposits from Preferred Banking Offices, which are retail locations that gather

deposits and service all of our clients; (3) wealth management sweep deposits, which primarily consist of deposits swept from clients' brokerage or other investment accounts; and (4) other deposits, which primarily consist of brokered deposits, municipal deposits, and other deposits that are not attributable to any specific deposit location.

The following table presents deposits by channel, and by region in which the accounts are domiciled:

($ in thousands)	December 31, 2019	December 31, 2018
Preferred Banking:		
Northern California	$23,110,274	$18,761,256
Metropolitan New York	14,432,673	12,144,755
Southern California	6,972,677	6,171,983
Boston	7,213,012	8,300,381
Subtotal	51,728,636	45,378,375
Preferred Banking Offices:		
Northern California	16,710,704	15,485,330
Metropolitan New York	5,179,643	5,088,101
Southern California	4,170,492	3,666,699
Boston	1,752,376	1,575,127
Subtotal	27,813,215	25,815,257
Wealth management sweep	5,579,478	4,503,092
Other	5,011,917	3,366,512
Total deposits	$90,133,246	$79,063,236

The following table presents business and consumer deposits:

($ in thousands)	December 31, 2019	December 31, 2018
Business deposits:		
Checking	$36,383,549	$31,780,639
Money market checking	7,930,337	6,541,418
Money market savings	4,585,428	4,196,184
CDs	2,014,152	1,740,940
	50,913,466	44,259,181
Consumer deposits:		
Checking	16,437,575	15,342,539
Money market checking	4,860,370	3,776,018
Money market savings and passbooks	6,000,927	6,048,923
CDs	11,920,908	9,636,575
	39,219,780	34,804,055
Total	$90,133,246	$79,063,236

We fund a portion of our assets with CDs that have balances greater than $250,000. At December 31, 2019 and 2018, our CDs having balances greater than $250,000 totaled $5.8 billion and $4.8 billion, respectively. The following table presents the maturities of our CDs greater than $250,000:

($ in thousands)	December 31, 2019
Remaining maturity:	
Three months or less	$2,823,530
Over three through six months	1,052,604
Over six through twelve months	1,572,744
Over twelve months	370,649
Total	$5,819,527
Percent of total deposits	6%

At December 31, 2019 and 2018, the weighted average contractual rate paid on CDs was 1.94% and 2.05%, respectively, and the weighted average remaining maturity of CDs was 5.4 months and 9.1 months at the same respective period ends. The contractual maturities and weighted average contractual rate of our CDs were as follows:

	December 31, 2019	
($ in thousands)	Amount	Rate
Certificates of deposit maturing in:		
2020	12,883,035	1.93%
2021	609,744	1.95%
2022	175,877	2.11%
2023	91,187	2.39%
2024	140,445	2.54%
2025 and thereafter	34,772	2.67%
Total	$13,935,060	1.94%

Other Funding

Other sources of funding include federal funds purchased, short-term and long-term FHLB advances and unsecured, term, fixed-rate senior notes and subordinated notes. Short-term borrowings, which include federal funds purchased and short-term FHLB advances, have an original maturity of one year or less. Long-term debt, which include long-term FHLB advances, senior notes and subordinated notes, have an original maturity in excess of one year.

As of December 31, 2019, we had short-term borrowings of $800.0 million, which consisted of $450.0 million in federal funds purchased and $350.0 million in short-term FHLB advances.

FHLB Advances

FHLB advances may be either adjustable-rate in nature or fixed for a specific term. Our long-term, laddered maturity, fixed-rate FHLB advances as of December 31, 2019 were $12.2 billion. The weighted average remaining maturity of long-term FHLB advances was 1.3 years at December 31, 2019. The following table presents the contractual maturities and weighted average contractual rate of our long-term FHLB advances:

($ in thousands)	December 31, 2019 Amount	December 31, 2019 Rate
FHLB advances maturing in:		
2020	$ 3,950,000	2.25%
2021	6,250,000	2.16%
2022	2,000,000	1.70%
Total	$12,200,000	2.11%

Senior Notes and Subordinated Notes

The following table presents the carrying values, coupon rates and maturity dates of the Bank's unsecured, term, fixed-rate senior notes and subordinated notes outstanding as of December 31, 2019. The 2.375% fixed-rate senior notes issued in June 2014 of $400.0 million matured in the second quarter of 2019, and, therefore, were no longer outstanding as of December 31, 2019.

($ in thousands)	December 31, 2019 Carrying Value [(1)]	Rate	Maturity Date
Senior notes:			
Fixed rate, issued June 2017	$497,719	2.500%	June 2022
Subordinated notes:			
Fixed rate, issued August 2016	$388,039	4.375%	August 2046
Fixed rate, issued February 2017	$389,846	4.625%	February 2047

(1) Principal balance, net of unamortized issuance discounts and deferred issuance costs.

Available Borrowing Capacity

Our unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window at December 31, 2019 was $22.0 billion and $3.2 billion, respectively. This available borrowing capacity is supported by pledged loans at the FHLB and investment securities at the Federal Reserve Bank. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk Management" for additional information regarding our funding practices.

Commitments and Contractual Obligations

In the ordinary course of business, we enter into transactions that involve financial instruments with off-balance sheet risks, to meet the financing needs of our clients. These financial instruments include conditional commitments to originate loans, commitments to disburse additional funds on existing loans and lines of credit, and commitments issued under standby letters of credit. Such instruments involve elements of credit risk and interest rate risk. Since commitments may expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements. See Note 16 in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Bank's lending commitments.

In addition to the commitments described above, the Bank enters into other contractual obligations in the ordinary course of business. Certain of these obligations, such as deposits, FHLB advances, senior notes, subordinated notes and unfunded commitments on tax credit investments and other investments, are recorded as liabilities in the consolidated financial statements. The Bank also has obligations agreements to purchase goods or services, which are off-balance sheet obligations. As discussed in Note 1 in "Item 8. Financial Statements and Supplementary Data," the Bank adopted ASC 842, "Leases," effective January 1, 2019, which resulted in the Bank recording its off-balance sheet obligations for leases on its consolidated balance sheet beginning in 2019.

As discussed in Note 16 in "Item 8. Financial Statements and Supplementary Data," in connection with the securitization of loans with Freddie Mac, the Bank has an obligation to reimburse Freddie Mac for losses up to $30.2 million, or 12% of the multifamily loans securitized. At December 31, 2019, the liability for estimated losses related to the reimbursement obligation was $254,000.

The following table presents information regarding our significant contractual obligations at December 31, 2019, and expected settlement or maturity dates for these obligations. Deposit obligations categorized as "indeterminate maturity" include noninterest-bearing checking accounts, interest-bearing checking accounts, money market checking accounts, money market savings accounts and passbook accounts.

	Contractual Payments by Period					
($ in thousands)	Less Than 1 Year	1 to 3 Years	>3 to 5 Years	> 5 Years	Indeterminate Maturity	Total
Deposits	$12,883,035	$ 785,621	$231,632	$ 34,772	$76,198,186	$90,133,246
Federal funds purchased	450,000	—	—	—	—	450,000
FHLB advances	4,300,000	8,250,000	—	—	—	12,550,000
Senior notes	—	497,719	—	—	—	497,719
Subordinated notes	—	—	—	777,885	—	777,885
Unfunded commitments—tax credit investments	169,347	146,426	9,233	48,998	—	374,004
Unfunded commitments—other investments	4,045	6,817	4,500	6,483	—	21,845
Lease liabilities	117,851	221,778	202,521	478,663	—	1,020,813
Purchase obligations	$ 43,809	$ 61,613	$ 17,101	$ 16,223	$ —	$ 138,746

See Notes 7, 9, 12 and 13 in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the contractual obligations for tax credit investments, leases, deposits and borrowings presented in the table above.

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 December 31, 2019, our investment securities portfolio of $18.4 billion and cash and cash equivalents of $1.7 billion collectively comprised 17% of total assets. At December 31, 2019, assets that are considered HQLA, including eligible cash, were $14.5 billion. HQLA include $7.2 billion of municipal securities.

At December 31, 2019, we had $22.0 billion of unused, available borrowing capacity at the FHLB supported by pledged loans. In addition, we had $3.2 billion of unused, available borrowing capacity at the Federal Reserve Bank discount window collateralized by pledged investment securities. This unused, available borrowing capacity at the FHLB and the Federal Reserve Bank discount window equaled 22% 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 2019, our loan originations and purchases, net of repayments, were $15.6 billion. This activity was primarily funded by a net increase in deposits of $11.1 billion, a net increase in FHLB advances of $3.8 billion, and a net increase in federal funds purchased of $450.0 million. In addition, during 2019, we issued 2,000,000 shares of common stock in an "at-the-market" offering, which added $170.6 million to equity. We also completed an underwritten public offering of 4.70% Noncumulative Perpetual Series J Preferred Stock, which added $382.5 million to equity. During 2019, our 2.375% fixed-rate senior notes issued in June 2014 of $400.0 million were repaid at maturity, and we redeemed all of the outstanding shares of our 5.50% Noncumulative Perpetual Series D Preferred Stock, which totaled $190.0 million.

At December 31, 2019, we had $450.0 million in federal funds purchased and $350.0 million in short-term FHLB advances outstanding. We generally 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 fluctuations.

We primarily sell single family mortgage loans in the secondary market directly to a variety of investors. We originate single family mortgages in part to attract new clients for other banking and wealth management services. Selling mortgages allows us to originate more loans without growing our balance sheet loan portfolio and creating the need for additional funding and capital. All loans sold are performing loans and meet all underwriting standards required by us and the secondary market. We sold $289.0 million of loans during 2019.

Capital Resources

The Bank maintains capital levels to satisfy regulatory capital requirements and support asset growth. As described in "Item 1. Business—Supervision and Regulation—Capital Requirements," the Basel III Capital Rules determine the components of regulatory capital and the approach for risk weighting assets.

The following table represents the components of our regulatory capital:

	December 31,	
($ in thousands)	**2019**	**2018**
Shareholders' equity	$ 9,851,107	$8,677,777
CET1 capital adjustments and deductions:		
Preferred stock	(1,145,000)	(940,000)
Goodwill and other intangible assets, net of deferred taxes	(216,742)	(260,077)
Deferred tax assets that arise from net operating loss and tax credit carryforwards, net of deferred tax liabilities	(113,042)	(117,086)
Accumulated other comprehensive (income) loss	(5,131)	19,383
CET1 capital	8,371,192	7,379,997
Preferred stock	1,145,000	940,000
Additional Tier 1 capital	1,145,000	940,000
Tier 1 capital	9,516,192	8,319,997
Tier 2 capital instruments—subordinated notes [1]	777,885	777,475
Qualifying allowance for loan losses [2]	508,132	452,266
Tier 2 capital	1,286,017	1,229,741
Total risk-based capital	$10,802,209	$9,549,738

(1) Subordinated notes mature in 2046 and 2047.
(2) Includes the reserve for unfunded commitments.

At December 31, 2019 and 2018, the Bank's noncumulative perpetual preferred stock was 12% and 11% of Tier 1 capital, respectively.

During 2019, the Bank issued 2,000,000 shares of common stock in an "at-the-market" offering, which added $170.6 million to common equity. In addition, the Bank redeemed all of the outstanding shares of its 5.50% Noncumulative Perpetual Series D Preferred Stock, which totaled $190.0 million. The Bank also issued 4.70% Noncumulative Perpetual Series J Preferred Stock, which added $382.5 million to equity.

A "capital conservation buffer" of 2.5% of risk-weighted assets is also required under the Basel III Capital Rules. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a CET1 capital ratio above the minimum requirement but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall and "eligible retained income" (that is, net income for the four calendar quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income).

Our capital ratios exceeded all applicable regulatory requirements at December 31, 2019 for well-capitalized institutions, and our capital conservation buffer exceeded the minimum requirement of 2.5%. The following table presents our capital ratios and regulatory requirements:

	Actual		Regulatory Requirements		
	December 31,		Well-Capitalized Ratio	Minimum Capital Ratio	Minimum Capital Conservation Buffer [1]
($ in thousands)	2019	2018			
Capital Ratios					
Tier 1 leverage ratio (Tier 1 capital to average assets)	8.39%	8.68%	5.00%	4.00%	—%
CET1 capital to risk-weighted assets	9.86%	10.38%	6.50%	4.50%	2.50%
Tier 1 capital to risk-weighted assets	11.21%	11.70%	8.00%	6.00%	2.50%
Total capital to risk-weighted assets	12.73%	13.43%	10.00%	8.00%	2.50%
Regulatory Capital [2]					
CET1 capital	$ 8,371,192	$ 7,379,997			
Tier 1 capital	$ 9,516,192	$ 8,319,997			
Total capital	$ 10,802,209	$ 9,549,738			
Assets [2]					
Average assets	$113,403,507	$95,905,266			
Risk-weighted assets	$ 84,885,943	$71,116,459			

(1) As of December 31, 2019, our capital conservation buffer was 4.73%, which exceeded the minimum requirement of 2.5% required to be held by banking institutions.

(2) As defined by regulatory capital rules.

Item 7A. 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 primarily occurs when interest-earning assets and interest-bearing liabilities mature or reprice at different times, on a different basis or in unequal amounts. The Bank's Board of Directors approves policies and limits governing the management of interest rate risk at least annually. Our Asset Liability Management ("ALM") and Investment Committees further establish risk management guidelines and procedures within the broader policies and limits established by the Bank's Board of Directors. Compliance with these policies and limits is reported to the Bank's Board of Directors on an ongoing basis and decisions on the management of interest rate risk are made as needed. We utilize a variety of interest rate risk management tools to evaluate our interest rate risk.

We 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, laddered maturity fixed-rate FHLB advances and unsecured, term, fixed-rate senior notes and subordinated notes. We may also utilize overnight and short-term borrowings to fund certain short-term assets, such as loans that have been committed for sale and floating rate investments, or to bridge temporary funding needs, such as those resulting from client investment activity or seasonal deposit fluctuations. As an active and ongoing part of our ALM strategy, we may sell long-term fixed-rate single family mortgage loans into the secondary market through ongoing, or "flow," transactions. We may also sell portions of our single family hybrid ARM and fixed-rate loans in bulk loan transactions or securitizations. We sold $289.0 million of loans in 2019.

In addition to the mix and pricing of interest-earning assets and interest-bearing liabilities, our net interest income and net interest margin may also be affected by factors such as competition, market conditions, levels of loan sales and repayment rates, levels of cash held on the balance sheet, overall growth of assets and liabilities, general interest rate trends, including movements in interest rates and the shape of the yield curve, basis risk, level and cost of FHLB advances, market rates of new capital or debt offerings and any nonaccrual loans. Our net interest margin may also be affected by our overall business model or strategy.

There is also interest rate risk inherent in the estimated fair value of our MSRs. Movements in interest rates affect the servicing fees from MSRs, which are recorded in noninterest income as opposed to net interest income. In a decreasing interest rate environment, loans in the servicing portfolio may repay more rapidly, which reduces current and future servicing income. Inversely, in an increasing interest rate environment, repayments may decrease, which increases expected future servicing income.

Balance Sheet Overview

Our net interest income and net interest margin may be affected by the mix of interest-earning assets and interest-bearing liabilities. The Bank has earning assets with reset periods or maturity of less than one year totaling $28.6 billion, or 26% of total earning assets at December 31, 2019. Of these earning assets, the Bank has loans, including loans held for sale, which are currently adjustable and reprice with indices or mature within one year totaling $26.2 billion, or 29% of the total loan portfolio at December 31, 2019. The loan portfolio that reprices at least quarterly to market rate indices, such as Prime or LIBOR, totaled $16.7 billion, or 18% of the total loan portfolio at December 31, 2019. The loan portfolio with lagging indices, such as COFI and the CMT, totaled $6.2 billion, or 7% of the total loan portfolio at December 31, 2019. Additionally, the loan portfolio that either (1) matures within one year; (2) is within one year of adjusting from the initial fixed-rate period; or (3) is committed for sale totaled $3.2 billion, or 4% of the total loan portfolio at December 31, 2019. In addition, at

December 31, 2019, the Bank held $1.3 billion in cash and $1.1 billion in investment securities (collectively, 12% of total cash and investment securities), that reprice to market rates at least quarterly or are callable in less than one year.

Total checking deposits were $52.8 billion, or 59% of total deposits at December 31, 2019. Total checking deposits include both noninterest-bearing checking accounts and interest-bearing checking accounts, which currently pay a nominal rate of 5 basis points, but exclude money market checking accounts. We do not expect the rate paid on interest-bearing checking deposits to fluctuate much with changes in overall interest rates, consistent with our history. The rates paid on money market savings, money market checking and passbook deposit accounts generally move directionally with changes in short-term prevailing interest rates and may be subject to competitive pricing pressure. Money market savings, money market checking and passbook deposit accounts together totaled $23.4 billion, or 26% of total deposits at December 31, 2019. CDs were $13.9 billion, or 15% of total deposits and had a weighted average remaining maturity of 5.4 months at December 31, 2019.

We utilize long-term FHLB advances as a source of fixed-rate, term funding to help manage our overall interest rate risk. Such advances totaled $12.2 billion at December 31, 2019 and had a weighted average remaining maturity of 1.3 years. In addition, the Bank has also issued unsecured, term, fixed-rate senior notes and unsecured, term, fixed-rate subordinated notes. At December 31, 2019, the senior notes had a carrying value of $497.7 million and mature in June 2022. Also, at December 31, 2019, the subordinated notes had a carrying value of $777.9 million and mature in August 2046 and February 2047.

Net Interest Income Simulation

In addition to evaluating our current balance sheet, we also perform more simulations to measure and evaluate our potential net interest income exposure to changes in interest rates. Based on the results of such analysis, we may decide to make changes in our asset/liability mix, to draw down short or long-term advances with the FHLB, to issue long-term senior notes or long-term subordinated notes, to sell loans, to enter into interest rate exchange agreements or to otherwise seek to better protect ourselves against potential adverse effects from changes in interest rates.

We use a simulation model to measure and evaluate potential changes in our net interest income. We run various hypothetical interest rate scenarios at least quarterly and compare these results against a scenario with no changes in interest rates. Our net interest income simulation model incorporates various assumptions, which management believes to be reasonable but which may have a significant impact on results, such as: (1) the timing and magnitude of changes in interest rates, (2) the yield curve evolution and shape, (3) repricing and maturing characteristics, other than contractual, for market rate sensitive instruments, (4) non-interest bearing checking deposit balance behavior and the possibility of shifts in preference towards interest-bearing products, (5) varying sensitivities of financial instruments due to differing underlying rate indices, (6) loan prepayment speeds for different interest rate scenarios, (7) the effect of interest rate floors, periodic loan caps and lifetime loan caps, (8) the levels of cash held on our balance sheet and (9) overall growth, product mix and repayment rates of assets and liabilities. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a precise forecast of the actual effect of a change in market interest rates on our results, but rather as a means to better understand the direction and magnitude of interest rate risk exposure and plan and execute the appropriate ALM strategies.

Potential changes to our net interest income in hypothetical rising and declining rate scenarios, measured over a two-year period beginning December 31, 2019, are presented in the following table. The projections assume both (a) instantaneous parallel shifts upward of 100 and 200 basis points and instantaneous parallel shifts downward of the yield curve of 100 and 200 basis points occurring immediately (“Shock”) and (b) gradual

parallel shifts upward and downward of the yield curve in even increments over the first twelve months, followed by rates held constant thereafter ("Ramp"). In downward shifts of the yield curve, interest rates are not modeled to decline lower than 0%.

	Estimated Increase (Decrease) in Net Interest Income	
Change in Market Interest Rates	**Twelve Months Ending December 31, 2020**	**Twelve Months Ending December 31, 2021**
Shock:		
+200 basis points immediately	(2.0)%	1.8%
+100 basis points immediately	(0.8)%	1.4%
-100 basis points immediately	(2.0)%	(6.5)%
-200 basis points immediately	(6.3)%	(16.9)%
Ramp:		
+200 basis points over next 12 months	(1.0)%	(0.4)%
+100 basis points over next 12 months	(0.5)%	0.2%
-100 basis points over next 12 months	(0.8)%	(4.1)%
-200 basis points over next 12 months	(2.5)%	(13.1)%

As of December 31, 2019, the Bank's short-term net interest income position is relatively neutral, indicating that parallel shifts in interest rates are estimated to be neither materially beneficial, nor materially detrimental to net interest income over the short term. Longer-term net interest income exposure remains mildly asset-sensitive.

With respect to deposit balances, we expect non-interest bearing and interest-bearing checking balances, which exclude money market checking, to migrate from the current level of 59% of total deposits to approximately 55% of total deposits over the two-year horizon, depicting a shift in preference by some account holders towards higher yielding deposit products.

Excluding certificates of deposit, the remaining deposits include money market checking, money market savings and passbook accounts and are assumed to reprice with a modest lag by approximately 71% of short-term interest rate increases or 65% of short-term rate decreases over the two-year period, which is also consistent with our historical experience.

The results of this earnings simulation analysis are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from our projections or theoretical scenarios, our net interest income might vary significantly. Non-parallel yield curve shifts, such as a steepening, flattening, or inversion of the yield curve or changes in interest rate spreads, would also cause our net interest income to be different from that depicted. Actual results could also differ from those projected if we grow assets and liabilities faster or slower than estimated, if we experience a net outflow of deposit liabilities, or if our mix of assets and liabilities otherwise changes materially. Actual results could also differ from those projected if we experience repayment speeds in our loan portfolio substantially different from those assumed in the simulation model.

Finally, these simulation results do not contemplate all the actions that we may undertake in response to potential or actual changes in interest rates, such as changes to our loan, investment, deposit, funding, or hedging strategies.

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.

FIRST REPUBLIC BANK
CONSOLIDATED BALANCE SHEETS

Item 8. Financial Statements and Supplementary Data

(in thousands, except share amounts)	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 1,699,557	$ 2,811,159
Debt securities available-for-sale	1,282,169	1,779,116
Debt securities held-to-maturity (fair value of $17,765,944 and $14,287,524 at December 31, 2019 and 2018, respectively)	17,147,633	14,436,973
Equity securities (fair value)	19,586	18,719
Loans	90,796,831	75,865,282
Less: Allowance for loan losses	(496,104)	(439,048)
Loans, net	90,300,727	75,426,234
Loans held for sale	23,304	98,985
Investments in life insurance	1,434,642	1,376,579
Tax credit investments	1,100,509	1,057,541
Premises, equipment and leasehold improvements, net	386,841	332,483
Goodwill and other intangible assets	235,269	273,974
Other assets	2,633,397	1,593,441
Total Assets	$116,263,634	$99,205,204
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing checking	$ 33,124,265	$30,033,658
Interest-bearing checking	19,696,859	17,089,520
Money market checking	12,790,707	10,317,436
Money market savings and passbooks	10,586,355	10,245,107
Certificates of deposit	13,935,060	11,377,515
Total Deposits	90,133,246	79,063,236
Short-term borrowings	800,000	100,000
Long-term FHLB advances	12,200,000	8,700,000
Senior notes	497,719	896,432
Subordinated notes	777,885	777,475
Other liabilities	2,003,677	990,284
Total Liabilities	106,412,527	90,527,427
Shareholders' Equity:		
Preferred stock, $0.01 par value per share; 25,000,000 shares authorized; 1,145,000 and 940,000 shares issued and outstanding at December 31, 2019 and 2018, respectively	1,145,000	940,000
Common stock, $0.01 par value per share; 400,000,000 shares authorized; 168,620,708 and 164,901,950 shares issued and outstanding at December 31, 2019 and 2018, respectively	1,686	1,649
Additional paid-in capital	4,214,915	4,024,306
Retained earnings	4,484,375	3,731,205
Accumulated other comprehensive income (loss)	5,131	(19,383)
Total Shareholders' Equity	9,851,107	8,677,777
Total Liabilities and Shareholders' Equity	$116,263,634	$99,205,204

See accompanying notes to consolidated financial statements.

FIRST REPUBLIC BANK
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

($ in thousands, except per share amounts)	Year Ended December 31, 2019	2018	2017
Interest income:			
Loans	$2,986,210	$2,442,469	$1,903,070
Investments	547,988	540,753	521,837
Other	21,446	25,187	14,861
Cash and cash equivalents	23,835	23,197	11,850
Total interest income	3,579,479	3,031,606	2,451,618
Interest expense:			
Deposits	500,557	290,040	134,786
Borrowings	314,755	240,458	165,369
Total interest expense	815,312	530,498	300,155
Net interest income	2,764,167	2,501,108	2,151,463
Provision for loan losses	61,690	76,092	60,181
Net interest income after provision for loan losses	2,702,477	2,425,016	2,091,282
Noninterest income:			
Investment management fees	359,332	341,539	282,868
Brokerage and investment fees	41,035	31,867	26,666
Insurance fees	12,708	10,090	5,555
Trust fees	16,549	14,633	13,658
Foreign exchange fee income	41,026	35,606	27,691
Deposit fees	26,071	24,974	22,633
Loan and related fees	19,819	15,713	13,012
Loan servicing fees, net	11,348	13,302	13,800
Gain on sale of loans	535	5,616	9,233
Gain (loss) on investment securities	(3,436)	5,202	(833)
Income from investments in life insurance	45,570	40,670	37,874
Other income	6,663	4,233	8,304
Total noninterest income	577,220	543,445	460,461
Noninterest expense:			
Salaries and employee benefits	1,245,526	1,109,228	930,908
Information systems	273,337	241,752	208,625
Occupancy	192,678	152,258	136,746
Professional fees	68,099	60,058	56,950
Advertising and marketing	65,961	60,463	48,398
FDIC assessments	38,759	58,122	55,792
Other expenses	262,101	234,838	202,122
Total noninterest expense	2,146,461	1,916,719	1,639,541
Income before provision for income taxes	1,133,236	1,051,742	912,202
Provision for income taxes	202,907	197,914	154,542
Net income	930,329	853,828	757,660
Dividends on preferred stock	49,070	57,725	58,040
Net income available to common shareholders	$ 881,259	$ 796,103	$ 699,620
Net income	$ 930,329	$ 853,828	$ 757,660
Other comprehensive income (loss), net of tax:			
Net unrealized gain on securities transferred from held-to-maturity to available-for-sale	—	12,305	—
Net unrealized gain (loss) on securities available-for-sale	22,217	(8,518)	(10,564)
Reclassification of (gain) loss on securities available-for-sale to net income	3,021	(17,078)	1,359
Amortization of unrealized gain on securities transferred from available-for-sale to held-to-maturity	(724)	(1,070)	(974)
Other comprehensive income (loss)	24,514	(14,361)	(10,179)
Comprehensive income	$ 954,843	$ 839,467	$ 747,481
Basic earnings per common share	$ 5.25	$ 4.89	$ 4.44
Diluted earnings per common share	$ 5.20	$ 4.81	$ 4.31

See accompanying notes to consolidated financial statements.

FIRST REPUBLIC BANK
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(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, 2016	**154,292,487**	**$1,139,525**	**$1,543**	**$3,301,705**	**$2,459,540**	**$ 6,339**	**$6,908,652**
Net income	—	—	—	—	757,660	—	757,660
Other comprehensive loss	—	—	—	—	—	(10,179)	(10,179)
Issuance of preferred stock, net	—	200,000	—	(6,325)	—	—	193,675
Redemption of preferred stock	—	(349,525)	—	—	—	—	(349,525)
Issuance of common stock, net	5,375,000	—	54	508,853	—	—	508,907
Stock compensation expense	—	—	—	75,245	—	—	75,245
Net issuance of common stock under stock plans	2,028,316	—	20	(100,565)	—	—	(100,545)
Dividends on preferred stock (see Note 17)	—	—	—	—	(58,040)	—	(58,040)
Dividends on common stock ($0.67/share)	—	—	—	—	(107,549)	—	(107,549)
Balance at December 31, 2017	**161,695,803**	**990,000**	**1,617**	**3,778,913**	**3,051,611**	**(3,840)**	**7,818,301**
Cumulative adjustments from adoption of new accounting guidance	—	—	—	—	1,334	(1,182)	152
Balance at January 1, 2018	**161,695,803**	**990,000**	**1,617**	**3,778,913**	**3,052,945**	**(5,022)**	**7,818,453**
Net income	—	—	—	—	853,828	—	853,828
Other comprehensive loss	—	—	—	—	—	(14,361)	(14,361)
Issuance of preferred stock, net	—	300,000	—	(9,840)	—	—	290,160
Redemption of preferred stock	—	(350,000)	—	—	—	—	(350,000)
Issuance of common stock, net	2,000,000	—	20	200,553	—	—	200,573
Stock compensation expense	—	—	—	93,134	—	—	93,134
Net issuance of common stock under stock plans	1,206,147	—	12	(38,454)	—	—	(38,442)
Dividends on preferred stock (see Note 17)	—	—	—	—	(57,725)	—	(57,725)
Dividends on common stock ($0.71/share)	—	—	—	—	(117,843)	—	(117,843)
Balance at December 31, 2018	**164,901,950**	**940,000**	**1,649**	**4,024,306**	**3,731,205**	**(19,383)**	**8,677,777**
Net income	—	—	—	—	930,329	—	930,329
Other comprehensive income	—	—	—	—	—	24,514	24,514
Issuance of preferred stock, net	—	395,000	—	(12,496)	—	—	382,504
Redemption of preferred stock	—	(190,000)	—	—	—	—	(190,000)
Issuance of common stock, net	2,000,000	—	20	170,565	—	—	170,585
Stock compensation expense	—	—	—	104,376	—	—	104,376
Net issuance of common stock under stock plans	1,718,758	—	17	(71,836)	—	—	(71,819)
Dividends on preferred stock (see Note 17)	—	—	—	—	(49,070)	—	(49,070)
Dividends on common stock ($0.75/share)	—	—	—	—	(128,089)	—	(128,089)
Balance at December 31, 2019	**168,620,708**	**$1,145,000**	**$1,686**	**$4,214,915**	**$4,484,375**	**$ 5,131**	**$9,851,107**

See accompanying notes to consolidated financial statements.

FIRST REPUBLIC BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in thousands)	Year Ended December 31, 2019	2018	2017
Operating Activities:			
Net income	$ 930,329	$ 853,828	$ 757,660
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	61,690	76,092	60,181
Depreciation, amortization and accretion, net	124,287	97,578	75,685
Amortization of mortgage servicing rights	13,352	16,785	16,269
Provision for mortgage servicing rights in excess of fair value	1,863	—	—
Deferred income taxes	(69,830)	(92,598)	8,516
Gain on sale of loans	(535)	(5,616)	(9,233)
(Gain) loss on investment securities	3,436	(5,202)	833
Noncash cost of stock plans	104,376	93,134	75,245
Other net (gains) losses	2,473	—	(3,798)
Loans originated or purchased for sale	(570,165)	(215,354)	(501,420)
Proceeds from sales and principal repayments of loans held for sale	137,207	274,870	525,247
(Increase) decrease in other assets	40,218	(79,958)	(113,170)
Increase in other liabilities	159,810	97,645	120,123
Net Cash Provided by Operating Activities	938,511	1,111,204	1,012,138
Investing Activities:			
Loan originations, net of principal collections	(14,959,280)	(13,804,816)	(12,854,842)
Loans purchased	(58,902)	(635,438)	(289,301)
Loans sold	151,256	1,000,050	2,382,883
Purchases of securities available-for-sale	(401,242)	—	(749,353)
Proceeds from sales, maturities and paydowns of securities available-for-sale	1,366,044	3,066,877	554,337
Purchases of securities held-to-maturity	(4,493,638)	(906,358)	(3,748,173)
Proceeds from sales, maturities and paydowns of securities held-to-maturity	1,783,595	530,518	738,620
Purchases of FHLB stock and other investments	(332,876)	(151,499)	(121,500)
Proceeds from redemptions of FHLB stock	238,173	138,409	—
Purchases of investments in life insurance	(23,147)	(5,000)	(19,630)
Net change in tax credit and other investments	(166,059)	(160,887)	(210,429)
Additions to premises, equipment and leasehold improvements, net	(167,941)	(133,875)	(166,706)
Proceeds from sale of subsidiary	29,265	—	—
Net Cash Used for Investing Activities	(17,034,752)	(11,062,019)	(14,484,094)
Financing Activities:			
Net increase in deposits	11,070,161	10,138,457	10,316,133
Net increase in short-term borrowings	700,000	—	—
Proceeds from long-term debt	7,050,000	3,300,000	4,743,328
Repayment of long-term debt	(3,950,000)	(2,900,000)	(1,450,000)
Payment of long-term debt issuance costs	—	—	(8,510)
Decrease in debt related to variable interest entities	—	—	(25,973)
Net proceeds from issuance of preferred stock	382,504	290,160	193,675
Net proceeds from issuance of common stock	170,585	200,573	508,907
Redemption of preferred stock	(190,000)	(350,000)	(349,525)
Proceeds from employee stock purchase plan and stock options exercised	18,178	12,934	10,665
Payments of employee taxes withheld from share-based awards	(89,630)	(51,603)	(111,856)
Dividends on preferred stock	(49,070)	(57,725)	(58,040)
Dividends on common stock	(128,089)	(117,843)	(107,549)
Net Cash Provided by Financing Activities	14,984,639	10,464,953	13,661,255
Increase (Decrease) in Cash and Cash Equivalents	(1,111,602)	514,138	189,299
Cash and Cash Equivalents at the Beginning of Period	2,811,159	2,297,021	2,107,722
Cash and Cash Equivalents at the End of Period	$ 1,699,557	$ 2,811,159	$ 2,297,021
Supplemental Disclosure of Cash Flow Items:			
Cash paid:			
Interest	$ 808,117	$ 516,784	$ 282,819
Income taxes	$ 155,315	$ 97,852	$ 95,163
Non-cash activities:			
Transfer of loans to held for sale	$ 80,513	$ 1,071,499	$ 2,098,167
Transfer of loans to securities available-for-sale	$ 424,037	$ 363,640	$ 234,699
Transfer of securities from held-to-maturity to available-for-sale	$ —	$ 2,096,497	$ —
Transfer of repossessed assets from loans to other assets	$ —	$ —	$ 1,930

See accompanying notes to consolidated financial statements.

FIRST REPUBLIC BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Basis of Presentation and Organization

First Republic Bank ("First Republic" or the "Bank") is a California-chartered commercial bank and trust company headquartered in San Francisco with deposits insured by the Federal Deposit Insurance Corporation ("FDIC"). First Republic has operated for 34 years and the current legal entity has been operating since July 1, 2010. Our consolidated financial statements include First Republic and the following wholly-owned subsidiaries: First Republic Investment Management, Inc. ("FRIM"), First Republic Securities Company, LLC ("FRSC"), First Republic Trust Company of Delaware LLC ("FRTC Delaware"), First Republic Trust Company of Wyoming, LLC ("FRTC Wyoming") and First Republic Lending Corporation ("FRLC"). Gradifi, Inc. ("Gradifi") was also a wholly-owned subsidiary of First Republic until it was sold on December 9, 2019. All significant intercompany balances and transactions have been eliminated.

Nature of Operations

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

First Republic originates real estate secured loans and other loans. Real estate secured loans are secured by single family residences, multifamily buildings, and commercial real estate properties and include loans to construct such properties. Most of the real estate loans that First Republic originates are secured by properties located close to one of its offices 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. Most of these loans are also made to borrowers in the geographic areas served by the Bank's offices.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("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, 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.

Investment Securities

The Bank's investments in marketable equity securities are measured at fair value with changes in fair value recognized in noninterest income. Any dividends received are recognized in interest income.

Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. Debt securities that the Bank might not hold until maturity are classified as available-for-sale and reported at fair value, with unrealized gains and losses, net of applicable taxes, excluded from earnings and reported as accumulated other comprehensive income, which is included in equity.

Premiums and discounts are amortized or accreted over the contractual life of the security as an adjustment to the yield using the interest method. Premiums on callable debt securities are amortized to the earliest call date. For certain types of securities, prepayments are considered in determining the effective yield of the individual security. Unrealized and realized gains and losses on securities are computed based on the cost basis of securities specifically identified.

The Bank conducts other-than-temporary impairment ("OTTI") analysis for its debt securities on a quarterly basis. The initial indicator of OTTI is a decline in the fair value below the amount recorded for an investment and the severity and duration of the decline. For a debt security for which there has been a decline in the fair value below amortized cost, the Bank recognizes OTTI if the Bank (1) has the intent to sell the security, (2) it is more likely than not that the Bank will be required to sell the security before recovery of its amortized cost basis, or (3) the Bank does not expect to recover the entire amortized cost basis of the security.

Estimating recovery of the amortized cost basis of a debt security is based upon an assessment of the cash flows expected to be collected. If the present value of the cash flows expected to be collected is less than the amortized cost, OTTI is considered to have occurred.

If the Bank intends to sell the debt security, or if it is more likely than not that the Bank will be required to sell the debt security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the amortized cost basis and the fair value of the security. For debt securities that are considered other-than-temporarily impaired that the Bank does not intend to sell or it is more likely than not that the Bank will not be required to sell before recovery, the OTTI write-down is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income. The measurement of the credit loss component is equal to the difference between the debt security's cost basis and the present value of its expected future cash flows discounted at the security's effective yield.

Loans

Loans are reported at their outstanding principal balances net of any charge-offs, unamortized deferred fees and costs on originated loans and premiums or discounts on purchased loans. Loan origination fees and direct loan origination costs are deferred and amortized as a yield adjustment over the contractual life of each loan using a level yield or straight-line methodology, depending upon the type of loan.

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. Loans are placed on nonaccrual status when principal or interest payments are 90 days or more past due, except for single family loans that are well secured and in the process of collection, or earlier when management determines that collection of principal or interest is unlikely. When a loan is placed on nonaccrual status, the Bank reverses accrued unpaid interest receivable against interest income and accounts for the loan on the cash or cost recovery method, until it qualifies for return to accrual status. The Bank may return a loan to accrual status when principal and interest payments are current, a satisfactory payment history is established and collectibility improves or the loan otherwise becomes well secured and is in the process of collection. The Bank promptly charges off loan balances that are deemed uncollectible.

Allowance for Loan Losses and Unfunded Commitments

The allowance for loan losses is the Bank's estimate of incurred credit losses inherent in its loans and unfunded commitments. The Bank reviews and adjusts the allowance for loan losses on a quarterly basis based on its two classes of loans: (1) non-impaired loans, which include both purchased and originated non-impaired loans and (2) impaired loans, which include both purchased and originated non-impaired loans that subsequently became impaired under Accounting Standards Codification ("ASC") 310-10-35, "Receivables—Subsequent Measurement."

Non-impaired loans are evaluated for estimated losses in accordance with ASC 450, "Contingencies." For non-impaired loans that are collectively evaluated, the Bank segments its portfolio into groups that have similar risk characteristics. For each group, credit losses inherent in the portfolio are estimated based on the Bank's historical loss experience during the look-back period, subject to adjustments for certain portfolio segments, to reflect the losses the Bank reasonably anticipates over the loss emergence period based on specific conditions at the time.

Under the provisions of ASC 310-10-35, a loan is considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Bank measures impairment of a loan that is collateral dependent based on the fair value of the underlying collateral, net of selling costs. For a loan that is not collateral dependent, the Bank measures impairment using the present value of expected future cash flows, discounted at the instrument's effective interest rate. If the fair value of the collateral or the present value of expected future cash flows is less than the recorded investment in the loan, the Bank recognizes impairment by recording a charge-off or creating a valuation allowance.

The Bank also maintains a qualitative 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.

The Bank records a reserve for unfunded commitments, which is based on the same loss factors as funded loans and also considers the probability of funding. The reserve is recorded as other liabilities in the consolidated balance sheets. Upon funding of the loan, any related reserve previously recorded on the unfunded amount is reversed and an allowance is subsequently recognized on the outstanding loan.

Refer to Note 4, "Loans and Allowance for Loan Losses," for additional discussion of the allowance for loan losses and unfunded commitments.

Other Real Estate Owned

Real estate acquired through foreclosure is carried at the lower of cost or fair value less costs to sell. Any declines in carrying value are recorded through an expense to the income statement and a charge to the valuation allowance. The Bank records costs related to holding real estate as expenses when incurred.

Investments in Life Insurance

The Bank initially records investments in life insurance at cost and subsequently adjusts the carrying value of the investment quarterly to its cash surrender value. The Bank recognizes the resulting income or loss in noninterest income.

Tax Credit Investments

The initial cost of the Bank's low income housing tax credit ("tax credit") investments is amortized over the life of the investment using a proportional amortization method. Under the proportional amortization method, amortization expense recognized each period is based on the amount of tax credits and other tax benefits for the period as a percentage of expected total tax credits and other tax benefits of the investment. Amortization expense is presented as a component of provision for income taxes on the consolidated statements of income. Tax credit investments are evaluated on a quarterly basis to determine if it is more likely than not that the carrying amount of the tax credit investments will not be realized through the future recognition of tax credits and other tax benefits. If it is more likely than not that future tax credits and other tax benefits will not be realized, an impairment loss is recorded.

Other Equity Securities

The Bank's investments in other equity securities are non-marketable. The Bank uses the equity method to account for these securities when it has the ability to exercise significant influence over the investee. These securities are measured at cost and adjusted for its share of the investee's earnings or losses, less impairment. When the Bank cannot exercise significant influence, these securities are measured at cost and adjusted for observable price changes of the same or similar investment, less impairment.

Selling and Servicing Loans

The Bank sells loans on a non-recourse basis to generate servicing income, to provide funds for additional lending and for asset/liability management purposes. Loans that are sold include loans originated for sale to investors under commitments executed prior to origination, existing loans that are sold through bulk sales and loans sold through securitizations. The Bank classifies loans as held for sale when the Bank has the intent to sell, is waiting on a pre-approved investor purchase or is negotiating with a specific investor for the sale of specific loans that meet selected criteria. Loans held for sale include net deferred loan fees or costs and are carried at the lower of aggregate cost or fair value.

The Bank recognizes a sale only when consideration is received and control is transferred to the buyer. The Bank retains the mortgage servicing rights ("MSRs") on substantially all loans sold. The Bank's class of servicing rights consists of loans sold that are secured by real estate. MSRs retained for loans sold are initially measured at fair value at the date of transfer and recorded as a component of the gain or loss on sale of loans in the consolidated statements of income.

To determine the fair value of MSRs, the Bank uses a valuation model that calculates the present value of estimated future net servicing income. The Bank uses assumptions in the valuation model that market participants use in estimating future net servicing income, including estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fees and ancillary income.

MSRs are reported at the lower of amortized cost or fair value. MSRs are amortized in proportion to and over the period of estimated net servicing income. To calculate the initial fair value of MSRs and, subsequently, to measure impairment, the Bank values MSRs by stratifying loans by the year they are sold, by product type (fixed, hybrid or adjustable) and interest rate coupon range. Hybrid loans are further stratified by their initial fixed-rate period. The Bank evaluates impairment of MSRs for a stratum periodically based on their current fair value, actual prepayment experience and other market factors. If the fair value of MSRs for a stratum is less than the amortized cost, the Bank records a provision for a valuation allowance. Subsequently, the Bank adjusts the valuation allowance for changes in fair value to the extent that fair value does not exceed the amortized cost. The Bank evaluates at least quarterly the recoverability of the valuation allowance on MSRs. If the Bank determines that a portion of the valuation allowance is unrecoverable, primarily due to loan prepayments, the Bank records a direct write-down by reducing both the amortized cost of MSRs for a stratum and the related valuation allowance.

Goodwill and Other Identifiable Intangible Assets

In accordance with ASC 805, “Business Combinations,” the Bank records the cost of acquisitions based on the estimated fair values of the assets acquired and liabilities and noncontrolling interests assumed at the acquisition date. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired.

In accordance with ASC 350-20, “Goodwill,” the Bank evaluates goodwill for impairment annually and on an interim basis if events or changes in circumstances indicate that its implied fair value is less than the carrying amount. Such an event or circumstance may include an adverse change in the business climate or market, a legal factor, an action by the regulators, introduction of or an increase in competition, or a loss of key personnel. In accordance with ASC 350-20, the Bank has the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount before applying the two-step goodwill impairment test. The qualitative factors considered include, but are not limited to, industry and market conditions and trends, the Bank’s financial performance and any Bank-specific events relevant to the assessment. If the assessment of qualitative factors indicates that it is not more likely than not that impairment exists, no further testing is performed. If there is an indication that impairment exists, a quantitative test is performed to determine whether the fair value of each reporting unit, including goodwill, is less than the carrying amount of the reporting unit. If the implied fair value of goodwill is less than its carrying amount, goodwill is considered impaired and an impairment loss is recognized as the amount by which the carrying amount of goodwill exceeds its implied fair value.

Identifiable intangible assets related to core deposits, wealth management customer relationships and trade name/trademark are reported as other intangible assets. Intangible assets associated with core deposits and wealth management customer relationships are amortized on an accelerated basis over their useful lives, not to exceed ten years, and are evaluated for impairment whenever circumstances indicate that the carrying amount may not be recoverable. In accordance with ASC 360-10, “Impairment or Disposal of Long-Lived Assets,” an impairment loss is recognized if the carrying amount is not recoverable and exceeds fair value. Intangible asset associated with trade name/trademark is considered to have an indefinite useful life and is evaluated for impairment annually, and on an interim basis if events or changes in circumstances indicate that its fair value is less than the carrying amount. ASC 350-30, “General Intangibles Other Than Goodwill,” allows the Bank the option to first

perform a qualitative assessment to determine whether the indefinite-lived intangible asset is impaired before determining its fair value. The qualitative factors considered include, but are not limited to, industry and market conditions and trends, the Bank's financial performance and any Bank-specific events relevant to the assessment. If the factors considered indicate that impairment exists, a quantitative test is performed and an impairment loss is recognized if the determined fair value is less than the carrying amount.

Premises, Equipment and Leasehold Improvements

Premises, equipment and leasehold improvements are recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets, which generally range from three to ten years, or the lease term, if the term is less than ten years.

Leases

Beginning in 2019, the Bank follows ASC 842, "Leases" and determines if an arrangement contains a lease at inception. Lease liabilities are recognized upon commencement based on the present value of lease payments over the lease term, discounted using the Bank's incremental borrowing rate at the commencement date. Corresponding lease assets are recognized at the liability amount adjusted for any direct incremental costs, prepaid lease payments and lease incentives received. Additionally, the Bank combines non-lease components with lease components in the measurement of its lease assets and liabilities. The lease assets and lease liabilities recognized on the Bank's consolidated balance sheet are operating leases. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease payments not included in the straight-line lease expense are expensed as incurred. Refer to "Accounting Standards Adopted in 2019" below and Note 9, "Leases" for further discussion.

Prior to 2019, operating leases were not recognized on the Bank's consolidated balance sheet. Operating lease expense for lease payments were recognized on a straight-line basis over the lease term in the Bank's consolidated statements of income.

Software

Software is recorded at cost, less accumulated amortization. Software includes both purchased software and capitalized costs associated with internally developed software. Amortization is calculated on a straight-line basis over the estimated useful life of the software, which ranges from three to ten years. Software is included in "Premises, equipment and leasehold improvements, net" in the consolidated balance sheets.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Bank records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, sources of taxable income in carryback periods and tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. The Bank will continue to evaluate the realizability of the deferred tax assets by assessing the need for a valuation allowance.

A tax position that meets the "more likely than not" recognition threshold is measured to determine the amount of benefits to recognize. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Interest and penalties are recognized as a component of income tax expense.

The Bank files a consolidated U.S. tax return and separate state and local tax returns.

Derivative Instruments and Hedging Activities

The Bank follows ASC 815, "Derivatives and Hedging," for the accounting and reporting of derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. On the date that the Bank enters into a derivative contract, the Bank designates the derivative contract as either a hedge of the fair value of a recognized asset or liability ("fair value" hedge), a hedge of the variability of cash flows related to a recognized asset or liability ("cash flow" hedge) or a contract that does not qualify for hedge accounting ("freestanding derivative"). The Bank records all derivatives at fair value as either other assets or other liabilities. The Bank accounts for changes in fair value of a derivative based on the designation, which is determined by its intended use. There were no fair value or cash flow hedges outstanding as of and for the years ended December 31, 2019, 2018 or 2017.

The Bank has freestanding derivative assets and liabilities, which consist of foreign exchange contracts executed with clients in which the Bank offsets the client exposure with another financial institution counterparty. The Bank does not retain significant foreign exchange risk or credit risk. In addition, the Bank has foreign exchange contracts associated with client deposits denominated in various foreign currencies. The Bank uses current market prices to determine the fair value of these contracts.

The Bank originates certain mortgage loans with the intention of selling these loans to investors. The Bank enters into commitments to originate the loans whereby the interest rate on the loan paid by the borrower is set prior to funding ("interest rate lock commitments"). Such interest rate lock commitments are accounted for as freestanding derivative instruments that do not qualify as hedges. However, the interest rate exposure is economically hedged by the forward loan sale commitment to the investor. The change in fair value of these freestanding derivatives is recognized in earnings.

The Bank does not conduct proprietary trading activities in derivative instruments for its own account.

Share-Based Compensation

The Bank follows ASC 718, "Compensation-Stock Compensation," in accounting for its stock compensation plan. The Bank has awarded stock options, restricted stock units, performance share units and restricted stock awards to its employees, officers and directors.

The Bank measures the compensation cost of stock options based on the fair value of the options at the grant date. Restricted stock units, performance share units and restricted stock awards are valued at the closing market price of the Bank's common stock at the date of grant. Compensation expense is recognized over the requisite service period, which is generally the vesting period of the awards.

Investment Management, Brokerage and Investment, Insurance, Trust, and Deposit Fees

Investment management fees, brokerage and investment fees, and trust fees are generally based upon the market value of assets under management or administration or the volume of transactions and are recorded on the accrual basis over the period in which the service is provided or the underlying transactions occur. Insurance fees

are based on the value and type of the policies sold and are recognized once the policy is in effect and upon annual renewal. Deposit fees are based on average account balances, type of account and transactions and are recognized over the period that services are provided. See Note 24, "Revenue from Contracts with Customers" for further discussion.

Accounting Standards Adopted in 2019

During the year ended December 31, 2019, the Bank adopted the following Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"):

ASU 2016-02—Leases (ASC 842) and subsequent related ASUs

The Bank adopted this guidance effective January 1, 2019. This guidance was adopted using a modified retrospective approach. The Bank elected to record a cumulative effect adjustment without adjusting prior period comparative financial statements. In addition, the Bank elected the package of transition practical expedients, which among other things, allowed the Bank to carry forward the classification of its leases.

Under ASC 842, lessees are required to recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset representing the right to use the underlying asset for the lease term on the balance sheet. The Bank recorded lease assets and liabilities of $578.5 million and $619.2 million, respectively, on its consolidated balance sheet effective January 1, 2019. There was no impact to the Bank's consolidated statement of cash flows upon adoption, since the net impact of all adjustments recorded upon transition, which totaled $535.6 million, represented non-cash activity. In addition, there was no cumulative effect adjustment recorded to retained earnings upon adoption.

ASC 842 also requires disclosure of both quantitative and qualitative information about the Bank's leases. See Note 9, "Leases," for these disclosures.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from the Federal Reserve Bank and commercial banks, and short-term investments such as federal funds sold or U.S. Treasury Bills with original maturity dates of ninety days or less. Amounts due from the Federal Reserve Bank include the minimum reserve balance the Bank is required to maintain. The Bank considers this reserve balance to be restricted.

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

	December 31,	
($ in thousands)	**2019**	**2018**
Cash and due from banks	$ 361,932	$ 342,528
Interest-bearing deposits with banks	1,337,625	2,468,631
Total cash and cash equivalents	$1,699,557	$2,811,159

Note 3. Investment Securities

The following tables present information related to available-for-sale debt securities, held-to-maturity debt securities, and equity securities measured at fair value:

($ in thousands)	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available-for-sale:				
Agency residential mortgage-backed securities (“MBS”)	$ 367,671	$ 2,801	$ (146)	$ 370,326
Other residential MBS	4,152	90	(2)	4,240
Agency commercial MBS	857,754	3,337	(938)	860,153
Securities of U.S. states and political subdivisions—taxable	47,281	169	—	47,450
Total	$ 1,276,858	$ 6,397	$ (1,086)	$ 1,282,169
Debt securities held-to-maturity:				
U.S. Government-sponsored agency securities	$ 368,065	$ 100	$ (1,723)	$ 366,442
Agency residential MBS	2,224,252	10,601	(9,373)	2,225,480
Agency commercial MBS	3,296,724	35,430	(6,508)	3,325,646
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	10,483,668	589,526	(9,169)	11,064,025
Tax-exempt nonprofit debentures	138,140	2,777	—	140,917
Taxable municipal securities	612,704	13,466	(6,141)	620,029
Corporate debt securities	24,080	—	(675)	23,405
Total	$17,147,633	$651,900	$(33,589)	$17,765,944

($ in thousands)	December 31, 2019
Equity securities (fair value):	
Mutual funds and marketable equity securities	$19,586

	December 31, 2018			
($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available-for-sale:				
Agency residential MBS	$ 26,608	$ 65	$ (578)	$ 26,095
Other residential MBS	4,581	—	(29)	4,552
Agency commercial MBS	1,731,293	847	(31,119)	1,701,021
Securities of U.S. states and political subdivisions—taxable	47,275	173	—	47,448
Total	$ 1,809,757	$ 1,085	$ (31,726)	$ 1,779,116
Debt securities held-to-maturity:				
U.S. Government-sponsored agency securities	$ 1,044,912	$ —	$ (33,588)	$ 1,011,324
Agency residential MBS	1,868,587	—	(69,487)	1,799,100
Agency commercial MBS	3,375,409	2,040	(136,597)	3,240,852
Securities of U.S. states and political subdivisions:				
Tax-exempt municipal securities	7,952,605	208,263	(125,725)	8,035,143
Tax-exempt nonprofit debentures	142,508	228	(2,910)	139,826
Taxable municipal securities	52,952	8,327	—	61,279
Total	$14,436,973	$218,858	$(368,307)	$14,287,524

($ in thousands)	December 31, 2018
Equity securities (fair value):	
Mutual funds and marketable equity securities	$18,719

The Bank pledges investment securities at the Federal Reserve Bank to maintain the ability to borrow at the discount window, or at a correspondent bank as collateral to secure trust funds and public deposits. At December 31, 2019, the carrying value of investment securities pledged was $3.23 billion, of which $3.18 billion was unencumbered and available to support additional borrowings.

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

	December 31, 2019						
	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
Debt securities available-for-sale:							
Agency residential MBS	$ (2)	$ 861	$ (144)	$ 9,513	$ (146)	$ 10,374	17
Other residential MBS	(2)	471	—	—	(2)	471	2
Agency commercial MBS	(504)	132,158	(434)	68,908	(938)	201,066	7
Total	$ (508)	$ 133,490	$ (578)	$ 78,421	$ (1,086)	$ 211,911	26
Debt securities held-to-maturity:							
U.S. Government-sponsored agency securities	$ (1,723)	$ 298,249	$ —	$ —	$ (1,723)	$ 298,249	6
Agency residential MBS	(1,330)	318,478	(8,043)	767,121	(9,373)	1,085,599	24
Agency commercial MBS	(950)	550,395	(5,558)	455,461	(6,508)	1,005,856	25
Securities of U.S. states and political subdivisions:							
Tax-exempt municipal securities	(9,169)	1,168,483	—	—	(9,169)	1,168,483	126
Taxable municipal securities	(6,141)	378,768	—	—	(6,141)	378,768	44
Corporate debt securities	(675)	23,405	—	—	(675)	23,405	4
Total	$(19,988)	$2,737,778	$(13,601)	$1,222,582	$(33,589)	$3,960,360	229

	December 31, 2018						
	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
Debt securities available-for-sale:							
Agency residential MBS	$ (8)	$ 1,266	$ (570)	$ 16,941	$ (578)	$ 18,207	23
Other residential MBS	(17)	4,021	(12)	531	(29)	4,552	3
Agency commercial MBS	(3,789)	784,939	(27,330)	689,386	(31,119)	1,474,325	35
Total	$ (3,814)	$790,226	$ (27,912)	$ 706,858	$ (31,726)	$1,497,084	61
Debt securities held-to-maturity:							
U.S. Government-sponsored agency securities	$ (592)	$ 57,908	$ (32,996)	$ 953,416	$ (33,588)	$1,011,324	39
Agency residential MBS	—	—	(69,487)	1,799,100	(69,487)	1,799,100	49
Agency commercial MBS	(5,084)	233,573	(131,513)	2,716,170	(136,597)	2,949,743	82
Securities of U.S. states and political subdivisions:							
Tax-exempt municipal securities	(9,429)	644,391	(116,296)	2,206,671	(125,725)	2,851,062	309
Tax-exempt nonprofit debentures	(1,167)	57,918	(1,743)	19,240	(2,910)	77,158	4
Total	$(16,272)	$993,790	$(352,035)	$7,694,597	$(368,307)	$8,688,387	483

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 debt 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.

U.S. Government-Sponsored Agency Securities. At December 31, 2019, the unrealized losses on the Bank's investments in U.S. Government-sponsored agency securities are primarily due to movement in market interest rates and spreads since the securities were purchased and are not due to credit losses, given the explicit or implicit guarantees provided by agencies of the U.S. Government. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

Agency Residential MBS and Agency Commercial MBS. At December 31, 2019, the unrealized losses on the Bank's investments in agency residential MBS and agency commercial MBS are primarily due to movement in market interest rates and spreads since the securities were purchased and are not due to credit losses, given the explicit or implicit guarantees provided by the U.S. Government or agencies of the U.S. Government. The Bank expects to continue to receive all contractual principal and interest payments. Therefore, the Bank does not consider these investments to be other-than-temporarily impaired.

Tax-Exempt and Taxable Municipal Securities. At December 31, 2019, the unrealized losses on the Bank's investments in tax-exempt and taxable municipal securities are primarily due to increases in market interest rates since the securities were purchased and are not due to the credit quality of the securities. The Bank monitors these securities regularly to determine if any changes in ratings have occurred and conducts its internal credit analysis to determine if the issuer has experienced any change in financial condition that may result in a potential loss of the contractual principal and interest payments. The Bank expects to continue to receive all contractual principal and interest payments.

At both December 31, 2019 and 2018, there were no other-than-temporary impairment charges on debt securities recognized in accumulated other comprehensive income (loss). In addition, there were no other-than-temporary impairment charges on debt securities recognized in earnings during 2019, 2018 or 2017.

During 2018, the Bank performed a repositioning of its investment portfolio and sold certain available-for-sale U.S. Treasury securities, U.S. Government-sponsored agency securities, agency residential MBS, agency commercial MBS, and tax-exempt municipal securities with proceeds of $2.2 billion, and recognized a gain on sale of $10.7 million.

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

	Year Ended December 31,		
($ in thousands)	**2019**	**2018**	**2017**
Available-for-sale:			
Sales proceeds	$842,041	$2,533,694	$255,118
Held-to-maturity:			
Sales proceeds	$ —	$ —	$ 33,664

The following table presents gains and losses on investment securities:

($ in thousands)	Year Ended December 31, 2019	2018	2017
Debt securities available-for-sale:			
Gross realized gains on sales	$ 214	$ 72,573	$ 10
Gross realized losses on sales	(4,517)	(65,773)	(2,361)
Debt securities held-to-maturity:			
Gross realized gains on sales	—	—	1,518
Equity securities (fair value):			
Net change in fair value	867	(1,598)	—
Total gain (loss) on investment securities	$(3,436)	$ 5,202	$ (833)

The following table presents interest income on investment securities:

($ in thousands)	Year Ended December 31, 2019	2018	2017
Interest income on tax-exempt securities	$322,517	$299,696	$296,958
Interest income on taxable securities	225,471	241,057	224,879
Total	$547,988	$540,753	$521,837

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.

	December 31, 2019		December 31, 2018	
($ in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale:				
Due in one year or less	$ 1,142	$ 1,144	$ 12	$ 12
Due after one year through five years	167,016	166,246	352,542	352,845
Due after five years through ten years	26,359	26,326	659,459	655,810
Due after ten years	1,082,341	1,088,453	797,744	770,449
Total	$ 1,276,858	$ 1,282,169	$ 1,809,757	$ 1,779,116
Held-to-maturity:				
Due in one year or less	$ 314,975	$ 320,051	$ 386,762	$ 390,440
Due after one year through five years	469,078	513,497	499,827	536,214
Due after five years through ten years	352,166	370,660	736,569	729,623
Due after ten years	16,011,414	16,561,736	12,813,815	12,631,247
Total	$17,147,633	$17,765,944	$14,436,973	$14,287,524

Note 4. Loans and Allowance for Loan Losses

Loan Profile

The following table presents the recorded investment in the Bank's loan portfolio, allowance for loan losses and loans held for sale:

($ in thousands)	December 31, 2019	December 31, 2018
Single family (1-4 units)	$47,985,651	$37,955,252
Home equity lines of credit	2,501,432	2,542,713
Multifamily (5+ units)	12,428,452	10,357,839
Commercial real estate	7,537,085	6,677,440
Single family construction	761,589	645,924
Multifamily/commercial construction	1,532,834	1,576,582
Total real estate mortgages	72,747,043	59,755,750
Business	11,646,816	10,998,503
Stock secured	1,897,511	1,432,911
Other secured	1,433,399	1,105,751
Unsecured	3,072,062	2,572,367
Total other loans	18,049,788	16,109,532
Total loans	90,796,831	75,865,282
Less:		
Allowance for loan losses	(496,104)	(439,048)
Loans, net	$90,300,727	$75,426,234
Loans held for sale	$ 23,304	$ 98,985

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 December 31, 2019 and 2018, approximately 51% and 50%, respectively, of the total loan portfolio was secured by California real estate. At December 31, 2019, approximately 66% of single family mortgages fully and evenly amortize until maturity following an initial interest-only period of generally ten years, compared to 68% at December 31, 2018.

As of December 31, 2019, the Bank had pledged $40.4 billion of loans to secure borrowings of $12.6 billion from the Federal Home Loan Bank (the "FHLB"), although only approximately $14.0 billion of collateral was required in connection with the outstanding FHLB advances.

Credit Quality

The Bank has two classes of loans: (1) non-impaired loans, which include both purchased and originated non-impaired loans and (2) impaired loans, which include both purchased and originated non-impaired loans that subsequently became impaired under ASC 310-10-35.

FIRST REPUBLIC BANK
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The tables below present an aging analysis of loans and loans on nonaccrual status by class. Of the loans on nonaccrual status, at December 31, 2019, $125.0 million were current, compared to $21.1 million at December 31, 2018. The increase in nonaccrual loans at December 31, 2019 was primarily from one lending relationship totaling $89.9 million, consisting of single family, home equity lines of credit and non-owner occupied single family construction loans.

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual
At December 31, 2019								
Single Family (1-4 units):								
Non-impaired	$ 24,383	$ 3,630	$ 1,509	$ 29,522	$ 47,890,379	$ 47,919,901	$—	$ 4,730
Impaired	4,874	—	6,184	11,058	54,692	65,750	—	54,283
	29,257	3,630	7,693	40,580	47,945,071	47,985,651	—	59,013
Home Equity Lines of Credit:								
Non-impaired	1,037	479	512	2,028	2,489,064	2,491,092	—	1,856
Impaired	—	—	2,341	2,341	7,999	10,340	—	9,302
	1,037	479	2,853	4,369	2,497,063	2,501,432	—	11,158
Multifamily (5+ units):								
Non-impaired	—	—	—	—	12,418,063	12,418,063	—	—
Impaired	—	—	—	—	10,389	10,389	—	—
	—	—	—	—	12,428,452	12,428,452	—	—
Commercial Real Estate:								
Non-impaired	—	—	—	—	7,532,585	7,532,585	—	—
Impaired	—	—	—	—	4,500	4,500	—	—
	—	—	—	—	7,537,085	7,537,085	—	—
Single Family Construction:								
Non-impaired	—	—	—	—	761,589	761,589	—	—
Multifamily/Commercial Construction:								
Non-impaired	—	—	—	—	1,463,978	1,463,978	—	—
Impaired	—	—	—	—	68,856	68,856	—	68,856
	—	—	—	—	1,532,834	1,532,834	—	68,856
Business:								
Non-impaired	252	22	—	274	11,639,658	11,639,932	—	566
Impaired	—	—	953	953	5,931	6,884	—	2,155
	252	22	953	1,227	11,645,589	11,646,816	—	2,721
Stock Secured:								
Non-impaired	—	252	—	252	1,897,259	1,897,511	—	—
Other Secured:								
Non-impaired	—	—	22	22	1,433,377	1,433,399	—	23
Unsecured:								
Non-impaired	600	249	—	849	3,071,016	3,071,865	—	1,213
Impaired	—	—	—	—	197	197	—	197
	600	249	—	849	3,071,213	3,072,062	—	1,410
Total	$31,146	$4,632	$11,521	$47,299	$90,749,532	$90,796,831	$—	$143,181

($ 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, 2018								
Single Family (1-4 units):								
Non-impaired	$ 5,905	$1,370	$ 3,479	$10,754	$37,915,612	$37,926,366	$—	$ 4,982
Impaired	—	288	8,927	9,215	19,671	28,886	—	18,848
	5,905	1,658	12,406	19,969	37,935,283	37,955,252	—	23,830
Home Equity Lines of Credit:								
Non-impaired	2,130	—	607	2,737	2,527,547	2,530,284	—	1,518
Impaired	2,892	1,512	2,843	7,247	5,182	12,429	—	8,008
	5,022	1,512	3,450	9,984	2,532,729	2,542,713	—	9,526
Multifamily (5+ units):								
Non-impaired	—	—	—	—	10,345,471	10,345,471	—	—
Impaired	—	—	—	—	12,368	12,368	—	2,056
	—	—	—	—	10,357,839	10,357,839	—	2,056
Commercial Real Estate:								
Non-impaired	—	—	—	—	6,670,954	6,670,954	—	266
Impaired	—	—	—	—	6,486	6,486	—	—
	—	—	—	—	6,677,440	6,677,440	—	266
Single Family Construction:								
Non-impaired	—	—	—	—	645,924	645,924	—	—
Multifamily/Commercial Construction:								
Non-impaired	—	—	—	—	1,576,582	1,576,582	—	—
Business:								
Non-impaired	—	—	—	—	10,988,098	10,988,098	—	331
Impaired	—	—	3,252	3,252	7,153	10,405	—	6,209
	—	—	3,252	3,252	10,995,251	10,998,503	—	6,540
Stock Secured:								
Non-impaired	—	—	—	—	1,432,911	1,432,911	—	—
Other Secured:								
Non-impaired	—	—	—	—	1,105,751	1,105,751	—	—
Unsecured:								
Non-impaired	200	286	—	486	2,569,386	2,569,872	—	1,754
Impaired	—	2,493	—	2,493	2	2,495	—	2,493
	200	2,779	—	2,979	2,569,388	2,572,367	—	4,247
Total	$11,127	$5,949	$19,108	$36,184	$75,829,098	$75,865,282	$—	$46,465

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

($ in thousands)	Year Ended December 31, 2019	2018	2017
Actual interest income recognized	$ —	$ —	$ —
Interest income under original terms	$ 4,489	$ 1,821	$ 1,565

The Bank's primary credit quality indicator for loans is its internal loan risk grades. The Bank maintains a loan risk grading system that takes into consideration regulatory guidelines and incorporates a number of considerations, such as a borrower's financial condition, adequacy of collateral, and other factors that may impact a borrower's ability to repay the loan. The Bank's internal loan grades apply to all loans and are as follows:

Pass—These loans are performing substantially as agreed, with no current identified material weakness in repayment ability. Any credit or collateral exceptions existing with respect to the loan should be minimal and immaterial, in the process of correction, and not such that they could subsequently impair credit quality and introduce risk of collection.

Special Mention—These loans have potential weaknesses and deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Bank's credit position at some future date. However, these loans do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard—These loans are inadequately protected by the current worth and paying capacity of the obligor or of the collateral pledged, if any. These loans have a well-defined weakness that jeopardizes the liquidation of the debt.

Doubtful—These loans have weaknesses that make collection or liquidation in full highly improbable. The possibility of some loss is extremely high, but because of certain important and reasonable specific pending factors that may work to the advantage and strengthening of the loan, its classification as a loss is deferred until a more exact status may be determined.

The majority of the Bank's loan portfolio is secured by real estate. A decline in real estate values can negatively impact our ability to recover our investment should the borrower become delinquent. We safeguard against this risk by rarely exceeding a loan-to-value ratio of 80% with respect to real estate lending.

We perform regular monitoring and annual reviews of our loan portfolio to identify and evaluate any deterioration in primary and/or secondary sources of repayment, including evaluations of the borrower's financial condition and value of the collateral. Annual reviews of residential real estate and other loans include an analysis of payment history, collateral value and credit scores. Annual reviews of our larger income property and business loans include analysis of financial statements of the property and/or borrower to determine the current ability to repay outstanding obligations. Updates to risk grades are made, as needed, upon completion of reviews. We maintain a list of loans that receive additional attention if we believe there may be a potential credit risk.

For loans that are criticized or classified, the Bank's Special Assets Committee reviews loan grades, reserves and accrual status on a quarterly or more frequent basis. This review includes an evaluation of the market conditions, the property's trends, the borrower and guarantor status, the level of reserves required and loan accrual status.

Additionally, we have an independent, third-party review performed on our loan grades and our credit administration functions each year. The results of the third-party review are presented to the Audit Committee of the Board of Directors. These asset review procedures provide management with additional information for assessing and affirming our asset quality.

The following tables present the recorded investment in loans, by credit quality indicator and by class:

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At December 31, 2019					
Single Family (1-4 units):					
Non-impaired	$47,818,813	$44,066	$ 57,022	$ —	$47,919,901
Impaired	11,467	—	54,283	—	65,750
	47,830,280	44,066	111,305	—	47,985,651
Home Equity Lines of Credit:					
Non-impaired	2,468,200	9,215	13,677	—	2,491,092
Impaired	1,038	—	9,302	—	10,340
	2,469,238	9,215	22,979	—	2,501,432
Multifamily (5+ units):					
Non-impaired	12,418,063	—	—	—	12,418,063
Impaired	10,389	—	—	—	10,389
	12,428,452	—	—	—	12,428,452
Commercial Real Estate:					
Non-impaired	7,523,987	4,687	3,911	—	7,532,585
Impaired	4,500	—	—	—	4,500
	7,528,487	4,687	3,911	—	7,537,085
Single Family Construction:					
Non-impaired	749,420	3,413	8,756	—	761,589
Multifamily/Commercial Construction:					
Non-impaired	1,463,978	—	—	—	1,463,978
Impaired	—	—	68,856	—	68,856
	1,463,978	—	68,856	—	1,532,834
Business:					
Non-impaired	11,605,509	18,906	15,051	466	11,639,932
Impaired	4,729	—	2,155	—	6,884
	11,610,238	18,906	17,206	466	11,646,816
Stock Secured:					
Non-impaired	1,897,259	252	—	—	1,897,511
Other Secured:					
Non-impaired	1,431,082	250	2,044	23	1,433,399
Unsecured:					
Non-impaired	3,061,106	1,563	7,983	1,213	3,071,865
Impaired	—	—	197	—	197
	3,061,106	1,563	8,180	1,213	3,072,062
Total	$90,469,540	$82,352	$243,237	$1,702	$90,796,831

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At December 31, 2018					
Single Family (1-4 units):					
Non-impaired	$37,842,048	$ 44,322	$ 39,996	$ —	$37,926,366
Impaired	9,578	—	19,308	—	28,886
	37,851,626	44,322	59,304	—	37,955,252
Home Equity Lines of Credit:					
Non-impaired	2,515,039	12,727	2,518	—	2,530,284
Impaired	1,107	—	11,322	—	12,429
	2,516,146	12,727	13,840	—	2,542,713
Multifamily (5+ units):					
Non-impaired	10,345,471	—	—	—	10,345,471
Impaired	10,312	—	2,056	—	12,368
	10,355,783	—	2,056	—	10,357,839
Commercial Real Estate:					
Non-impaired	6,657,627	9,039	4,288	—	6,670,954
Impaired	1,986	—	4,500	—	6,486
	6,659,613	9,039	8,788	—	6,677,440
Single Family Construction:					
Non-impaired	643,017	—	2,907	—	645,924
Multifamily/Commercial Construction:					
Non-impaired	1,575,419	—	1,163	—	1,576,582
Business:					
Non-impaired	10,927,492	46,096	14,179	331	10,988,098
Impaired	4,197	—	6,208	—	10,405
	10,931,689	46,096	20,387	331	10,998,503
Stock Secured:					
Non-impaired	1,432,911	—	—	—	1,432,911
Other Secured:					
Non-impaired	1,105,501	250	—	—	1,105,751
Unsecured:					
Non-impaired	2,562,258	1,231	4,629	1,754	2,569,872
Impaired	—	—	2,495	—	2,495
	2,562,258	1,231	7,124	1,754	2,572,367
Total	$75,633,963	$113,665	$115,569	$2,085	$75,865,282

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

As of December 31, 2019 and 2018, the Bank did not have any residential real estate owned (acquired through foreclosure).

The carrying amount of residential mortgage loans in the process of foreclosure was $7.1 million and $6.2 million at December 31, 2019 and 2018, respectively.

Allowance for Loan Losses

The Bank's allowance for loan losses is evaluated based on its two classes of loans: (1) non-impaired loans, which include both purchased and originated non-impaired loans and (2) impaired loans, which include both purchased and originated non-impaired loans that subsequently became impaired under ASC 310-10-35.

Non-impaired loans

Non-impaired loans are collectively evaluated for estimated losses in accordance with ASC 450, based on groups of loans with similar risk characteristics that align with the loan portfolio segments. The Bank has maintained a quantitative allowance for loan loss model that computes loss factors for each segment based upon our historical losses during the look-back period, which is subject to adjustments for certain portfolio segments, and current portfolio trends that reflect losses the Bank expects over its loss emergence period. 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.

Impaired loans

Nonaccrual loans with a balance greater than or equal to $1 million or loans modified in a troubled debt restructuring are generally considered impaired. Any non-impaired loans that subsequently became impaired are evaluated under ASC 310-10-35. If determined necessary, a specific reserve will be recorded for these loans. 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.

The Bank measures impairment of a loan that is collateral dependent based on the fair value of the underlying collateral, net of selling costs. For a loan that is not collateral dependent, the Bank measures impairment using the present value of expected future cash flows, discounted at the instrument's effective interest rate. If the fair value of the collateral or the present value of expected future cash flows is less than the recorded investment in the loan, the Bank recognizes impairment by recording a charge-off or creating a valuation allowance.

Qualitative factors

The Bank also maintains a qualitative reserve 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. The qualitative factors 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 the Bank's loan portfolio, the existence and effects of credit concentrations, problem loan trends, lending policies and procedures, and other external factors, such as competition and the legal and regulatory environment. The allocation to the individual loan portfolios considers the qualitative factors relevant to each portfolio, the degree to which the relevant qualitative factors impacted each loan portfolio, and relative portfolio balances.

The following tables present an analysis of the allowance for loan losses:

($ 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	Total
At or for the Year Ended December 31, 2019											
Rollforward of allowance for loan losses:											
Balance at beginning of period	$ 65,402	$ 12,887	$ 80,134	$ 54,907	$ 3,073	$ 14,687	$ 167,591	$ 8,724	$ 8,301	$ 23,342	$ 439,048
Provision (reversal of provision)	11,604	(167)	25,629	6,643	2,885	(69)	10,450	(8,724)	1,205	12,234	61,690
Charge-offs	(1,018)	(539)	—	—	—	—	(3,389)	—	(1,229)	(866)	(7,041)
Recoveries	237	1,654	—	—	—	—	91	—	—	425	2,407
Balance at end of period	$ 76,225	$ 13,835	$ 105,763	$ 61,550	$ 5,958	$ 14,618	$ 174,743	$ —	$ 8,277	$ 35,135	$ 496,104
Allowance for loan losses by impairment methodology:											
Non-impaired	$ 76,216	$ 13,835	$ 105,763	$ 61,438	$ 5,958	$ 14,618	$ 174,742	$ —	$ 8,277	$ 35,135	$ 495,982
Impaired	9	—	—	112	—	—	1	—	—	—	122
Total	$ 76,225	$ 13,835	$ 105,763	$ 61,550	$ 5,958	$ 14,618	$ 174,743	$ —	$ 8,277	$ 35,135	$ 496,104
Recorded investment in loans:											
Non-impaired	$47,919,901	$2,491,092	$12,418,063	$7,532,585	$761,589	$1,463,978	$11,639,932	$1,897,511	$1,433,399	$3,071,865	$90,629,915
Impaired	65,750	10,340	10,389	4,500	—	68,856	6,884	—	—	197	166,916
Total	$47,985,651	$2,501,432	$12,428,452	$7,537,085	$761,589	$1,532,834	$11,646,816	$1,897,511	$1,433,399	$3,072,062	$90,796,831

($ 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	Total
At or for the Year Ended December 31, 2018											
Rollforward of allowance for loan losses:											
Balance at beginning of period	$ 52,011	$ 13,046	$ 67,605	$ 52,268	$ 2,758	$ 10,513	$ 137,956	$ 6,596	$ 7,850	$ 15,329	$ 365,932
Provision	13,553	228	12,529	2,639	315	4,174	31,118	2,128	451	8,957	76,092
Charge-offs	(239)	(497)	—	—	—	—	(1,748)	—	—	(1,074)	(3,558)
Recoveries	77	110	—	—	—	—	265	—	—	130	582
Balance at end of period	$ 65,402	$ 12,887	$ 80,134	$ 54,907	$ 3,073	$ 14,687	$ 167,591	$ 8,724	$ 8,301	$ 23,342	$ 439,048
Allowance for loan losses by impairment methodology:											
Non-impaired	$ 65,402	$ 12,887	$ 80,134	$ 54,642	$ 3,073	$ 14,687	$ 167,543	$ 8,724	$ 8,301	$ 23,342	$ 438,735
Impaired	—	—	—	265	—	—	48	—	—	—	313
Total	$ 65,402	$ 12,887	$ 80,134	$ 54,907	$ 3,073	$ 14,687	$ 167,591	$ 8,724	$ 8,301	$ 23,342	$ 439,048
Recorded investment in loans:											
Non-impaired	$37,926,366	$2,530,284	$10,345,471	$6,670,954	$645,924	$1,576,582	$10,988,098	$1,432,911	$1,105,751	$2,569,872	$75,792,213
Impaired	28,886	12,429	12,368	6,486	—	—	10,405	—	—	2,495	73,069
Total	$37,955,252	$2,542,713	$10,357,839	$6,677,440	$645,924	$1,576,582	$10,998,503	$1,432,911	$1,105,751	$2,572,367	$75,865,282
At or for the Year Ended December 31, 2017											
Rollforward of allowance for loan losses:											
Balance at beginning of period	$ 40,787	$ 12,083	$ 53,373	$ 48,880	$ 2,112	$ 8,823	$ 118,874	$ 5,102	$ 5,822	$ 10,542	$ 306,398
Provision (reversal of provision)	12,370	(356)	14,232	3,388	646	1,690	19,651	1,494	2,028	5,038	60,181
Charge-offs	(1,176)	(848)	—	—	—	—	(616)	—	—	(346)	(2,986)
Recoveries	30	2,167	—	—	—	—	47	—	—	95	2,339
Balance at end of period	$ 52,011	$ 13,046	$ 67,605	$ 52,268	$ 2,758	$ 10,513	$ 137,956	$ 6,596	$ 7,850	$ 15,329	$ 365,932

Reserve for Unfunded Commitments

The Bank evaluates reserves for 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 reserves, 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 $12.0 million and $13.2 million at December 31, 2019 and 2018, respectively.

Impaired Loans

The following tables present information related to impaired loans:

	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
At December 31, 2019							
Single family (1-4 units)	$ 65,750	$ 65,815	$ 65,211	$ 65,276	$ 539	$ 539	$ 9
Home equity lines of credit	10,340	10,372	10,340	10,372	—	—	—
Multifamily (5+ units)	10,389	10,394	10,389	10,394	—	—	—
Commercial real estate	4,500	4,500	—	—	4,500	4,500	112
Multifamily/commercial construction	68,856	68,856	68,856	68,856	—	—	—
Business	6,884	6,884	5,926	5,926	958	958	1
Unsecured	197	196	197	196	—	—	—
Total	$166,916	$167,017	$160,919	$161,020	$5,997	$5,997	$122
At December 31, 2018							
Single family (1-4 units)	$ 28,886	$ 29,219	$ 28,886	$ 29,219	$ —	$ —	$ —
Home equity lines of credit	12,429	12,527	12,429	12,527	—	—	—
Multifamily (5+ units)	12,368	12,546	12,368	12,546	—	—	—
Commercial real estate	6,486	6,516	1,986	2,016	4,500	4,500	265
Business	10,405	10,436	9,163	9,194	1,242	1,242	48
Unsecured	2,495	2,630	2,495	2,630	—	—	—
Total	$ 73,069	$ 73,874	$ 67,327	$ 68,132	$5,742	$5,742	$313

	Year Ended December 31,					
	2019		2018		2017	
($ in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Single family (1-4 units)	$ 50,758	$ 829	$26,109	$ 474	$33,416	$ 902
Home equity lines of credit	11,575	173	12,854	298	13,005	263
Multifamily (5+ units)	11,123	621	14,542	525	15,832	950
Commercial real estate	5,863	268	8,255	407	11,929	1,121
Multifamily/commercial construction	37,626	—	—	—	—	—
Business	8,347	166	14,205	1,171	11,821	623
Unsecured	255	142	560	24	1,113	59
Total	$125,547	$2,199	$76,525	$2,899	$87,116	$3,918

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 presents the recorded investment in loans modified in troubled debt restructurings:

	At December 31, 2019			At December 31, 2018		
($ in thousands)	Restructured - Nonaccrual	Restructured - Accruing	Total	Restructured - Nonaccrual	Restructured - Accruing	Total
Single Family (1-4 units):						
Non-impaired	$ —	$ 440	$ 440	$ —	$ 459	$ 459
Impaired	27,726	6,001	33,727	5,694	4,019	9,713
	27,726	6,441	34,167	5,694	4,478	10,172
Home Equity Lines of Credit:						
Non-impaired	—	15	15	79	—	79
Impaired	5,045	1,030	6,075	4,559	2,057	6,616
	5,045	1,045	6,090	4,638	2,057	6,695
Commercial Real Estate:						
Non-impaired	—	212	212	—	215	215
Impaired	—	4,500	4,500	—	4,500	4,500
	—	4,712	4,712	—	4,715	4,715
Multifamily/Commercial Construction:						
Impaired	68,856	—	68,856	—	—	—
Business:						
Non-impaired	—	131	131	—	165	165
Impaired	1,202	958	2,160	2,957	—	2,957
	1,202	1,089	2,291	2,957	165	3,122
Unsecured:						
Non-impaired	—	—	—	—	99	99
Total	$102,829	$13,287	$116,116	$13,289	$11,514	$24,803

During the years ended December 31, 2019, 2018 and 2017, troubled debt restructurings were primarily modified through payment deferrals, extensions of the maturity date or reductions in interest rate, both temporary and permanent. The following table presents the recorded investment in loans modified in troubled debt restructurings during the periods indicated:

($ in thousands)	Year Ended December 31, 2019	2018	2017
Single Family (1-4 units):			
Non-impaired	$ 1,279	$ 2,025	$ —
Impaired	27,238	4,336	—
	28,517	6,361	—
Home Equity Lines of Credit:			
Non-impaired	180	1,242	—
Impaired	3,458	3,331	4,724
	3,638	4,573	4,724
Multifamily (5+ units):			
Impaired	70,940	—	—
Commercial Real Estate:			
Non-impaired	—	—	6,500
Business:			
Non-impaired	—	2,081	685
Impaired	—	1,818	—
	—	3,899	685
Unsecured:			
Non-impaired	—	—	843
Total	$103,095	$14,833	$12,752

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. 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 years ended December 31, 2019, 2018 or 2017 that were modified in the previous twelve months.

Note 5. Mortgage Banking Activities

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

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

	Year Ended December 31,		
($ in thousands)	2019	2018	2017
Total loans originated [1]	$ 37,963,476	$ 31,443,189	$ 27,633,219
Single family loans originated	$ 16,405,784	$ 10,784,654	$ 11,568,111
Loans sold:			
Flow sales:			
Agency	$ 85,945	$ 42,081	$ 131,111
Non-agency	50,983	172,077	309,482
Total flow sales	136,928	214,158	440,593
Bulk sales:			
Non-agency	152,119	773,041	2,436,584
Securitizations	—	251,931	—
Total loans sold	$ 289,047	$ 1,239,130	$ 2,877,177
Gain on sale of loans:			
Amount	$ 535	$ 5,616	$ 9,233
Gain as a percentage of loans sold	0.19%	0.45%	0.32%

[1] Origination amounts for certain business lines of credit (i.e. capital call lines of credit) reflect the Bank's contractual obligations in effect during the reporting period, and exclude amounts that are contingent upon future credit approvals. 2018 originations have been adjusted to exclude the contingent amounts for these lines of credit, and no adjustments were required for 2017.

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

($ in thousands)	At or for the Year Ended December 31, 2019	2018	2017
Loans serviced for others:			
Beginning balance	$11,573,326	$12,495,321	$11,655,453
Loans sold	289,047	1,239,130	2,877,177
Repayments	(2,547,973)	(1,882,719)	(2,003,276)
Loans purchased	(16,428)	(278,406)	(617)
Loans repurchased	—	—	(33,416)
Ending balance	$ 9,297,972	$11,573,326	$12,495,321
MSRs:			
Beginning balance	$ 54,470	$ 66,139	$ 62,410
Additions due to new loans sold	2,531	6,126	20,208
Amortization expense	(13,352)	(16,785)	(16,269)
Provision for valuation allowance	(1,864)	—	—
Reversal of valuation allowance	1	—	—
Reductions due to purchases	(66)	(1,010)	(6)
Reductions due to repurchases	—	—	(204)
Ending balance	$ 41,720	$ 54,470	$ 66,139
Estimated fair value of MSRs	$ 57,891	$ 95,205	$ 93,009
MSRs as a percent of loans serviced	0.45%	0.47%	0.53%
Weighted average servicing fee collected for the period	0.25%	0.25%	0.25%
MSRs as a multiple of weighted average servicing fee	1.82x	1.88x	2.10x

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

($ in thousands)	At or for the Year Ended December 31, 2019	2018	2017
Valuation allowance:			
Beginning balance	$ —	$ —	$ —
Provision	1,864	—	—
Reversal to income due to increase in fair value	(1)	—	—
Write-down due to permanent impairment	(1)	—	—
Ending balance	$ 1,862	$ —	$ —

The following table presents loan servicing fees:

($ in thousands)	Year Ended December 31, 2019	2018	2017
Contractually specified servicing fees	$26,563	$30,087	$30,069
Late charges and ancillary fees, net of costs	$ (1,691)	$ (746)	$ 827

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)	December 31, 2019	2018
Fair value of MSRs	$57,891	$95,205
Weighted average prepayment speed (CPR)	18.8%	13.2%
Impact on fair value of 10% adverse change	$ (3,343)	$ (3,589)
Impact on fair value of 20% adverse change	$ (6,399)	$ (6,927)
Weighted average discount rate	12.7%	13.1%
Impact on fair value of 10% adverse change	$ (1,899)	$ (3,996)
Impact on fair value of 20% adverse change	$ (3,678)	$ (7,680)

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 11, "Goodwill and Intangible Assets," for disclosures of the gross carrying value, accumulated amortization, valuation allowance and estimated future amortization expense of MSRs.

Note 6. Variable Interest Entities

The Bank's involvement with variable interest entities ("VIEs") includes its interests in tax credit investments, other investments and securitizations. The Bank consolidates a VIE when it is the primary beneficiary. The Bank is the primary beneficiary if it has a controlling financial interest, which includes both the power to direct the activities that most significantly impact the VIE and a variable interest that could potentially be significant to the VIE.

The Bank has variable interests in low-income housing tax credit funds that are designed to generate a return primarily through the realization of federal tax credits. These investments are typically limited partnerships in which the general partner, other than the Bank, holds the power over significant activities of the VIE. Since the Bank is not the primary beneficiary of these investments, it does not consolidate these interests.

In addition, the Bank has variable interests in other investments, which are accounted for under the equity method. Since the Bank is not the primary beneficiary of these investments, it does not consolidate these investments.

The Bank has a variable interest related to its reimbursement obligation to the Federal Home Loan Mortgage Corporation ("Freddie Mac") for certain losses from the securitization of multifamily loans. Since the Bank is not the primary beneficiary of the VIE, it does not consolidate this interest.

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

($ in thousands)	VIEs Not consolidated	VIEs Consolidated	Total
December 31, 2019			
Assets:			
Tax credit investments	$1,100,509	$—	$1,100,509
Other investments	61,579	—	61,579
Total Assets	1,162,088	—	1,162,088
Liabilities:			
Reimbursement obligation	254	—	254
Unfunded commitments—tax credit investments	374,004	—	374,004
Unfunded commitments—other investments	21,845	—	21,845
Total Liabilities	396,103	—	396,103
Net Assets	$ 765,985	$—	$ 765,985

($ in thousands)	VIEs Not consolidated	VIEs Consolidated	Total
December 31, 2018			
Assets:			
Tax credit investments	$1,057,541	$—	$1,057,541
Other investments	31,917	—	31,917
Total Assets	1,089,458	—	1,089,458
Liabilities:			
Reimbursement obligation	488	—	488
Unfunded commitments—tax credit investments	352,438	—	352,438
Unfunded commitments—other investments	5,256	—	5,256
Total Liabilities	358,182	—	358,182
Net Assets	$ 731,276	$—	$ 731,276

The Bank's exposure to loss with respect to VIEs that are not consolidated includes the Bank's investment in these assets of $1.2 billion and $1.1 billion at December 31, 2019 and 2018, respectively. The Bank's exposure to loss related to the reimbursement obligation is 12% of the loans securitized, or $30.2 million at both December 31, 2019 and 2018.

Note 7. Tax Credit Investments

The Bank invests in low income housing tax credit funds that are designed to generate a return primarily through the realization of federal tax credits and tax losses from partnerships. The cost of tax credit investments is amortized over the life of the investment using a proportional amortization method and tax credit investment amortization expense is a component of provision for income taxes.

The following table presents the balances of the Bank's tax credit investments and related unfunded commitments:

($ in thousands)	December 31, 2019	December 31, 2018
Tax credit investments	$1,100,509	$1,057,541
Unfunded commitments—tax credit investments	$ 374,004	$ 352,438

The unfunded commitments related to tax credit investments are estimated to be funded as follows:

($ in thousands)	December 31, 2019
Unfunded commitments—tax credit investments:	
2020	$169,347
2021	97,395
2022	49,031
2023	4,987
2024	4,246
2025 and thereafter	48,998
Total	$374,004

The following table presents other information related to the Bank's tax credit investments:

($ in thousands)	Year Ended December 31, 2019	2018	2017
Tax credits and other tax benefits recognized	$168,901	$159,228	$163,072
Tax credit amortization expense included in provision for income taxes	$139,203	$131,911	$120,994

The Bank did not recognize any impairment losses on tax credit investments during 2019, 2018 or 2017.

Note 8. Other Assets

Other assets are summarized in the table below:

($ in thousands)	December 31, 2019	December 31, 2018
Lease assets [1]	$ 787,464	$ —
Deferred tax assets	391,781	336,548
Interest receivable	381,560	333,708
FHLB stock, at cost	367,943	273,240
MSRs	41,720	54,470
Other	662,929	595,475
Total	$2,633,397	$1,593,441

[1] Beginning January 1, 2019, lease assets are recognized on the consolidated balance sheet as a result of the Bank's adoption of ASC 842.

Dividend income on FHLB stock was $21.4 million in 2019, compared to $25.2 million in 2018 and $14.9 million in 2017. The dividend income in 2018 includes special dividends from the FHLB of $4.8 million.

Refer to Note 9, "Leases," for further discussion on lease assets.

Refer to Note 5, "Mortgage Banking Activities," for further discussion on MSRs.

Note 9. Leases

The Bank adopted ASC 842 effective January 1, 2019 and recognized lease assets and lease liabilities for its operating leases of $578.5 million and $619.2 million, respectively, on its consolidated balance sheet. Refer to Note 1, "Summary of Significant Accounting Policies," for additional information.

The Bank primarily leases corporate, preferred banking and wealth management offices, as well as equipment. The Bank's lease terms range from 1 year to 19 years. The majority of our office leases include one or more options to extend the lease term, primarily up to 5 years at a time. The Bank includes renewal options it is reasonably certain to exercise in the lease term when measuring the lease liability.

Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Some of the Bank's lease arrangements include rental payments that adjust periodically for inflation. These and other variable lease payments are expensed as incurred.

The following tables present information related to leases. Prior to the adoption of ASC 842, rent and related occupancy expense, net of sublease income, was $95.0 million in 2018 and $83.1 million in 2017.

($ in thousands)	December 31, 2019
Supplemental balance sheet information:	
Lease assets [1]	$ 787,464
Lease liabilities [2]	$ 811,541
Weighted average remaining lease term	10.2 years
Weighted average discount rate	3.1%

(1) Included in other assets on the consolidated balance sheets.
(2) Included in other liabilities on the consolidated balance sheets.

($ in thousands)	Year Ended December 31, 2019
Components of lease cost:	
Operating lease cost [1]	$114,470
Variable lease cost [1]	590
Total lease cost	$115,060

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

($ in thousands)	Year Ended December 31, 2019
Supplemental cash flow information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	$100,084
Non-cash activity related to lease assets:	
Lease assets obtained from new operating lease liabilities	$272,525

The following table presents the future maturities of lease liabilities:

($ in thousands)	December 31, 2019 [1]
Lease liabilities maturing in:	
2020	$ 117,851
2021	113,863
2022	107,915
2023	102,580
2024	99,941
2025 and thereafter	478,663
Total	1,020,813
Less: imputed interest	(164,168)
Less: tenant improvement receivable	(45,104)
Total lease liabilities	$ 811,541

[1] Excludes $686.9 million of undiscounted minimum lease payments for leases signed but not yet commenced. These leases will commence at various dates from 2020 through 2025 with lease terms ranging from 1 to 16 years.

Prior to the adoption of ASC 842, the Bank's operating leases were not recognized on the balance sheet. The following table presents the undiscounted future minimum lease payments under the Bank's operating leases as of December 31, 2018:

($ in thousands)	December 31, 2018
Operating leases:	
2019	$ 99,576
2020	102,498
2021	91,680
2022	89,326
2023	83,629
2024 and thereafter	537,810
Total	$1,004,519

Note 10. Premises, Equipment and Leasehold Improvements

Premises, equipment and leasehold improvements are summarized in the table below:

	December 31, 2019			December 31, 2018		
($ in thousands)	Cost	Accumulated Depreciation and Amortization	Carrying Value	Cost	Accumulated Depreciation and Amortization	Carrying Value
Land, buildings and improvements	$ 2,795	$ (1,183)	$ 1,612	$ 2,795	$ (1,105)	$ 1,690
Furniture and equipment	238,629	(163,630)	74,999	211,328	(143,759)	67,569
Leasehold improvements	333,066	(176,792)	156,274	291,632	(154,122)	137,510
Software	288,278	(134,322)	153,956	216,609	(90,895)	125,714
Premises, equipment and leasehold improvements, net	$862,768	$(475,927)	$386,841	$722,364	$(389,881)	$332,483

Depreciation and amortization expense was $110.9 million in 2019, $97.0 million in 2018 and $76.3 million in 2017.

Refer to Note 9, “Leases,” for further discussion on rent and related occupancy expense and future minimum lease payments under the Bank’s operating leases.

Note 11. Goodwill and Intangible Assets

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

	December 31,					
	2019			2018		
($ in thousands)	Gross Carrying Value	Accumulated Amortization	Carrying Value	Gross Carrying Value	Accumulated Amortization	Carrying Value
Intangible assets:						
Customer relationship intangibles	$133,100	$(112,600)	$ 20,500	$133,100	$(102,535)	$ 30,565
Core deposit intangibles	87,550	(87,297)	253	87,550	(85,488)	2,062
Trade name	42,900	—	42,900	42,900	—	42,900
Intangible assets	$263,550	$(199,897)	63,653	$263,550	$(188,023)	75,527
Goodwill			171,616			198,447
Total			$235,269			$273,974

Amortization of intangible assets (excluding MSRs) was $11.9 million in 2019, $16.2 million in 2018 and $20.6 million in 2017.

The following table presents the Bank’s MSRs:

	December 31,							
	2019				2018			
($ in thousands)	Gross Carrying Value	Accumulated Amortization	Valuation Allowance	Carrying Value	Gross Carrying Value	Accumulated Amortization	Valuation Allowance	Carrying Value
MSRs [(1)]	$137,576	$(93,994)	$(1,862)	$41,720	$140,746	$(86,276)	$—	$54,470

(1) Amortization of MSRs is included in loan servicing fees, net on the consolidated statements of income and comprehensive income.

Refer to Note 5, “Mortgage Banking Activities,” for further discussion on MSRs.

During the fourth quarter of 2019, the Bank sold its wholly-owned subsidiary, Gradifi, and reduced goodwill allocated to the Commercial Banking segment by $26.8 million in connection with the sale. The following table presents goodwill by business segment:

($ in thousands)	Commercial Banking	Wealth Management	Total
Balance as of December 31, 2017 and 2018	$ 51,435	$ 147,012	$ 198,447
Reduction due to Gradifi sale	(26,831)	—	(26,831)
Balance as of December 31, 2019	$ 24,604	$ 147,012	$ 171,616

The Bank is required to test goodwill for impairment at least annually at the reporting unit level. The Bank did not recognize any impairment in 2019, 2018 or 2017 based on the results of the annual test.

The following table presents the estimated future amortization for amortizable intangible assets as of December 31, 2019. The projections of amortization expense are based on existing asset balances as of December 31, 2019. Future amortization expense may vary from these projections.

($ in thousands)	Customer relationship intangibles	Core deposit intangibles	MSRs
2020	$ 7,504	$ 253	$ 10,847
2021	5,527	—	7,718
2022	3,671	—	5,557
2023	2,235	—	4,223
2024	1,259	—	3,210

Note 12. Deposits

Total deposits were $90.1 billion at December 31, 2019, and were comprised of noninterest-bearing deposits of $33.1 billion and interest-bearing deposits of $57.0 billion. At December 31, 2018, total deposits were $79.1 billion, and consisted of noninterest-bearing deposits of $30.0 billion and interest-bearing deposits of $49.0 billion. Total deposits included $2.9 billion and $1.7 billion of brokered certificates of deposit (“CDs”) at December 31, 2019 and 2018, respectively.

At December 31, 2019, the annual contractual maturities of the Bank’s CDs were as follows:

($ in thousands)	December 31, 2019
CDs:	
2020	$ 12,883,035
2021	609,744
2022	175,877
2023	91,187
2024	140,445
2025 and thereafter	34,772
Total	$ 13,935,060

At December 31, 2019, CDs of greater than $250,000 totaled $5.8 billion, or 6% of total deposits, compared to $4.8 billion, or 6% of total deposits, at December 31, 2018.

The following table presents interest expense on deposits:

($ in thousands)	Year Ended December 31, 2019	2018	2017
Interest-bearing checking	$ 30,318	$ 21,892	$ 10,818
Money market checking	124,634	68,597	30,199
Money market savings and passbooks	71,948	39,693	15,653
CDs	273,657	159,858	78,116
Total	$ 500,557	$ 290,040	$ 134,786

Note 13. Borrowings

The Bank uses FHLB advances primarily as a funding source for long-term debt, and, in certain cases, for short-term borrowings. Other sources of funding include federal funds purchased, senior notes and subordinated notes. Short-term borrowings have an original maturity of one year or less. Long-term debt has an original maturity in excess of one year. The following table presents the carrying values, interest expense and components of short-term borrowings and long-term debt:

	Carrying Values		Interest Expense		
	December 31,		Year Ended December 31,		
($ in thousands)	2019	2018	2019	2018	2017
Short-term borrowings:					
Federal funds purchased	$ 450,000	$ —	$ 12,490	$ 1	$ 3
FHLB advances	350,000	100,000	37,871	15,276	6,810
Other	—	—	—	—	788
Total	800,000	100,000	50,361	15,277	7,601
Long-term debt:					
FHLB advances	12,200,000	8,700,000	209,816	165,081	105,272
Senior notes [1]	497,719	896,432	18,169	23,709	17,883
Subordinated notes [1]	777,885	777,475	36,409	36,391	34,197
Other	—	—	—	—	416
Total	13,475,604	10,373,907	264,394	225,181	157,768
Total borrowings	$ 14,275,604	$ 10,473,907	$ 314,755	$ 240,458	$ 165,369

(1) Carrying value represents the principal balance, net of unamortized issuance discounts and deferred issuance costs. Interest expense includes amortization of issuance discounts and deferred issuance costs, which are amortized over the contractual life using a level yield methodology.

FHLB Advances

FHLB advances may be either adjustable-rate in nature or fixed for a specific term. At December 31, 2019, the Bank had $350.0 million in short-term FHLB advances. At December 31, 2019, all of the long-term FHLB advances were fixed-rate for a specific term. At December 31, 2019, the contractual maturities and weighted average contractual rates of long-term FHLB advances were as follows:

	December 31, 2019	
($ in thousands)	Amount	Rate
FHLB advances maturing in:		
2020	$ 3,950,000	2.25%
2021	6,250,000	2.16%
2022	2,000,000	1.70%
Total	$ 12,200,000	2.11%

In connection with outstanding FHLB advances, the Bank owned FHLB stock of $367.9 million and $273.2 million at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the Bank was required to own FHLB stock at least equal to 2.7% of outstanding FHLB advances.

Senior Notes and Subordinated Notes

The following table presents the carrying values, coupon rates and maturity dates of the Bank's unsecured, term, fixed-rate senior notes and subordinated notes as of December 31, 2019. The 2.375% fixed-rate senior notes issued in June 2014 of $400.0 million matured in the second quarter of 2019, and, therefore, were no longer outstanding as of December 31, 2019. Refer to Note 26, "Subsequent Events," for information regarding the Bank's issuance of senior notes on February 12, 2020.

	December 31, 2019		
($ in thousands)	Carrying Value [1]	Rate	Maturity Date
Senior notes:			
Fixed rate, issued June 2017	$497,719	2.500%	June 2022
Subordinated notes:			
Fixed rate, issued August 2016	$388,039	4.375%	August 2046
Fixed rate, issued February 2017	$389,846	4.625%	February 2047

[1] Principal balance, net of unamortized issuance discounts and deferred issuance costs.

Note 14. 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 clients. In these transactions, the Bank offsets the client exposure with another financial institution counterparty, such as a major investment bank or a large commercial bank. The Bank does not retain significant foreign exchange risk. The Bank does retain credit risk, both to the client and the financial institution counterparty, which is evaluated and managed by the Bank in the normal course of its operations. In addition, the Bank has foreign exchange contracts associated with client deposits denominated in various foreign currencies. Management does not currently anticipate non-performance by any of the counterparties. The amounts presented in the table below include the foreign exchange contracts with both the client and the financial institution counterparties.

The Bank 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)	December 31, 2019 Notional or Contractual Amount	2019 Fair Value Derivative Assets [1]	2019 Fair Value Derivative Liabilities [2]	December 31, 2018 Notional or Contractual Amount	2018 Fair Value Derivative Assets [1]	2018 Fair Value Derivative Liabilities [2]
Foreign exchange contracts	$ 4,360,407	$ 40,789	$ 27,040	$ 4,696,285	$ 41,646	$ 27,466
Interest rate contracts with borrowers	$ 10,061	6	5	$ 8,207	9	—
Forward loan sale commitments	$ 33,414	5	6	$ 106,922	—	9
Total		$ 40,800	$ 27,051		$ 41,655	$ 27,475

(1) Included in other assets on the consolidated balance sheets.
(2) Included in other liabilities on the consolidated balance sheets.

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

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

($ 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
December 31, 2019								
Derivative assets:								
Foreign exchange contracts	$ 40,789	$ 18,840	$ 21,949	$—	$ 21,949	$17,542	$ 4,407	$—
Derivative liabilities:								
Foreign exchange contracts	$ 27,040	$ 9,498	$ 17,542	$—	$ 17,542	$17,542	$ —	$—
December 31, 2018								
Derivative assets:								
Foreign exchange contracts	$ 41,646	$ 12,641	$ 29,005	$—	$ 29,005	$13,395	$ 15,610	$—
Derivative liabilities:								
Foreign exchange contracts	$ 27,466	$ 14,071	$ 13,395	$—	$ 13,395	$13,395	$ —	$—

(1) Collateral presented in the table above is limited to the amount required to settle the net derivative position and does not include any excess collateral.

Note 15. Fair Value Measurements

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Under ASC 820, "Fair Value Measurement," fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Debt securities available-for-sale 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 write-downs of individual assets or application of the lower-of-cost-or-market accounting. Nonrecurring fair value adjustments of loans 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. Nonrecurring fair value adjustments of loans held for sale, MSRs and other real estate owned result from the application of lower-of-cost-or-market accounting.

Although management uses its best judgment in estimating fair value, there are inherent weaknesses in any estimates that are made at a discrete point in time based on relevant market data, information about the financial instruments and other factors. Estimates of fair value of instruments without quoted market prices are subjective in nature and involve various assumptions that are matters of judgment. Changes in the assumptions used could significantly affect these estimates.

The estimated fair values presented neither include nor give effect to the values associated with the Bank's existing client relationships, lending and deposit office networks, or certain tax implications related to the realization of unrealized gains or losses.

Fair Value Hierarchy

Under ASC 820, the Bank groups its assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1—Valuation is based on quoted prices for identical instruments traded in active markets.
- Level 2—Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3—Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

It is the Bank's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy of ASC 820.

Recurring Fair Value Measurements

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

Available-for-sale debt securities: The Bank's U.S. Treasury securities are valued using quoted market prices from the active exchange on which the securities are traded. For most other debt securities, the Bank uses quoted prices obtained through third-party valuation sources. Management reviews the valuation techniques and

assumptions used by the providers to ensure that such valuation techniques are based on observable market inputs appropriate for the type of security being measured. In some instances, prices are obtained from dealer quotes. The fair value of tax-exempt nonprofit debentures and certain municipal securities is determined using estimated future cash flows or other model-based valuation methods using inputs similar to market pricing, adjusted for liquidity risk.

Equity securities measured at fair value: The Bank's mutual funds and marketable equity securities are valued using quoted market prices from the active exchange on which the securities are traded. Mutual funds are valued using the net asset value ("NAV") per share using quoted market prices.

Derivatives: Derivative assets and liabilities consist of foreign exchange contracts, interest rate lock commitments and forward loan sale commitments. The Bank uses current market prices to determine the fair value of foreign exchange contracts. The fair values of interest rate lock commitments and forward loan sale commitments are estimated using analysis based on current market prices.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis:

($ in thousands)	Level 1	Level 2	Level 3	Total
December 31, 2019				
Assets:				
Debt securities available-for-sale:				
Agency residential MBS	$ —	$ 370,326	$ —	$ 370,326
Other residential MBS	—	4,240	—	4,240
Agency commercial MBS	—	860,153	—	860,153
Securities of U.S. states and political subdivisions—taxable	—	—	47,450	47,450
Equity securities (fair value):				
Mutual funds and marketable equity securities	19,586	—	—	19,586
Derivative assets	—	40,800	—	40,800
Total	$ 19,586	$ 1,275,519	$ 47,450	$ 1,342,555
Liabilities:				
Derivative liabilities	$ —	$ 27,051	$ —	$ 27,051
December 31, 2018				
Assets:				
Debt securities available-for-sale:				
Agency residential MBS	$ —	$ 26,095	$ —	$ 26,095
Other residential MBS	—	4,552	—	4,552
Agency commercial MBS	—	1,701,021	—	1,701,021
Securities of U.S. states and political subdivisions—taxable	—	—	47,448	47,448
Equity securities (fair value):				
Mutual funds and marketable equity securities	18,719	—	—	18,719
Derivative assets	—	41,655	—	41,655
Total	$ 18,719	$ 1,773,323	$ 47,448	$ 1,839,490
Liabilities:				
Derivative liabilities	$ —	$ 27,475	$ —	$ 27,475

There were no transfers in or out of Levels 1, 2 or 3 assets measured at fair value on a recurring basis in the years ended December 31, 2019, 2018 or 2017.

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

($ in thousands)	Year Ended December 31,		
	2019	2018	2017
Available-for-sale debt securities of U.S. states and political subdivisions—taxable:			
Balance at beginning of period	$47,448	$47,449	$47,493
Unrealized losses included in other comprehensive income (loss)	(3)	(18)	(55)
Accretion included in interest income	5	17	11
Balance at end of period	$47,450	$47,448	$47,449

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

($ in thousands)	Fair Value	Valuation Technique	Unobservable Input
December 31, 2019			
Available-for-sale debt securities of U.S. states and political subdivisions—taxable	$47,450	Discounted cash flow	Weighted average liquidity risk yield premium of 50 bps
December 31, 2018			
Available-for-sale debt securities of U.S. states and political subdivisions—taxable	$47,448	Discounted cash flow	Weighted average liquidity risk yield premium of 50 bps

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

Nonrecurring Fair Value Measurements

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

Loans: The fair value of loans with nonrecurring fair value adjustments is based on the fair value of the underlying collateral, primarily real estate, adjusted for certain factors such as estimated costs to sell.

Loans held for sale: The fair value of loans held for sale is derived from actual prices at which loans were committed for sale adjusted for loan servicing value.

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

Other real estate owned: Other real estate owned includes foreclosed properties securing mortgage loans. Fair value is generally based upon independent market prices or appraised values of the collateral, adjusted for estimated costs to sell.

The following table presents the assets measured at fair value on a nonrecurring basis that were held on the balance sheet at December 31, 2019 and 2018:

($ in thousands)	Level 1	Level 2	Level 3	Total
December 31, 2019				
Assets:				
Loans	$—	$ —	$ 3,353	$ 3,353
Loans held for sale	—	4,610	18,694	23,304
MSRs	—	—	8,364	8,364
Total	$—	$4,610	$30,411	$35,021
December 31, 2018				
Assets:				
Loans	$—	$ —	$ 5,417	$ 5,417

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.

	Year Ended December 31,		
($ in thousands)	2019	2018	2017
Loans	$ (399)	$(1,588)	$(48)
Loans held for sale	(35)	—	—
MSRs	(1,863)	—	—
Total	$(2,297)	$(1,588)	$(48)

Fair Value of Financial Instruments

The following tables present the carrying values, estimated fair values and the levels in the fair value hierarchy of financial instruments, excluding those measured at fair value on a recurring basis:

($ in thousands)	December 31, 2019				
	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 1,699,557	$ 1,699,557	$1,699,557	$ —	$ —
Debt securities held-to-maturity:					
U.S. Government-sponsored agency securities	368,065	366,442	—	366,442	—
Agency residential MBS	2,224,252	2,225,480	—	2,225,480	—
Agency commercial MBS	3,296,724	3,325,646	—	3,325,646	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	10,483,668	11,064,025	—	10,969,137	94,888
Tax-exempt nonprofit debentures	138,140	140,917	—	—	140,917
Taxable municipal securities	612,704	620,029	—	620,029	—
Corporate debt securities	24,080	23,405	—	23,405	—
Loans, net:					
Real estate secured mortgages	72,469,094	70,723,276	—	47,016,483	23,706,793
Other loans	17,831,633	16,702,916	—	—	16,702,916
Loans held for sale	23,304	23,304	—	4,610	18,694
Investments in life insurance	1,434,642	1,434,642	—	—	1,434,642
MSRs	41,720	57,891	—	—	57,891
FHLB stock	367,943	367,943	—	—	367,943
Liabilities:					
Deposits:					
Certificates of deposit	$13,935,060	$13,971,499	$ —	$ —	$13,971,499
Borrowings:					
Federal funds purchased	450,000	450,000	—	450,000	—
Short-term FHLB advances	350,000	350,000	—	350,000	—
Long-term FHLB advances	12,200,000	12,252,331	—	12,252,331	—
Senior notes	497,719	504,510	—	504,510	—
Subordinated notes	777,885	899,092	—	899,092	—

	December 31, 2018				
		Fair Value			
($ in thousands)	Carrying Amount	Total	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 2,811,159	$ 2,811,159	$2,811,159	$ —	$ —
Debt securities held-to-maturity:					
U.S. Government-sponsored agency securities	1,044,912	1,011,324	—	1,011,324	—
Agency residential MBS	1,868,587	1,799,100	—	1,799,100	—
Agency commercial MBS	3,375,409	3,240,852	—	3,240,852	—
Securities of U.S. states and political subdivisions:					
Tax-exempt municipal securities	7,952,605	8,035,143	—	7,935,574	99,569
Tax-exempt nonprofit debentures	142,508	139,826	—	—	139,826
Taxable municipal securities	52,952	61,279	—	61,279	—
Loans, net:					
Real estate secured mortgages	59,524,660	57,183,416	—	36,659,706	20,523,710
Other loans	15,901,574	14,677,426	—	—	14,677,426
Loans held for sale	98,985	99,226	—	99,226	—
Investments in life insurance	1,376,579	1,376,579	—	—	1,376,579
MSRs	54,470	95,205	—	—	95,205
FHLB stock	273,240	273,240	—	—	273,240
Liabilities:					
Deposits:					
Certificates of deposit	$11,377,515	$11,442,054	$ —	$ —	$11,442,054
Borrowings:					
Short-term FHLB advances	100,000	100,000	—	100,000	—
Long-term FHLB advances	8,700,000	8,735,714	—	8,735,714	—
Senior notes	896,432	881,618	—	881,618	—
Subordinated notes	777,475	744,293	—	744,293	—

Note 16. Commitments and Contingencies

In the ordinary course of business, the Bank enters into transactions that involve financial instruments with off-balance sheet risks, to meet the financing needs of the Bank's clients. These financial instruments include conditional commitments to originate loans, commitments to disburse additional funds on existing loans and lines of credit, and commitments issued under standby letters of credit. Such instruments involve elements of credit risk and interest rate risk. These financial instruments are subject to the same underwriting standards as on-balance sheet instruments. The Bank generally requires collateral or other security to support instruments with credit risk. The maximum credit risk for such commitments will generally be lower than the contractual amount because a significant portion of these commitments is not expected to be fully used or will expire without being used by the client.

The Bank's conditional commitments to originate loans and commitments to disburse additional funds on existing loans and lines of credit are agreements to lend to a client as long as there is no violation of any of several credit or other established conditions. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments may expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements. At December 31, 2019 and 2018, the Bank had conditional commitments to originate loans of $1.8 billion and $870.7 million, respectively, and to disburse additional funds on existing loans and lines of credit of $25.8 billion and $22.3 billion, respectively.

The Bank's standby letters of credit are conditional lending commitments issued by the Bank to guarantee the performance of a client to a third party under certain arrangements. At December 31, 2019 and 2018, the Bank had undisbursed standby letters of credit of $931.9 million and $783.7 million, respectively.

In connection with the securitization of loans with Freddie Mac, the Bank has an obligation to reimburse Freddie Mac for losses up to $30.2 million, or 12% of the multifamily loans securitized. The liability for estimated losses related to this reimbursement obligation was only $254,000 at December 31, 2019, and the Bank has experienced no cumulative losses through December 31, 2019. The remaining unpaid principal balance of multifamily loans securitized was $173.1 million and $240.8 million at December 31, 2019 and 2018, respectively.

The Bank has been named as a defendant in legal actions arising in the ordinary course of business, none of which, in the opinion of management, are material.

Note 17. Preferred Stock

At December 31, 2019, the Bank was authorized to issue 25,000,000 shares of preferred stock, par value $0.01 per share, of which 1,145,000 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)	December 31, 2019	December 31, 2018
5.50% Noncumulative Perpetual Series D—No shares authorized, issued or outstanding at December 31, 2019; 200,000 shares authorized; 190,000 shares issued and outstanding at December 31, 2018	$ —	$190,000
5.70% Noncumulative Perpetual Series F—115,000 shares authorized; 100,000 shares issued and outstanding	100,000	100,000
5.50% Noncumulative Perpetual Series G—172,500 shares authorized; 150,000 shares issued and outstanding	150,000	150,000
5.125% Noncumulative Perpetual Series H—200,000 shares authorized, issued and outstanding	200,000	200,000
5.50% Noncumulative Perpetual Series I—300,000 shares authorized, issued and outstanding	300,000	300,000
4.70% Noncumulative Perpetual Series J—400,000 shares authorized; 395,000 shares issued and outstanding at December 31, 2019; no shares authorized, issued or outstanding at December 31, 2018	395,000	—
Total	$1,145,000	$940,000

The Bank's preferred stock activity for 2017 through 2019 was as follows:

On January 30, 2017 (the "Series A Redemption Date"), the Bank redeemed all of the outstanding shares of its 6.70% Noncumulative Perpetual Series A Preferred Stock ("Series A Preferred Stock"). All 7,981,000 depositary shares, representing a 1/40th interest in the Series A Preferred Stock, were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $199.5 million plus all accrued and unpaid dividends as of the Series A Redemption Date.

On June 7, 2017, the 5.125% Noncumulative Perpetual Series H Preferred Stock ("Series H Preferred Stock") was issued. Net proceeds, after underwriting discounts and expenses, were $193.7 million. The public offering consisted of 8,000,000 depositary shares, each representing a 1/40th interest in a share of the Series H Preferred Stock, at a public offering price of $25.00 per depositary share. The Series H Preferred Stock is redeemable at the option of the Bank, subject to all applicable regulatory approvals, on or after June 30, 2022.

On June 16, 2017 (the "Series B Redemption Date"), the Bank redeemed all of the outstanding shares of its 6.20% Noncumulative Perpetual Series B Preferred Stock ("Series B Preferred Stock"). All 6,000,000 depositary shares, representing a 1/40th interest in the Series B Preferred Stock, were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $150.0 million plus all accrued and unpaid dividends as of the Series B Redemption Date.

On January 2, 2018 (the "Series C Redemption Date"), the Bank redeemed all of the outstanding shares of its 5.625% Noncumulative Perpetual Series C Preferred Stock ("Series C Preferred Stock"). All 6,000,000 depositary shares, representing a 1/40th interest in the Series C Preferred Stock, were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $150.0 million plus all accrued and unpaid dividends as of the Series C Redemption Date.

On June 12, 2018, the 5.50% Noncumulative Perpetual Series I Preferred Stock ("Series I Preferred Stock") was issued. Net proceeds, after underwriting discounts and expenses, were $290.2 million. The public offering consisted of 12,000,000 depositary shares, each representing a 1/40th interest in a share of the Series I Preferred Stock, at a public offering price of $25.00 per depositary share. The Series I Preferred Stock is redeemable at the option of the Bank, subject to all applicable regulatory approvals, on or after June 30, 2023.

On December 28, 2018 (the "Series E Redemption Date"), the Bank redeemed all of the outstanding shares of its 7.00% Noncumulative Perpetual Series E Preferred Stock ("Series E Preferred Stock"). All 8,000,000 depositary shares, representing a 1/40th interest in the Series E Preferred Stock, were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $200.0 million plus all accrued and unpaid dividends as of the Series E Redemption Date.

On October 18, 2019 (the "Series D Redemption Date"), the Bank redeemed all of the outstanding shares of its 5.50% Noncumulative Perpetual Series D Preferred Stock ("Series D Preferred Stock"). All 7,600,000 depositary shares, representing a 1/40th interest in the Series D Preferred Stock, were redeemed at a redemption price of $25.00 per share, representing an aggregate amount of $190.0 million plus all accrued and unpaid dividends as of the Series D Redemption Date.

On December 3, 2019 and December 19, 2019, the 4.70% Noncumulative Perpetual Series J Preferred Stock ("Series J Preferred Stock") was issued. Net proceeds, after underwriting discounts and expenses, were $382.5 million. The public offering consisted of 15,800,000 depositary shares, each representing a 1/40th interest in a share of the Series J Preferred Stock, at a public offering price of $25.00 per depositary share. The Series J Preferred Stock is redeemable at the option of the Bank, subject to all applicable regulatory approvals, on or after December 31, 2024.

Dividends on each series of the Bank's outstanding shares of preferred stock, except for the Series J Preferred Stock, are paid each March 30, June 30, September 30 and December 30. Dividends on the Series J Preferred Stock will be paid each January 30, April 30, July 30 and October 30 commencing on January 30, 2020. The following table presents dividends paid on preferred stock:

	Year Ended December 31,					
	2019		2018		2017	
(in thousands, except per share amounts)	Total	Per Share	Total	Per Share	Total	Per Share
6.70% Noncumulative Perpetual Series A	$ —	$ —	$ —	$ —	$ 1,117	$ 5.60
6.20% Noncumulative Perpetual Series B	—	$ —	—	$ —	4,305	$28.70
5.625% Noncumulative Perpetual Series C	—	$ —	60	$ 0.40	8,438	$56.25
5.50% Noncumulative Perpetual Series D	8,370	$44.05	10,450	$55.00	10,450	$55.00
7.00% Noncumulative Perpetual Series E	—	$ —	13,940	$69.70	14,000	$70.00
5.70% Noncumulative Perpetual Series F	5,700	$57.00	5,700	$57.00	5,700	$57.00
5.50% Noncumulative Perpetual Series G	8,250	$55.00	8,250	$55.00	8,250	$55.00
5.125% Noncumulative Perpetual Series H	10,250	$51.25	10,250	$51.25	5,780	$28.90
5.50% Noncumulative Perpetual Series I	16,500	$55.00	9,075	$30.25	—	$ —
Total	$ 49,070		$ 57,725		$ 58,040	

Note 18. Common Stock and Stock Plans

Common Stock

At December 31, 2019, the Bank was authorized to issue 400,000,000 shares of common stock, par value $0.01 per share. At December 31, 2019 and 2018, the Bank had 168,620,708 and 164,901,950 shares issued and outstanding, respectively. During 2019, the Bank sold 2,000,000 shares of common stock in an underwritten offering, which added $170.6 million to common equity. Refer to Note 26, "Subsequent Events," for information regarding the Bank's offering of 2,500,000 new shares of common stock on January 14, 2020.

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 2019, employees could purchase shares of the Bank's common stock at 85% 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. A total of 977,817 shares have been sold to employees under the Purchase Plan since its inception in 2011. In 2019, a total of 212,421 shares were sold to employees, compared to 151,825 in 2018 and 124,766 in 2017. The Bank recognizes compensation costs for the Purchase Plan, since it meets the criteria of a compensatory plan under ASC 718-50, "Compensation—Stock Compensation—Employee Share Purchase Plans." For 2019, 2018 and 2017, compensation expense for the Purchase Plan was approximately $3.2 million, $1.4 million and $1.2 million, respectively.

First Republic Bank 2017 Omnibus Award Plan

In May 2017, the Bank adopted the 2017 Omnibus Award Plan (the "Stock Award Plan"), which replaced the 2010 Omnibus Award Plan. Stock awards outstanding that were previously granted under the 2010 Omnibus Award Plan were not affected by the adoption of the Stock Award Plan, and the terms of the 2010 Omnibus Award Plan will remain effective for such awards.

The Bank is authorized to grant shares of common stock in the form of stock options, stock appreciation rights, shares of restricted stock, restricted stock units or performance share units to its employees, officers and directors under the 2017 Omnibus Award Plan. Upon termination of service, unvested awards are generally forfeited. At December 31, 2019, the Bank had 982,853 shares reserved for future stock award grants.

Stock Options

At December 31, 2019 and 2018, the Bank had stock options outstanding, less forfeitures, of 319,753 and 1,764,407, respectively. 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") and performance vesting criteria ("Performance Options"). All options have been fully vested.

The following table presents information related to Time Options and Performance Options:

	Time Options				Performance Options			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($ in thousands)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($ in thousands)
Options outstanding as of December 31, 2016	3,081,650	$15.00			1,732,729	$16.11		
Granted	—	—			—	—		
Canceled or forfeited	—	—			—	—		
Exercised	(1,727,503)	$15.00			(700,524)	$16.32		
Options outstanding as of December 31, 2017	1,354,147	$15.01	2.5 years	$96,999	1,032,205	$15.96	2.6 years	$72,951
Granted	—	—			—	—		
Canceled or forfeited	—	—			—	—		
Exercised	(266,865)	$15.00			(355,080)	$15.69		
Options outstanding as of December 31, 2018	1,087,282	$15.01	1.5 years	$78,163	677,125	$16.11	1.6 years	$47,935
Granted	—	—			—	—		
Canceled or forfeited	—	—			—	—		
Exercised	(1,063,282)	$15.01			(381,372)	$15.79		
Options outstanding as of December 31, 2019	24,000	$15.00	0.6 years	$ 2,459	295,753	$16.51	0.6 years	$29,852

At December 31, 2019, the weighted average exercise price of all outstanding options was $16.40 and the weighted average remaining contractual term was 0.6 years.

The intrinsic value of all options exercised was $120.4 million in 2019, compared to $50.6 million in 2018 and $193.3 million in 2017. 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 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 vest evenly over periods ranging 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, 2016	1,666,364	$ 62.61		634,177	$ 67.45	
Granted	828,659	$100.54		34,867	$ 94.42	
Vested	(560,410)	$ 57.85		(203,563)	$ 67.62	
Canceled or forfeited	(33,525)	$ 74.63		(22,656)	$ 69.62	
Nonvested awards as of December 31, 2017	1,901,088	$ 80.33	3.0 years	442,825	$ 69.38	1.8 years
Granted	1,040,244	$ 99.18		78,449	$100.44	
Vested	(637,317)	$ 73.60		(195,209)	$ 70.25	
Canceled or forfeited	(67,332)	$ 90.85		(5,162)	$ 66.79	
Nonvested awards as of December 31, 2018	2,236,683	$ 90.70	3.0 years	320,903	$ 76.49	1.4 years
Granted	1,190,509	$112.46		254,450	$ 99.32	
Vested	(724,718)	$ 85.17		(207,169)	$ 73.19	
Canceled or forfeited	(106,410)	$ 94.07		(1,175)	$ 79.80	
Nonvested awards as of December 31, 2019	2,596,064	$102.09	3.0 years	367,009	$ 94.17	2.0 years

The total fair value of Performance RSUs that vested in 2019, 2018 and 2017 was approximately $70.5 million, $64.1 million and $54.6 million, respectively. The total fair value of Time RSUs that vested in 2019, 2018 and 2017 was approximately $21.1 million, $18.2 million and $19.2 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 periods ranging

from three years to 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, 2016	718,000	$ 61.29	
Granted	299,750	$100.53	
Vested	(279,000)	$ 52.99	
Canceled or forfeited	—	—	
Nonvested awards as of December 31, 2017	738,750	$ 80.34	3.1 years
Granted	434,784	$ 96.80	
Vested	(221,450)	$ 71.89	
Canceled or forfeited	—	—	
Nonvested awards as of December 31, 2018	952,084	$ 89.82	3.0 years
Granted	309,250	$114.88	
Vested	(272,592)	$ 83.33	
Canceled or forfeited	—	—	
Nonvested awards as of December 31, 2019	988,742	$ 99.45	2.4 years

The total fair value of PSUs that vested during 2019, 2018 and 2017 was $26.7 million, $22.2 million and $26.2 million, respectively. 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 performance-based vesting requirements ("Performance RSAs") and vest on a quarterly basis, provided that certain performance criteria are achieved for a specified performance period, such as return on average tangible common equity, return on average tangible assets and nonperforming asset ratios. Performance RSAs were fully vested as of December 31, 2019. The following table presents information related to Performance RSAs:

	Number of Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested awards as of December 31, 2016	92,500	$32.89	
Granted	—	—	
Vested	(57,500)	$33.56	
Canceled or forfeited	—	—	
Nonvested awards as of December 31, 2017	35,000	$31.80	2.0 years
Granted	—	—	
Vested	(17,500)	$31.80	
Canceled or forfeited	—	—	
Nonvested awards as of December 31, 2018	17,500	$31.80	1.0 years
Granted	—	—	
Vested	(17,500)	$31.80	
Canceled or forfeited	—	—	
Nonvested awards as of December 31, 2019	—	—	—

The total fair value of Performance RSAs that vested during 2019, 2018 and 2017 was $1.8 million, $1.6 million and $5.5 million, respectively. No cash consideration was received in connection with the vesting of these awards.

Compensation Expense

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 requisite service period, which is generally 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:

	Year Ended December 31,					
	2019		2018		2017	
($ in thousands)	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit	Expense Recognized	Related Tax Benefit
RSUs	$ 75,939	$22,071	$69,201	$20,622	$58,174	$24,550
PSUs	24,702	5,495	21,944	6,539	14,997	6,329
RSAs	555	165	557	166	893	377
Total	$101,196	$27,731	$91,702	$27,327	$74,064	$31,256

	At December 31, 2019	
($ in thousands)	Unrecognized Expense	Weighted Average Expected Recognition Period
RSUs	$249,894	3.3 years
PSUs	75,748	2.6 years
Total	$325,642	

Excess Tax Benefits

Excess tax benefits from exercise or vesting of share-based awards are recorded as a reduction in provision for income taxes in the period of exercise or vesting. The following table presents excess tax benefits recognized, by award type:

	Year Ended December 31,					
	2019		2018		2017	
($ in thousands)	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit	Number of Awards Exercised or Vested	Related Excess Tax Benefit
Stock options	1,444,654	$33,696	621,945	$13,986	2,428,027	$75,825
RSUs	931,887	4,802	832,526	6,827	763,973	12,015
PSUs	272,592	1,300	221,450	1,960	279,000	4,986
RSAs	17,500	374	17,500	323	57,500	1,545
Total	2,666,633	$40,172	1,693,421	$23,096	3,528,500	$94,371

Note 19. Accumulated Other Comprehensive Income (Loss)

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

($ in thousands)	Securities Available-For-Sale	Securities Transferred from Available-For-Sale to Held-to-Maturity	Total
Balance at December 31, 2016	**$ 2,733**	**$ 3,606**	**$ 6,339**
Net unrealized loss on securities available-for-sale	(18,186)	—	(18,186)
Related tax effect	7,622	—	7,622
Reclassification of loss on securities available-for-sale to net income [1]	2,351	—	2,351
Related tax effect [2]	(992)	—	(992)
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity [3]	—	(1,776)	(1,776)
Related tax effect [2]	—	802	802
Other comprehensive loss	(9,205)	(974)	(10,179)
Balance at December 31, 2017	**(6,472)**	**2,632**	**(3,840)**
Cumulative adjustments from adoption of new accounting guidance	(1,182)	—	(1,182)
Balance at January 1, 2018	**(7,654)**	**2,632**	**(5,022)**
Net unrealized gain on securities transferred from held-to-maturity to available-for-sale	17,528	—	17,528
Related tax effect	(5,223)	—	(5,223)
Net unrealized loss on securities available-for-sale	(12,134)	—	(12,134)
Related tax effect	3,616	—	3,616
Reclassification of gain on securities available-for-sale to net income [1]	(24,328)	—	(24,328)
Related tax effect [2]	7,250	—	7,250
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity [3]	—	(1,524)	(1,524)
Related tax effect [2]	—	454	454
Other comprehensive loss	(13,291)	(1,070)	(14,361)
Balance at December 31, 2018	**(20,945)**	**1,562**	**(19,383)**
Net unrealized gain on securities available-for-sale	31,648	—	31,648
Related tax effect	(9,431)	—	(9,431)
Reclassification of loss on securities available-for-sale to net income [1]	4,303	—	4,303
Related tax effect [2]	(1,282)	—	(1,282)
Amortization of unrealized gains on securities transferred from available-for-sale to held-to-maturity [3]	—	(1,031)	(1,031)
Related tax effect [2]	—	307	307
Other comprehensive income (loss)	25,238	(724)	24,514
Balance at December 31, 2019	**$ 4,293**	**$ 838**	**$ 5,131**

(1) Included in gain (loss) on investment securities, net on the consolidated statements of income and comprehensive income.
(2) Included in provision for income taxes on the consolidated statements of income and comprehensive income.
(3) Included in interest income on investments on the consolidated statements of income and comprehensive income.

Note 20. Employee Benefit Plans

The Bank's 401(k) Plan is a qualified defined contribution plan under section 401(k) of the Internal Revenue Code ("IRC") of 1986, as amended. Generally, full-time and part-time employees who are regularly employed for 20 hours or more per week are automatically enrolled in the Bank's 401(k) Plan upon their date of hire. The 401(k) Plan assets are invested by plan participants in a family of investment funds. Eligible employees may contribute up to 50% of their pre-tax and post-tax eligible compensation as defined in the 401(k) Plan, subject to certain IRC limitations. Under the 401(k) Plan, the Bank makes matching contributions every pay period up to a maximum of 4% of the participant's eligible compensation, and the matching contributions vest immediately. The Bank's contributions to the 401(k) Plan were approximately $25.7 million, $22.3 million and $14.7 million for 2019, 2018 and 2017, respectively.

The Bank has a Deferred Compensation Plan under which eligible employees may defer receipt of a portion of salary or incentive compensation. The Deferred Compensation Plan allows its participants to invest their deferred compensation in certain mutual funds. Deferred amounts will be distributed to employees in accordance with their elections. At December 31, 2019 and 2018, the deferred compensation liability was $57.7 million and $44.3 million, respectively.

Since inception, the Bank has not offered any other employee benefit plans and, at December 31, 2019, has no requirement to accrue additional expenses for any pension or other post-employment benefits.

Note 21. Income Taxes

Beginning in 2018, federal tax reform legislation reduced the federal tax rate for corporations from 35% to 21% and changed or limited certain tax deductions.

Tax credit investment amortization expense is presented as a component of provision for income taxes. The following table presents the components of the Bank's provision for income taxes:

	Year Ended December 31,		
($ in thousands)	2019	2018	2017
Federal:			
Current	$ 28,414	$ 40,963	$ (139,238)
Deferred	(64,982)	(70,523)	112,410
Subtotal	(36,568)	(29,560)	(26,828)
State:			
Current	105,577	119,104	44,824
Deferred	(5,305)	(23,541)	15,552
Subtotal	100,272	95,563	60,376
Tax credit investment amortization	139,203	131,911	120,994
Total provision for income taxes	$ 202,907	$ 197,914	$ 154,542

The following table presents a reconciliation between the effective income tax rate and the federal statutory rate:

	Year Ended December 31,		
	2019	2018	2017
Statutory rate	21.0%	21.0%	35.0%
State taxes, net of federal benefits	8.0	7.8	6.1
Tax-exempt income	(6.5)	(7.0)	(13.4)
Investments in life insurance	(0.8)	(0.8)	(1.5)
Tax credits	(14.1)	(14.3)	(16.9)
Tax credit investment amortization	12.3	12.6	13.3
Excess tax benefits—stock options	(2.9)	(1.3)	(8.3)
Excess tax benefits—other stock awards	(0.6)	(0.9)	(2.1)
Deferred tax assets valuation adjustment	—	—	4.4
FDIC assessments	0.7	1.1	0.0
Other, net	0.8	0.6	0.3
Effective tax rate	17.9%	18.8%	16.9%

The following table presents the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities:

	December 31,	
($ in thousands)	2019	2018
Deferred tax assets:		
Lease liabilities	$ 268,719	$ 12,954
Excess tax credit carryforwards	201,302	147,711
Allowance for loan losses	147,440	130,264
Accrued compensation	95,668	77,766
Depreciation	24,769	18,202
Stock award expense	20,104	22,643
State income taxes	13,904	15,652
Loan discounts	11,001	10,894
Reserve for unfunded loan commitments	3,575	3,921
Other deferred tax assets	2,224	2,733
Net operating losses	—	3,137
Unrealized losses on securities available-for-sale	—	8,229
Gross deferred tax assets	788,706	454,106
Deferred tax liabilities:		
Right-of-use lease assets	(250,100)	—
Deferred loan costs	(127,907)	(101,572)
Mortgage servicing rights	(9,919)	(13,223)
Intangible assets	(4,789)	(1,123)
Unrealized gains on securities available-for-sale	(2,178)	—
Other deferred tax liabilities	(2,032)	(1,640)
Gross deferred tax liabilities	(396,925)	(117,558)
Net deferred tax assets	$ 391,781	$ 336,548

Gross deferred tax assets represent recoverable taxes. At December 31, 2019, the Bank had excess tax credit carryforwards and net operating losses of $201.3 million, which expire in varying amounts between 2036 and 2039. At December 31, 2019 and 2018, management believes a valuation allowance is not needed because it is more likely than not that deferred tax assets will be realized based on our history of earnings and our ability to implement tax planning strategies.

The table below presents a reconciliation of the beginning and ending amount of unrecognized tax benefits:

($ in thousands)	At or for the Year Ended December 31, 2019	2018
Balance at beginning of period	$100	$ 98
Additions for tax positions related to prior years	8	6
Subtractions for tax positions related to prior years	—	(4)
Balance at end of period	$108	$100

At December 31, 2019 and 2018, the amount of net current taxes receivable was $26.4 million and $2.6 million, respectively.

At December 31, 2019 and 2018, the Bank had accrued current taxes payable of approximately $108,000 and $100,000, respectively, related to uncertain tax positions. If recognized, the entire amount of unrecognized tax benefits at December 31, 2019 would affect the Bank's consolidated effective tax rate. The Bank also recognized interest and penalties of approximately $8,000 and $6,000 (recorded in income tax expense) related to uncertain tax positions for the years ended December 31, 2019 and 2018, respectively.

The Bank continues to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected tolling of the statute of limitations in various taxing jurisdictions. The Bank's tax returns for the years ended December 31, 2013 through 2019 remain subject to examination by the Internal Revenue Service, the California Franchise Tax Board or various other state taxing authorities. The Bank does not currently believe there is a reasonable possibility of any significant change to our total unrecognized tax benefits within the next twelve months.

Note 22. Earnings Per Common Share ("EPS")

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

(in thousands, except per share amounts)	Year Ended December 31, 2019	2018	2017
Basic EPS:			
Net income	$ 930,329	$ 853,828	$ 757,660
Less: Dividends on preferred stock	49,070	57,725	58,040
Net income available to common shareholders	$ 881,259	$ 796,103	$ 699,620
Weighted average common shares outstanding	167,908	162,948	157,624
Net income per common share—basic	$ 5.25	$ 4.89	$ 4.44
Diluted EPS:			
Net income available to common shareholders	$ 881,259	$ 796,103	$ 699,620
Weighted average shares:			
Common shares outstanding	167,908	162,948	157,624
Dilutive effect of stock options	715	1,721	3,465
Dilutive effect of restricted stock awards, restricted stock units and performance share units	928	943	1,251
Weighted average diluted common shares outstanding	169,551	165,612	162,340
Net income per common share—diluted	$ 5.20	$ 4.81	$ 4.31

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:

(in thousands)	Year Ended December 31, 2019	2018	2017
Restricted stock units and performance share units	72	40	6

Note 23. Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the FDIC. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory capital requirements. The Bank's capital amounts and classification will also be subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Bank's capital ratios exceeded all applicable regulatory requirements at December 31, 2019 and 2018 for well-capitalized institutions. The following table presents the Bank's regulatory capital information at December 31, 2019 and 2018 and the standards for both well-capitalized depository institutions and applicable minimum capital requirements:

	Actual		Regulatory Requirements		
	December 31,				
($ in thousands)	2019	2018	Well-Capitalized Ratio	Minimum Capital Ratio	Minimum Capital Conservation Buffer [1]
Capital Ratios					
Tier 1 leverage ratio (Tier 1 capital to average assets)	8.39%	8.68%	5.00%	4.00%	—%
Common Equity Tier 1 capital to risk-weighted assets	9.86%	10.38%	6.50%	4.50%	2.50%
Tier 1 capital to risk-weighted assets	11.21%	11.70%	8.00%	6.00%	2.50%
Total capital to risk-weighted assets	12.73%	13.43%	10.00%	8.00%	2.50%
Regulatory Capital [2]					
Common Equity Tier 1 capital	$ 8,371,192	$ 7,379,997			
Tier 1 capital	$ 9,516,192	$ 8,319,997			
Total capital	$ 10,802,209	$ 9,549,738			
Assets [2]					
Average assets	$113,403,507	$95,905,266			
Risk-weighted assets	$ 84,885,943	$71,116,459			

(1) As of December 31, 2019, our capital conservation buffer was 4.73%, which exceeded the minimum requirement of 2.5% required to be held by banking institutions.
(2) As defined by regulatory capital rules.

The Bank's ability to declare a cash dividend or other distribution with respect to capital is subject to federal and state statutory and regulatory restrictions and possible approval requirements based upon earnings, financial condition, cash needs and general business conditions. Federal and state banking agencies also have authority to prohibit the Bank from engaging in business practices that are considered unsafe or unsound, possibly including the payment of dividends or other distributions with respect to capital. In addition, the Bank cannot declare or pay dividends on common stock or redeem or repurchase common stock for any period for which dividends on preferred stock have not been declared and paid in full.

Note 24. Revenue from Contracts with Customers

Revenue Recognition

The following table presents revenue from contracts with customers, disaggregated by revenue stream, as well as other noninterest income:

($ in thousands)	Year Ended December 31, 2019	2018	2017
Noninterest income:			
Revenue from contracts with customers:			
Investment management fees	$359,332	$341,539	$282,868
Brokerage and investment fees	38,306	28,974	24,228
Insurance fees	12,708	10,090	5,555
Trust fees	16,549	14,633	13,658
Deposit fees	26,071	24,974	22,633
Other income	4,579	2,569	1,661
Total revenue from contracts with customers	457,545	422,779	350,603
Other sources of noninterest income	119,675	120,666	109,858
Total noninterest income	$577,220	$543,445	$460,461

The Bank earns revenues from contracts with customers primarily for performing investment management, brokerage, sales of insurance and annuity policies, trust and deposit services. Most of the Bank's contracts with customers are open-ended, and the Bank provides services on an ongoing basis for an unspecified contract term. For these ongoing services, the fees are variable, since they are dependent on factors such as the value of underlying assets under management, assets under administration or volume of transactions. The Bank recognizes revenue over the period services are provided to customers and when the uncertainties that determine the amount of revenue are resolved, and the actual fees are known or can be estimated. For certain services that are provided at a specific point in time, the Bank recognizes revenue in full at the time such services are provided. Each of the Bank's revenue streams are described in additional detail below.

Investment Management Fees

The Bank performs investment management services for its clients through FRIM, who acts as the client's investment adviser, performing traditional portfolio management, and in some cases, brokerage services through FRSC. FRIM also acts as an adviser to alternative investment funds. Investment management fees are variable, since they are based on assets under management ("AUM"), which are subject to changes in market conditions and asset inflows and outflows. Investment management fees are recognized over the period services are provided, and when actual AUM values are known or can be estimated. For traditional portfolio management services, AUM is known at the end of each quarter, and alternative investments' AUM can be estimated each quarter.

Brokerage and Investment Fees

The Bank performs brokerage services for its clients through FRSC. Brokerage fees consist of transaction fees earned from trade execution and distribution fees from mutual funds or money market mutual funds. Brokerage transaction fees are fixed and determinable, based on security type and trade volume, and are recognized upon trade execution. Distribution fees from mutual funds or money market mutual funds are variable, since they are based on

the underlying fund's value, which is subject to market conditions, fund performance and amounts invested by clients. Distribution fees are recognized over the period that services are provided, and when the fund values are known or can be estimated at the end of each quarter.

Insurance Fees

The Bank earns revenue from selling insurance and annuity policies to its clients through FRSC and FRIM. Insurance fees consist of initial commissions when a policy is sold and subsequent commissions each year that a policy is renewed. Both initial and renewal fees are variable, since they are determined by the value and type of each insurance or annuity policy sold and subsequently renewed. Initial commissions are recognized when the policy is in effect, and renewal commissions are recognized upon renewal of the policy.

Trust Fees

The Bank performs trust and custody services for its clients through First Republic Trust Company, FRTC Delaware, and FRTC Wyoming (collectively, the "Trust Company"). The Trust Company holds cash, securities and other assets in trust or custody accounts for its customers, and manages the day to day administration of the accounts. Trust and custody fees are variable, since they are based upon assets under administration ("AUA"), which are subject to changes in market conditions and asset inflows and outflows. Trust fees are recognized over the period services are provided, and when actual AUA values are known or can be estimated.

Deposit Fees

The Bank performs deposit account services for its deposit clients. Deposit account fees are variable, since they are based on average account balances, type of account and transactions. Deposit account fees are recognized over the period that services are provided, and when the average account balances and transactions are known. Average account balances are known at the end of each month and transactions are known as they occur. In addition, other deposit-related fees consist of ATM fees from non-Bank cardholders, which is a fixed amount recognized at the time of the transaction, and interchange fees from debit card transactions, which are variable and recognized at the time of the transaction. Interchange fees are a percentage of the dollar value of the debit cardholder's transaction.

Other Income

Other income primarily includes revenue earned from ancillary services the Bank and its subsidiaries provide to customers.

Principal versus Agent

For brokerage services, FRSC utilizes a third-party clearing broker to execute and settle trades. FRSC is a principal in this relationship and, therefore, brokerage revenue is recognized as the gross amount of consideration, and payments to the clearing broker are recorded as an expense. For trustee services, the Bank utilizes a third-party custodian to provide custody over trust assets. FRTC is the principal in this relationship, therefore, trustee services revenue is recognized as the gross amount of consideration from the customer, and payments to the custodian are recorded as an expense.

Contract Balances and Receivables

The Bank records contract liabilities, or deferred revenue, when payments from customers are received or due in advance of providing services to customers. The Bank generally receives payments for its services during the period or at the time services are provided and, therefore, does not have deferred revenue balances at period end.

Receivables from contracts with customers were $21.8 million and $17.3 million at December 31, 2019 and 2018, respectively, and consist primarily of investment management and brokerage receivables, which are included in other assets on the consolidated balance sheets.

Contract Acquisition Costs

The Bank pays its employees incentive compensation in the form of commissions, which are considered incremental and recoverable costs to obtain the contract. The Bank utilizes the practical expedient not to capitalize such costs as the amortization period of the asset is less than 12 months, and therefore expenses the commissions as incurred. These costs are recorded in salaries and employee benefits expense in the consolidated income statements.

Note 25. Segment Reporting

ASC 280-10, “Segment Reporting,” requires that a public business enterprise report certain financial and descriptive information about its reportable operating segments on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments. The Bank’s two reportable segments are Commercial Banking and Wealth Management.

The principal business activities of the Commercial Banking segment are gathering deposits (retail deposit gathering and private banking activities), originating and servicing loans (primarily real estate secured mortgage loans) and investing in investment securities. The primary sources of revenue for this segment are: interest earned on loans and investment securities, fees earned in connection with loan and deposit services, and income earned on loans serviced for investors. Principal expenses for this segment are interest incurred on interest-bearing liabilities, including deposits and borrowings, general and administrative costs and provision for loan losses.

The principal business activities of the Wealth Management segment are (i) the investment management activities of FRIM, which manages investments for individuals and institutions in equity securities, fixed income securities, balanced portfolios, and alternative investments; (ii) our money market mutual fund activities through third-party providers and the brokerage activities of FRSC (these two activities collectively, “Brokerage and Investment”); (iii) sales of insurance and annuity products through FRSC and FRIM; (iv) trust and custody services provided by the Trust Company; and (v) our foreign exchange activities conducted on behalf of clients. The primary sources of revenue for this segment are investment management fees, brokerage and investment fees, insurance fees, trust fees and foreign exchange fee income. In addition, the Wealth Management segment earns a deposit earnings credit for client deposit accounts that are maintained at the Bank, including sweep deposit accounts. The Wealth Management segment’s principal expenses are personnel-related costs and other general and administrative expenses.

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

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

($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Consolidated Total
At or for the Year Ended December 31, 2019				
Net interest income	$ 2,674,061	$ 90,106	$ —	$ 2,764,167
Provision for loan losses	61,690	—	—	61,690
Noninterest income from contracts with customers [1]	27,470	464,246	(34,171)	457,545
Other noninterest income	77,287	42,388	—	119,675
Noninterest income	104,757	506,634	(34,171)	577,220
Amortization of intangibles	1,809	10,065	—	11,874
Other noninterest expense	1,723,634	445,124	(34,171)	2,134,587
Noninterest expense	1,725,443	455,189	(34,171)	2,146,461
Income before provision for income taxes	991,685	141,551	—	1,133,236
Provision for income taxes	163,132	39,775	—	202,907
Net income	$ 828,553	$ 101,776	$ —	$ 930,329
Goodwill	$ 24,604	$ 147,012	$ —	$ 171,616
Total Assets	$ 115,720,424	$ 831,846	$ (288,636)	$ 116,263,634
At or for the Year Ended December 31, 2018				
Net interest income	$ 2,420,252	$ 80,856	$ —	$ 2,501,108
Provision for loan losses	76,092	—	—	76,092
Noninterest income from contracts with customers [1]	24,935	432,317	(34,473)	422,779
Other noninterest income	83,107	37,559	—	120,666
Noninterest income	108,042	469,876	(34,473)	543,445
Amortization of intangibles	3,546	12,701	—	16,247
Other noninterest expense	1,516,089	418,856	(34,473)	1,900,472
Noninterest expense	1,519,635	431,557	(34,473)	1,916,719
Income before provision for income taxes	932,567	119,175	—	1,051,742
Provision for income taxes	164,002	33,912	—	197,914
Net income	$ 768,565	$ 85,263	$ —	$ 853,828
Goodwill	$ 51,435	$ 147,012	$ —	$ 198,447
Total Assets	$ 98,709,441	$ 681,869	$ (186,106)	$ 99,205,204

[1] The Commercial Banking segment consists of noninterest income from contracts with customers related to deposit fees and the Wealth Management segment consists of investment management, brokerage and investment, insurance and trust fees.

($ in thousands)	Commercial Banking	Wealth Management	Reconciling Items	Consolidated Total
At or for the Year Ended December 31, 2017				
Net interest income	$ 2,084,137	$ 67,326	$ —	$ 2,151,463
Provision for loan losses	60,181	—	—	60,181
Noninterest income from contracts with customers [(1)]	22,884	361,353	(33,634)	350,603
Other noninterest income	77,249	32,609	—	109,858
Noninterest income	100,133	393,962	(33,634)	460,461
Amortization of intangibles	5,281	15,344	—	20,625
Other noninterest expense	1,317,555	334,995	(33,634)	1,618,916
Noninterest expense	1,322,836	350,339	(33,634)	1,639,541
Income before provision for income taxes	801,253	110,949	—	912,202
Provision for income taxes	110,593	43,949	—	154,542
Net income	$ 690,660	$ 67,000	$ —	$ 757,660
Goodwill	$ 51,435	$ 147,012	$ —	$ 198,447
Total Assets	$ 87,401,617	$ 585,468	$(206,578)	$ 87,780,507

(1) The Commercial Banking segment consists of noninterest income from contracts with customers related to deposit fees and the Wealth Management segment consists of investment management, brokerage and investment, insurance and trust fees.

The reconciling items for revenues include fees for managing the Bank's investment portfolio by FRIM and intercompany management fees related to the training and licensing of the Bank's licensed representatives by FRSC. The reconciling items for assets include subsidiary funds on deposit with the Bank and any intercompany receivable that is reimbursed at least on a quarterly basis.

Note 26. Subsequent Events

The Bank evaluated the effects of events that have occurred subsequent to the year ended December 31, 2019.

In January 2020, the Bank offered and sold an aggregate of 2,500,000 new shares of common stock in an underwritten public offering. Net proceeds based on the public offering price, after underwriting discounts and estimated expenses, were approximately $290.6 million.

In February 2020, the Bank completed an underwritten public offering of $500.0 million of 1.912% unsecured senior fixed-to-floating rate notes, which were issued on February 12, 2020. Net proceeds based on the public offering price, after underwriting discounts and estimated expenses, were approximately $496.7 million. The senior notes will mature on February 12, 2024 unless previously redeemed, and are redeemable on February 12, 2023.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
First Republic Bank:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of First Republic Bank and subsidiaries (the Bank) as of December 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Bank's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Bank's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's consolidated financial statements and an opinion on the Bank's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Bank in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the Audit Committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan losses for non-impaired loans that are collectively evaluated for impairment

As discussed in Notes 1 and 4 to the consolidated financial statements, the Bank's allowance for loan losses for non-impaired loans that are collectively evaluated for impairment (ASC 450 ALL) was $495,982,000, representing substantially all of the total allowance for loan losses of $496,104,000 as of December 31, 2019. The Bank estimated the ASC 450 ALL using a systematic process that primarily consists of: (1) a quantitative reserve, which is determined by utilizing computed historical loss factors for each portfolio segment for pass loans, subject to adjustments for certain of the portfolio segments, and (2) a qualitative reserve, which is determined based on the Bank's identification and assessment of incremental risks that are not adequately reflected in the quantitative reserve for pass loans.

We identified the assessment of the ASC 450 ALL as a critical audit matter because it involved significant measurement uncertainty requiring complex auditor judgment, and knowledge and experience in the industry. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained. This assessment encompassed the evaluation of the overall ASC 450 ALL methodology, inclusive of estimates related to (1) the quantitative reserve and its key inputs and assumptions, which included the assigned loan grades; the look back period over which the historical loss data used to calculate the quantitative reserve was aggregated; the loss emergence periods determined for each portfolio segment and applied to each segment's historical loss rate to produce a segment loss factor; and the adjustments for certain of the portfolio segments, and (2) the qualitative reserve and its key inputs and assumptions, which included the qualitative factors used, and the degree to which the relevant qualitative factors impacted each portfolio.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(continued from previous page)

The primary procedures we performed to address the critical audit matter included the following. We tested certain internal controls related to the (1) development of the ASC 450 ALL methodology that is used to estimate both the quantitative reserve and the qualitative reserve, (2) determination of key inputs and assumptions, and (3) analysis of the ASC 450 ALL results, trends and ratios. We involved credit risk professionals with industry knowledge and experience who assisted in:

- evaluating the ASC 450 ALL methodology for compliance with U.S. generally accepted accounting principles,
- testing the look back period assumption used in the ASC 450 ALL calculation to evaluate the length of that period,
- testing the loss emergence period assumptions used in the ASC 450 ALL calculation to evaluate the length of those periods,
- evaluating the adjustments to the computed historical loss factors for certain of the portfolio segments,
- evaluating the qualitative reserve methodology and resulting factors, the degree to which the factors impacted each portfolio, and the effect of those factors on the ASC 450 ALL compared with relevant credit risk factors and consistency with credit trends, and
- testing individual loan grades for a selection of lending relationships.

We evaluated the collective results of the procedures performed to assess the sufficiency of the audit evidence obtained related to the Bank’s ASC 450 ALL.

/s/ KPMG LLP

We have served as the Bank’s auditor since 2010.

San Francisco, California
February 28, 2020

FIRST REPUBLIC BANK
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of First Republic Bank and subsidiaries (the Bank) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Bank's internal control over financial reporting is designed by, or under the supervision of the Bank's principal executive and principal financial officers and effected by the Bank's board of directors, management and other personnel, 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. The Bank's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Bank;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Bank's management assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2019, using the criteria for effective internal control over financial reporting set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework (2013)*. Based on this assessment, management concluded that, as of December 31, 2019, the Bank's internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited the Bank's consolidated financial statements as of December 31, 2019 included in this Annual Report on Form 10-K, issued an audit report on the Bank's internal control over financial reporting. KPMG's audit report appears on page 171.

FIRST REPUBLIC BANK
QUARTERLY FINANCIAL DATA
(UNAUDITED)

($ in thousands, except per share amounts)	2019 Quarter Ended Dec. 31	2019 Quarter Ended Sept. 30	2019 Quarter Ended June 30	2019 Quarter Ended Mar. 31	2018 Quarter Ended Dec. 31	2018 Quarter Ended Sept. 30	2018 Quarter Ended June 30	2018 Quarter Ended Mar. 31
Interest income	$936,954	$909,776	$885,732	$847,017	$828,655	$780,038	$734,439	$688,474
Interest expense	216,836	214,791	211,706	171,979	161,452	145,584	122,746	100,716
Net interest income	720,118	694,985	674,026	675,038	667,203	634,454	611,693	587,758
Provision for loan losses	9,579	16,711	21,200	14,200	25,089	18,633	19,370	13,000
Noninterest income	157,345	142,207	145,350	132,318	143,547	134,375	132,421	133,102
Noninterest expense	558,845	533,950	528,854	524,812	498,582	483,999	472,557	461,581
Income before provision for income taxes	309,039	286,531	269,322	268,344	287,079	266,197	252,187	246,279
Net income	246,330	234,844	222,564	226,591	231,418	213,546	209,781	199,083
Net income available to common shareholders	235,622	222,057	209,776	213,804	215,190	196,434	197,618	186,861
Diluted EPS	$ 1.39	$ 1.31	$ 1.24	$ 1.26	$ 1.29	$ 1.19	$ 1.20	$ 1.13

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Securities and Exchange Commission rules, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act as of the end of the period covered by this report. Our management, including our chief executive officer and chief financial officer, supervised and participated in the evaluation. Based on that evaluation, the chief executive officer and the chief financial officer concluded that our disclosure controls and procedures, as of December 31, 2019, 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.

Management's Report on Internal Control Over Financial Reporting

See "Item 8. Financial Statements and Supplementary Data."

Changes in Internal Control Over Financial Reporting

There was no significant change in our internal control over financial reporting during the quarter ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

This information is incorporated by reference to the Bank's 2020 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 11. Executive Compensation.

This information is incorporated by reference to the Bank's 2020 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 201(d) of Regulation S-K regarding securities authorized for issuance under equity compensation plans and other information regarding security ownership is incorporated by reference to the Bank's 2020 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

This information is incorporated by reference to the Bank's 2020 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

Item 14. Principal Accounting Fees and Services.

This information is incorporated by reference to the Bank's 2020 Proxy Statement that will be filed with the FDIC pursuant to Regulation 14A not later than 120 days after the end of the Bank's fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(1) Financial Statements:

See "Item 8. Financial Statements and Supplementary Data."

(2) Financial Statement Schedules:

Financial Statement schedules are omitted either because they are not required or are not applicable, or because the required information is shown in the Financial Statements or notes thereto.

(3) Exhibits:

The exhibits to this Annual Report on Form 10-K listed below have been included with, or incorporated into, the copy of this report filed with the Federal Deposit Insurance Corporation and on our website. Copies of individual exhibits will be furnished to shareholders upon written request to First Republic Bank.

Exhibit No.	Description
3.1	Restated Articles of Incorporation of First Republic Bank, incorporated by reference to Exhibit 3.1 of Form 8-K filed on November 27, 2019.
3.2	Certificate of Determination for the Bank's 4.70% Noncumulative Perpetual Series J Preferred Stock, par value $0.01 per share, incorporated by reference to Exhibit 3.1 of Form 8-K on December 3, 2019.
3.3	Amended and Restated Bylaws of First Republic Bank, incorporated by reference to Exhibit 3.1 of Form 8-K filed on May 16, 2016.
4.1	Specimen stock certificate of First Republic Bank's common stock, incorporated by reference to Exhibit 4.1 of Amendment No. 2 to the Bank's Registration Statement on Form 10 filed on December 7, 2010.
4.2	Deposit Agreement, dated May 27, 2015, by and among the Bank, Computershare Inc., Computershare Trust Company, N.A. and the holders from time to time of the Depositary Receipts described therein, incorporated by reference to Exhibit 4.1 of Form 8-K filed on May 27, 2015.
4.3	Form of Depositary Receipt (included in Exhibit 4.2).
4.4	Deposit Agreement, dated February 10, 2016, by and among the Bank, Computershare Inc., Computershare Trust Company, N.A. and the holders from time to time of the Depositary Receipts described therein, incorporated by reference to Exhibit 4.1 of Form 8-K filed on February 10, 2016.

Exhibit No.	Description
4.5	Form of Depositary Receipt (included in Exhibit 4.4).
4.6	Fiscal and Agency Paying Agreement, dated August 1, 2016, between the Bank and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 of Form 8-K filed on August 1, 2016.
4.7	Form of Note (included in Exhibit 4.6).
4.8	Fiscal and Agency Paying Agreement, dated February 13, 2017, between the Bank and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 of Form 8-K filed on February 13, 2017.
4.9	Form of Note (included in Exhibit 4.8).
4.10	Fiscal and Paying Agency Agreement, dated June 6, 2017, between the Bank and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 of Form 8-K filed on June 6, 2017.
4.11	Form of Note (included in Exhibit 4.10).
4.12	Deposit Agreement, dated June 7, 2017, by and among the Bank, Computershare Inc., Computershare Trust Company, N.A. and the holders from time to time of the Depositary Receipts described therein, incorporated by reference to Exhibit 4.1 of Form 8-K filed on June 7, 2017.
4.13	Form of Depositary Receipt (included in Exhibit 4.12).
4.14	Deposit Agreement, dated June 12, 2018, by and among the Bank, Computershare Inc., Computershare Trust Company, N.A. and the holders from time to time of the Depositary Receipts described therein, incorporated by reference to Exhibit 4.1 of Form 8-K filed on June 12, 2018.
4.15	Form of Depositary Receipt (included in Exhibit 4.14).
4.16	Deposit Agreement, dated December 3, 2019, by and among the Bank, Computershare Inc., Computershare Trust Company, N.A. and the holders from time to time of the Depositary Receipts described therein, incorporated by reference to Exhibit 4.1 of Form 8-K filed on December 3, 2019.
4.17	Form of Depositary Receipt (included in Exhibit 4.16).
4.18	Fiscal and Paying Agency Agreement, dated February 12, 2020, between the Bank and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 of Form 8-K filed on February 14, 2020.
4.19	Form of Note (included in Exhibit 4.18).
4.20	Other instruments defining the rights of debt holders. The registrant hereby agrees to furnish to the FDIC, upon request, copies of instruments defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries; currently no issuance of debt of the registrant exceeds 10% of the assets of the registrant and its subsidiaries on a consolidated basis.
4.21	Description of Securities.
10.1	Employment Agreement, dated June 15, 2010, between First Republic Bank and James H. Herbert, II, incorporated by reference to Exhibit 10.1 of Form 10-Q filed on May 8, 2012. (1)
10.2	Employment Agreement, dated June 15, 2010, between First Republic Bank and Katherine August-deWilde, incorporated by reference to Exhibit 10.2 of Form 10-Q filed on May 8, 2012. (1)
10.3	(i) Amendment No. 1, dated February 23, 2012, to the Employment Agreement, dated June 15, 2010, between James H. Herbert, II and the Bank, and (ii) the Restricted Stock Agreement, dated as of February 27, 2012, between James H. Herbert, II and the Bank, attached as Attachment A thereto, incorporated by reference to Exhibit 10.3 of Form 10-Q filed on May 8, 2012. (1)

Exhibit No.	Description
10.4	(i) Amendment No. 1, dated February 23, 2012, to the Employment Agreement, dated June 15, 2010, between Katherine August-deWilde and the Bank, and the Nonqualified Stock Option Agreement, dated July 1, 2010, between Katherine August-deWilde and the Bank, (ii) the Consulting Agreement, effective January 1, 2015, between Katherine August-deWilde and the Bank, attached as Exhibit A thereto (the "Consulting Agreement"), and (iii) the Restricted Stock Agreement, dated as of February 27, 2012, by and between Katherine August-deWilde and the Bank, attached as Attachment A to the Consulting Agreement, incorporated by reference to Exhibit 10.4 of Form 10-Q filed on May 8, 2012. (1)
10.5	Employment Agreement Amendment No. 2, dated September 20, 2013, to the Employment Agreement, dated June 15, 2010, as amended effective February 27, 2012, between Katherine August-deWilde and First Republic Bank, incorporated by reference to Exhibit 10.1 of Form 8-K filed on September 23, 2013. (1)
10.6	Employment Agreement Amendment No. 2, effective February 25, 2014, to the Employment Agreement, dated June 15, 2010, as amended effective February 27, 2012, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.6 of Form 10-K filed on February 28, 2014. (1)
10.7	Employment Agreement Amendment No. 3, Consulting Agreement Amendment No. 1, and Restricted Stock Agreement Amendment No. 1, effective February 25, 2014, to the Employment Agreement, dated June 15, 2010, as amended effective February 27, 2012 and December 31, 2013, between Katherine August-deWilde and the Bank, the Consulting Agreement, effective January 1, 2015, between Katherine August-deWilde and the Bank, the Restricted Stock Agreement, dated as of February 27, 2012, between Katherine August-deWilde and the Bank, and Letter Agreement, dated February 26, 2014, between Katherine August-deWilde and the Bank, incorporated by reference to Exhibit 10.7 of Form 10-K filed on February 28, 2014. (1)
10.8	Employment Agreement Amendment No. 3, effective December 1, 2015, to the Employment Agreement, dated June 15, 2010, as amended effective February 27, 2012 and February 25, 2014, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.1 of Form 8-K filed on December 2, 2015. (1)
10.9	Employment Agreement Amendment No. 4, effective May 10, 2017, to the Employment Agreement dated June 15, 2010, as amended effective February 27, 2012, February 25, 2014 and December 1, 2015, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.1 of Form 8-K filed on May 12, 2017. (1)
10.10	Amendment No. 2, effective September 13, 2017, to the Consulting Agreement, effective January 1, 2016, as amended, between Katherine August-deWilde and the Bank, incorporated by reference to Exhibit 10.1 of Form 8-K filed on September 15, 2017. (1)
10.11	Employment Agreement Amendment No. 5, effective February 13, 2019, to the Employment Agreement dated June 15, 2010, as amended effective February 27, 2012, February 25, 2014, December 1, 2015 and May 10, 2017, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.1 of Form 8-K filed on February 19, 2019. (1)
10.12	Advances and Security Agreement, dated as of July 1, 2010, between the Federal Home Loan Bank of San Francisco and First Republic Bank, incorporated by reference to Exhibit 10.6 of the Bank's Registration Statement on Form 10 filed on November 10, 2010.
10.13	Form of Director and Officer Indemnification Agreement, incorporated by reference to Exhibit 10.7 of the Bank's Registration Statement on Form 10 filed on November 10, 2010. (1)

Exhibit No.	Description
10.14	2010 Omnibus Award Plan, as amended and restated effective May 12, 2015, incorporated by reference to the Bank's Definitive Proxy Statement for the 2015 Annual Meeting of Shareholders on Schedule 14A filed on March 31, 2015.
10.15	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Time Vesting for California Resident, incorporated by reference to Exhibit 10.9 of the Bank's Registration Statement on Form 10 filed on November 10, 2010. (1)
10.16	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Performance Vesting for California Resident, incorporated by reference to Exhibit 10.10 of the Bank's Registration Statement on Form 10 filed on November 10, 2010. (1)
10.17	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Time Vesting for Non-California Resident, incorporated by reference to Exhibit 10.11 of the Bank's Registration Statement on Form 10 filed on November 10, 2010. (1)
10.18	Form of Nonqualified Stock Option Agreement under the 2010 Omnibus Award Plan—Performance Vesting for Non-California Resident, incorporated by reference to Exhibit 10.12 of the Bank's Registration Statement on Form 10 filed on November 10, 2010. (1)
10.19	Form of Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10.13 of the Bank's Registration Statement on Form 10 filed on November 10, 2010. (1)
10.20	Form of Endorsement Method Split-Dollar Agreement, incorporated by reference to Exhibit 10.14 of the Bank's Registration Statement on Form 10 filed on November 10, 2010. (1)
10.21	Form of Performance Share Unit Agreement—Performance Vesting under the 2010 Omnibus Award Plan, incorporated by reference to Exhibit 10.3 of Form 10-Q filed on August 6, 2015. (1)
10.22	Performance Share Unit Agreement, dated as of June 8, 2016, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.1 of Form 10-Q filed on August 5, 2016. (1)
10.23	Form of Performance Share Unit Agreement—Performance Vesting under the 2010 Omnibus Award Plan, incorporated by reference to Exhibit 10.2 of Form 10-Q filed on August 5, 2016. (1)
10.24	First Republic Bank 2017 Executive Incentive Plan, incorporated by reference to Annex A of the Bank's Definitive Proxy Statement for the 2017 Annual Meeting of Shareholders on Schedule 14A filed on March 27, 2017. (1)
10.25	First Republic Bank 2017 Omnibus Award Plan, incorporated by reference to Annex B of the Bank's Definitive Proxy Statement for the 2017 Annual Meeting of Shareholders on Schedule 14A filed on March 27, 2017. (1)
10.26	Performance Share Unit Agreement, dated as of June 16, 2017, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.1 of Form 10-Q filed on August 8, 2017. (1)
10.27	Form of Performance Share Unit Agreement—Performance Vesting under the 2017 Omnibus Award Plan, incorporated by reference to Exhibit 10.2 of Form 10-Q filed on August 8, 2017. (1)
10.28	Form of Restricted Stock Unit Agreement—Time Vesting under the 2017 Omnibus Award Plan, incorporated by reference to Exhibit 10.3 of Form 10-Q filed on August 8, 2017. (1)
10.29	Form of Performance Share Unit Agreement—Performance Vesting under the 2017 Omnibus Award Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q filed on May 9, 2018. (1)
10.30	Performance Share Unit Agreement, dated as of June 15, 2018, between James H. Herbert, II and the Bank, incorporated by reference to Exhibit 10.1 of Form 10-Q filed on August 8, 2018. (1)
10.31	Form of Performance Share Unit Agreement—Performance Vesting under the 2017 Omnibus Award Plan, incorporated by reference to Exhibit 10.2 of Form 10-Q filed on August 8, 2018. (1)

Exhibit No.	Description
10.32	Form of Restricted Stock Unit Agreement—Time Vesting under the 2017 Omnibus Award Plan, incorporated by reference to Exhibit 10.3 of Form 10-Q filed on August 8, 2018. (1)
10.33	Form of Performance Share Unit Agreement—Performance Vesting under the 2017 Omnibus Award Plan, incorporated by reference to Exhibit 10.35 of Form 10-K filed on February 28, 2019. (1)
10.34	Form of Restricted Stock Unit Agreement—Time Vesting under the 2017 Omnibus Award Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q filed on May 9, 2019. (1)
10.35	Form of Restricted Stock Unit Agreement—Time Vesting under the 2017 Omnibus Award Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q filed on August 8, 2019. (1)
10.36	Performance Share Unit Agreement, dated as of December 13, 2019, between James H. Herbert, II and the Bank, filed herewith. (1)
10.37	Form of Performance Share Unit Agreement—Performance Vesting under the 2017 Omnibus Award Plan, filed herewith. (1)
10.38	First Republic Bank Deferred Compensation Plan, as amended effective July 1, 2018, incorporated by reference to Exhibit 10.36 of Form 10-K filed on February 28, 2019. (1)
21	Subsidiaries of First Republic Bank.
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.

(1) This exhibit is a management contract or a compensatory plan or arrangement.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Bank has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST REPUBLIC BANK

By: /s/ MICHAEL J. ROFFLER **Michael J. Roffler**	Executive Vice President and Chief Financial Officer	February 28, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Bank and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ JAMES H. HERBERT, II **(James H. Herbert, II)**	Chairman, Chief Executive Officer and Director	February 28, 2020
/s/ HAFIZE GAYE ERKAN **(Hafize Gaye Erkan)**	President and Director	February 28, 2020
/s/ MICHAEL J. ROFFLER **(Michael J. Roffler)**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 28, 2020
/s/ OLGA TSOKOVA **(Olga Tsokova)**	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 28, 2020
/s/ KATHERINE AUGUST-DEWILDE **(Katherine August-deWilde)**	Vice Chair and Director	February 28, 2020
/s/ FRANK J. FAHRENKOPF, JR. **(Frank J. Fahrenkopf, Jr.)**	Director	February 28, 2020
/s/ BORIS GROYSBERG **(Boris Groysberg)**	Director	February 28, 2020
/s/ SANDRA R. HERNÁNDEZ **(Sandra R. Hernández)**	Director	February 28, 2020
/s/ PAMELA J. JOYNER **(Pamela J. Joyner)**	Director	February 28, 2020
/s/ REYNOLD LEVY **(Reynold Levy)**	Director	February 28, 2020
/s/ DUNCAN L. NIEDERAUER **(Duncan L. Niederauer)**	Director	February 28, 2020
/s/ GEORGE G.C. PARKER **(George G.C. Parker)**	Director	February 28, 2020

EXHIBIT 4.21

FIRST REPUBLIC BANK
DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following description summarizes the material terms of each class of securities of First Republic Bank (the "Bank") that is registered under Section 12 of the Securities Exchange Act, as amended. For a complete description, you should refer to the Bank's Restated Articles of Incorporation (the "Articles"), Amended and Restated Bylaws (the "Bylaws") and certificates of determination, each of which are incorporated by reference as exhibits to this Annual Report on Form 10-K, as well as any applicable provisions of relevant law.

DESCRIPTION OF COMMON STOCK

General

The Articles authorize the Bank to issue a total of 425,000,000 shares of capital stock, of which the Bank is authorized to issue 400,000,000 shares of common stock, par value $0.01 per share ("Common Stock"), and 25,000,000 shares of preferred stock, par value $0.01 per share ("Preferred Stock").

Voting

Each holder of Common Stock is entitled to one vote per share and is entitled to vote on all matters on which shareholders generally are entitled to vote, except as otherwise required by law and subject to the rights and preferences of the holders of any outstanding series of Preferred Stock. Holders of Common Stock are not entitled, however, to vote on any amendment to the Articles that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such series are entitled, either separately or together with the holders of one or more other such series, to vote on such amendment pursuant to the Articles or the California General Corporation Law (the "CGCL"). Other than elections to office, any shareholder entitled to vote on a matter may vote part of the shares such shareholder is entitled to vote in favor of the matter and refrain from voting the remaining shares or vote them against the matter. If a shareholder fails to specify the number of shares such shareholder is voting affirmatively, however, it is conclusively presumed that the shareholder is voting affirmatively with respect to all shares such shareholder is entitled to vote. The Articles do not allow shareholders to cumulate votes in the election of directors.

Dividends and Other Distributions

Subject to the rights and preferences of the holders of any outstanding series of Preferred Stock, dividends may be declared and paid on the Common Stock at the discretion of the Board of Directors (the "Board") from any lawfully available funds. Holders of the Common Stock are also entitled to share ratably in the Bank's assets legally available for distribution to its shareholders in the event of its liquidation, winding up or dissolution, after payment of or adequate provision for all of its known debts and liabilities. These rights are subject to the preferential rights of any other class or series of the Bank's stock.

Pre-emptive and Other Rights

The Articles do not grant any pre-emptive rights to the Bank's shareholders. There are no sinking fund, conversion or redemption provisions applicable to the Common Stock.

Transfer Restrictions

All shares of Common Stock currently outstanding were offered and sold pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"), and other exemptions provided by

the laws of the United States and other jurisdictions where such securities are offered and sold. Shares of Common Stock may only be transferred or sold in compliance with all applicable state, federal and foreign securities laws.

Ownership Limitations

Federal and state banking laws prevent any holder of the Bank's capital stock from acquiring "control" of the Bank, as defined under applicable statutes and regulations, without obtaining the prior approval of the Federal Reserve, the FDIC or the California Department of Business Oversight, as applicable.

Listing and Trading

The Common Stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "FRC."

Book Entry, Delivery and Form

The Depository Trust Company ("DTC") acts as securities depositary for the Common Stock. The Common Stock is registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC.

DTC has advised the Bank that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depositary Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or through intermediaries ("Indirect Participants"). The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and http://www.dtc.org.

Purchases of shares of Common Stock under the DTC system must be made by or through Direct Participants, which will receive a credit for the shares of Common Stock on DTC's records. The ownership interest of each actual purchaser of shares of Common Stock (the "beneficial owner") is in turn recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial owner entered into the transaction. Transfers of ownership interest in the Common Stock are accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interest in the Common Stock, except in the event that use of the book-entry system for the Common Stock is discontinued. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

To facilitate subsequent transfers, the shares of Common Stock deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Common Stock with DTC and its registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the

actual beneficial owners of the Common Stock. DTC's records reflect only the identity of the Direct Participants to whose accounts are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

In those instances where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Common Stock unless authorized by a Direct Participant. Under its usual procedures, DTC mails an omnibus proxy to the Bank as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Common Stock is credited on the record date, which accounts are identified in a listing attached to the omnibus proxy.

Distributions and dividend payments on the Common Stock will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Bank or the Bank's agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to beneficial owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and are the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), the Bank or any agent of the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions and dividends to Cede & Co. (or such other DTC nominee) is the responsibility of the Bank or the Bank's agent, disbursement of such payments to Direct Participants are the responsibility of DTC, and disbursement of such payments to the beneficial owners are the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depositary with respect to the Common Stock at any time by giving reasonable notice to the Bank or the Bank's agent. Additionally, the Bank may decide to discontinue the book-entry only system of transfers with respect to the Common Stock. Under such circumstances, if a successor depositary is not obtained, the Bank will print and deliver certificates in fully registered form for the Common Stock.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bank believes to be reliable, but the Bank takes no responsibility for the accuracy thereof.

Transfer Agent

Computershare Inc. and Computershare Trust Company, N.A., collectively, act as registrar and transfer agent for the Common Stock. Registration of transfers of shares of the Common Stock will be effected without charge but only upon payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange.

Certain Provisions of California Law and of the Articles and Bylaws

Amendment of Articles of Incorporation and Bylaws

Under California law, a California corporation cannot amend its articles of incorporation unless the amendment is approved by the Board and, except for certain limited matters as prescribed by law, by the affirmative vote of a majority of the outstanding shares entitled to vote, either before or after the approval by the Board, and in matters affecting a particular class of shares, by the affirmative vote of holders of a majority of the outstanding shares of that class. The Articles specify that amendments of certain provisions require the affirmative vote of two-thirds of the outstanding shares entitled to vote. Additionally, under California law, a California bank cannot amend its articles of incorporation unless the amendment is approved by the California Commissioner of Business Oversight (the "Commissioner").

Under California law, the Board or the shareholders may adopt, amend or repeal the Bylaws with the affirmative vote of a majority of the directors then in office or the affirmative vote of the holders of a majority of the Bank's shares entitled to be cast; provided, however, that Bylaws specifying a fixed number of directors, or the

maximum or minimum number of directors, or changing from a fixed to a variable Board or vice versa, may only be adopted by the vote of a majority of the outstanding shares. Under California law, a bank may not amend the articles of incorporation or its bylaws so as to reduce the number of directors below five.

Power to Authorize and Issue Additional Shares of Common Stock and Preferred Stock

The Board, with approval by an affirmative vote of a majority of the outstanding shares entitled to vote, and in some cases, the approval by an affirmative vote of a majority of the outstanding shares of certain classes, has the authority to amend the Articles to increase or decrease the aggregate number of shares of stock or the number of shares of authorized stock of any class or series that the Bank has the authority to issue. The Board can cause the Bank to issue additional authorized shares without shareholder approval, unless shareholder approval is required by applicable law or by the rules of the NYSE. Although the Bank has no present intention of doing so, the Bank could issue a class or series of stock that could delay, defer or prevent a transaction or a change in control of the Bank that might involve a premium price for holders of Common Stock or otherwise be in their best interest.

Restrictions on the Bank's Sale of Its Securities

Under California law, a California bank may not offer or sell its own securities unless the Commissioner has issued a permit authorizing the sale, with certain limited exceptions. For a permit to be issued, the Commissioner must find that the proposed sale is "fair, just, and equitable."

Meetings of Shareholders

Under the Bylaws, with respect to annual meetings of shareholders, nominations of persons for election as directors and the proposal of business to be considered may be made: (i) pursuant to the Bank's notice of meeting; (ii) by the Board; or (iii) by any shareholder entitled to vote at the meeting who has complied with the advance notice procedures in the Bylaws.

Special meetings of shareholders may be called at any time by the Board or the Bank's Chairman, if any, President, if any, or shareholders entitled to cast at least one-tenth of the votes which all shareholders are entitled to cast at an annual or special meeting of shareholders. Only business specified in the notice of a special meeting of shareholders may be conducted at the meeting. Nominations of persons for election as directors at a special meeting at which directors are to be elected may be made: (i) by the Board; or (ii) by any shareholder entitled to vote at the meeting who has complied with the advance notice procedures in the Bylaws.

Board of Directors

Under the Bylaws, the number of directors will not be less than nine nor more than fifteen. Under the Bylaws, the exact number of directors is fixed, from time to time, by the approval of the Board. No person may serve as a director if that person is not qualified to serve as a director under applicable banking laws or regulations or if that person's service as a director is opposed in writing by any bank regulatory official having jurisdiction over the Bank.

The Board is not divided into different classes of directors. At each annual meeting of shareholders, in an uncontested election, each nominee receiving the affirmative vote of the majority of the shares present or represented and voting (and a majority of shares required to constitute a quorum) will be elected as a director and, in a contested election, the nominees receiving the highest number of votes will be elected as directors.

Supermajority Voting for Fundamental Transactions

The Articles require the approval of two-thirds of the outstanding shares of Common Stock entitled to vote to approve a merger or consolidation with or into any other corporation or a sale or lease of all or a substantial part of our assets to any other corporation, person or other entity, unless such transaction was previously approved by the Board or is with a majority-owned subsidiary of the Bank.

Removal of Directors

Any or all of the directors may be removed without cause if such removal is approved by a majority of the outstanding Common Stock, except that no director may be removed (unless the entire Board is removed) when the votes cast against removal, or not consenting in writing to removal, would be sufficient to elect such director if voted cumulatively at an election in which the same total number of votes were cast and the entire number of directors authorized at the most recent election were then being elected.

Limitation of Liability and Indemnification

California law permits the Bank to include in the Articles a provision limiting the liability of the Bank's directors to the Bank and the Bank's shareholders for money damages, except for liability resulting from: (i) acts or omissions that involve intentional misconduct or a knowing and culpable violation of law; (ii) acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director; (iii) any transaction from which a director derived an improper personal benefit;(iv) acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its shareholders; (v) acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders; (vi) acts arising from an interested director transaction listed under Section 310 of the CGCL; or (vii) acts arising from the approval of specific corporate action listed under Section 316 of the CGCL.

The Articles and Bylaws contain provisions which eliminate directors' liability to the fullest extent permitted by California law. Under California law and the Bylaws, the Bank is authorized to obtain and have obtained directors' and officers' liability insurance.

California law grants the Bank the power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the corporation to procure a judgment in its favor) by reason of the fact that the person is or was an agent of the corporation (including but not limited to a director, officer or employee) against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with the proceeding if that person acted in good faith and in a manner the person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of the person was unlawful. California law permits the Bank to advance expenses incurred in defending any proceeding prior to its final disposition upon receipt of an undertaking by or on behalf of the agent to repay that amount if it is determined ultimately that the agent is not entitled to be indemnified.

California law does not allow the Bank to indemnify the Bank's agents for: (i) any claim, issue or matter as to which the person has been adjudged to be liable to the corporation in the performance of that person's duty to the corporation and its shareholders, unless and only to the extent that the court in which the proceeding is or was pending will determine upon application that, in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court determines; (ii) any amounts paid in settling or otherwise disposing of a pending action without court approval; and (iii) any expenses incurred in defending a pending action which is settled or otherwise disposed of without court approval.

The Articles and Bylaws state that the Bank will, to the fullest extent permitted by California law, provide indemnification to the Bank's agents against losses if they acted in good faith and in a manner they reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, if they had no reasonable cause to believe their conduct was unlawful. Except in the case of expenses incurred in a successful defense, indemnification requires that the person to be indemnified is determined to have met the necessary standard of conduct by (i) a majority of a quorum of directors who are not parties to the proceeding, (ii) if such a quorum is unobtainable, by independent legal counsel in a written opinion, (iii) approval of shareholders as set forth in Section 153 of the CGCL or (iv) the court in which the proceeding is or was pending. Under federal banking law, the Bank may not indemnify the Bank's agents against liability or legal expenses with regard to certain administrative proceedings or civil actions brought by the FDIC. The Bank have entered into agreements with the Bank's directors

indemnifying them to the fullest extent permitted by law and all applicable limitations imposed by the FDIC and the California Department of Business Oversight.

DESCRIPTION OF DEPOSITARY SHARES

General

The Articles permit the Board to issue one or more series of Preferred Stock, fix the number of shares and determine the rights, preferences, privileges and restrictions of any such series of Preferred Stock. There are currently five series of Preferred Stock issued and outstanding: (1) a series of 100,000 shares of 5.70% Noncumulative Perpetual Series F Preferred Stock ("Series F Preferred Stock"), represented by 4,000,000 depositary shares, each representing a 1/40th interest in a share of Series F Preferred Stock (the "Series F Depositary Shares"); (2) a series of 150,000 shares of 5.50% Noncumulative Perpetual Series G Preferred Stock ("Series G Preferred Stock"), represented by 6,000,000 depositary shares, each representing a 1/40th interest in a share of Series G Preferred Stock (the "Series G Depositary Shares"); (3) a series of 200,000 shares of 5.125% Noncumulative Perpetual Series H Preferred Stock ("Series H Preferred Stock"), represented by 8,000,000 depositary shares, each representing a 1/40th interest in a share of Series H Preferred Stock (the "Series H Depositary Shares"); (4) a series of 300,000 shares of 5.50% Noncumulative Perpetual Series I Preferred Stock ("Series I Preferred Stock"), represented by 12,000,000 depositary shares, each representing a 1/40th interest in a share of Series I Preferred Stock (the "Series I Depositary Shares"); and (5) a series of 395,000 shares of 4.70% Noncumulative Perpetual Series J Preferred Stock ("Series J Preferred Stock"), represented by 15,800,000 depositary shares, each representing a 1/40th interest in a share of Series J Preferred Stock (the "Series J Depositary Shares").

Each series of Preferred Stock is fully paid and nonassessable. Computershare Inc. and Computershare Trust Company, N.A., (collectively, the "depositary") is the sole holder of each series of Preferred Stock. The holders of the Series F Depositary Shares, Series G Depositary Shares, Series H Depositary Shares, Series I Depositary Shares and Series J Depositary Shares will be required to exercise their proportional rights in the corresponding shares of Preferred Stock through the depositary.

The transfer agent, registrar and dividends disbursing agent for each series of Preferred Stock is Computershare Inc. and Computershare Trust Company, N.A., collectively.

DESCRIPTION OF DEPOSITARY SHARES, each representing a 1/40th interest in a share of Series F Preferred Stock

Ranking

The Series F Preferred Stock ranks senior to the Common Stock and any other class or series of Preferred Stock that by its terms ranks junior to the Series F Preferred Stock, and at least equally with the Series G Preferred Stock, Series H Preferred Stock, Series I Preferred Stock and Series J Preferred Stock and with all future series of Preferred Stock that the Bank may issue (except for any senior stock that may be issued with the requisite consent of the holders of the Series F Preferred Stock and all other Series F Parity Stock (as defined below)), with respect to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up.

Dividends

Holders of Series F Preferred Stock are entitled to receive, when and as declared by the Board (or a duly authorized committee thereof), out of funds legally available for the payment of distributions, cash dividends that are noncumulative and payable quarterly, at the rate of 5.70% of the liquidation preference per annum (equivalent to $57.00 per annum per share of Series F Preferred Stock). Dividends on the Series F Preferred Stock, if declared, are payable quarterly on the 30th day of each March, June, September and December, or, if any such date is not a business day, the immediately preceding business day. A dividend period means each period commencing on (and

including) a dividend payment date and continuing to (but excluding) the next succeeding dividend payment date, except that the first dividend period for the initial issuance of shares of Series F Preferred Stock commenced upon (and includes) the date of original issuance of those shares. If additional shares of Series F Preferred Stock are issued at a future date, the first dividend period for such shares will commence upon (and include) the later of the date of original issuance of Series F Preferred Stock and the first day of the quarterly period in which such later date of issue occurs. That dividend and any dividend payable on the Series F Preferred Stock for any other partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bank will pay dividends to holders of record of Series F Preferred Stock as they appear in the Bank's share records at the close of business on the applicable record date designated by the Board for the payment of dividends that is not more than 60 nor less than 10 days prior to such dividend payment date; provided, however, that if the date fixed for redemption of any Series F Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid.

No dividends on the Series F Preferred Stock will be declared or be paid or set aside for payment at any time when the terms and provisions of any of the Bank's agreements, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting aside for payment or provides that such declaration, payment or setting aside for payment would constitute a breach of or a default under such agreement, or if such authorization or payment is restricted or prohibited by law.

Dividends are not cumulative. If the Bank fails to declare a dividend for any dividend payment date, then that dividend will not accumulate and be payable, the holders of the Series F Preferred Stock will have no right to receive a dividend related to that dividend period, and the Bank will have no obligation to pay a dividend for the related dividend period or to pay any interest, whether or not dividends on the Series F Preferred Stock are declared for any future dividend period. If the Bank fails to pay or set aside for payment scheduled dividends (whether or not declared) with respect to any six dividend periods (whether or not consecutive), holders of Series F Preferred Stock are entitled to vote for the election of two directors, as described below under "-Voting Rights."

Full dividends will not be declared or paid or set apart for payment on any Preferred Stock ranking on parity with the Series F Preferred Stock as to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up ("Series F Parity Stock") or any other shares of capital stock that rank junior to the Series F Preferred Stock as to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up ("Series F Junior Stock") during any dividend period unless dividends on the Series F Preferred Stock for that dividend period are declared and paid in full. When such cash dividends are not paid in full, or a sum sufficient for the full payment is not set aside, dividends upon shares of Series F Preferred Stock and dividends on other Series F Parity Stock payable during the dividend period will be declared pro rata so that the amount of dividends payable per share on the Series F Preferred Stock and any other Series F Parity Stock will in all cases bear to each other the same ratio that full dividends for the then-current dividend period on the shares of Series F Preferred Stock and full dividends, including required or permitted accumulations, if any, on shares of the other Series F Parity Stock, bear to each other. If full dividends on the Series F Preferred Stock have not been declared and paid or set aside for payment for a dividend period, the following restrictions will apply for that dividend period:

- no dividend or distribution, other than in shares of Series F Junior Stock, may be declared, set aside for payment or paid on any shares of stock of any class or series of Series F Junior Stock;
- the Bank may not redeem, purchase or otherwise acquire any Series F Junior Stock, and no monies may be paid to or made available for a sinking fund for the redemption of any Series F Junior Stock, except by conversion into or exchange for Series F Junior Stock, or by the tendering of Series F Junior Stock in payment for the exercise of options under the Bank's stock option plans then in effect; and
- the Bank may not redeem, purchase or otherwise acquire any shares of the Series F Preferred Stock other than pursuant to pro rata offers to purchase or exchange, or a concurrent redemption of all of, the outstanding shares of Series F Preferred Stock.

There can be no assurances that any dividends on the Series F Preferred Stock will be declared or, if declared, what the amounts of dividends will be or whether these dividends, if declared for any dividend period, will continue for any future dividend period. The declaration and payment of future dividends on the Series F Preferred

Stock will be subject to business conditions, regulatory considerations, the Bank's earnings and financial condition and the judgment of the Board.

See "Item 1. Business—Supervision and Regulation—Restrictions on Dividends and Other Distributions" in this Annual Report on Form 10-K for bank regulatory restrictions on the Bank's ability to pay dividends on the Bank's capital stock.

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding up of First Republic Bank, the holders of the outstanding shares of Series F Preferred Stock are entitled to be paid out of the assets of First Republic Bank legally available for distribution to the Bank's shareholders, before any distribution of assets is made to holders of Common Stock or any other Series F Junior Stock, a liquidating distribution in the amount of a liquidation preference of $1,000 per share, plus the sum of any declared and unpaid dividends for dividend periods prior to the dividend period in which the liquidation distribution is made and declared and unpaid dividends for the then current dividend period in which the liquidation distribution is made to the date of such liquidation distribution. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series F Preferred Stock will have no right or claim to any of the Bank's remaining assets.

Distributions will be made only to the extent that the Bank's assets that are available after satisfaction of all liabilities to depositors, and creditors and subject to the rights of any securities ranking senior to the Series F Preferred Stock. If the Bank's remaining assets are not sufficient to pay the full liquidating distributions to the holders of all outstanding Series F Preferred Stock and all Series F Parity Stock, then the Bank will distribute the Bank's assets to those holders pro rata in proportion to the full liquidating distributions to which they would otherwise have received.

For purposes of the liquidation rights, neither the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the Bank's property or business, nor the consolidation or merger by the Bank with or into any other entity or by another entity with or into the Bank will constitute a liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series F Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series F Preferred Stock set forth herein.

Conversion Rights

The Series F Preferred Stock is not convertible into or exchangeable for any other of the Bank's property, interests or securities.

Redemption Rights

Optional Redemption

The Series F Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. However, the Series F Preferred Stock may be redeemed on or after June 30, 2020, with not less than 30 days' and not more than 60 days' notice ("Series F Optional Redemption"). On that date or any date thereafter, the Bank may redeem the Series F Preferred Stock from time to time, in whole or in part, at the Bank's option, for cash, subject to the approval of the appropriate federal banking agency (and any state banking agency, as may be required by law), at the cash redemption price provided below. Dividends will not accrue on those shares of Series F Preferred Stock on and after the redemption date. Neither the holders of Series F Preferred Stock nor the holders of the Series F Depositary Shares have the right to require the redemption or repurchase of the Series F Preferred Stock.

Redemption Following a Regulatory Capital Event

The Bank may redeem the Series F Preferred Stock, in whole but not in part, for cash, at any time within 90 days following a Series F Regulatory Capital Treatment Event, at the Bank's option, subject to the approval of the appropriate federal banking agency, at the cash redemption price provided below ("Series F Regulatory Event Redemption"). A "Series F Regulatory Capital Treatment Event" means the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of the Series F Preferred Stock; (ii) any proposed change in those laws or regulations that is announced after the initial issuance of the Series F Preferred Stock; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of the Series F Preferred Stock, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the Series F Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent) for purposes of the capital adequacy guidelines of the FDIC (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of Series F Preferred Stock is outstanding. Dividends will not accrue on those shares of Series F Preferred Stock on and after the redemption date.

Redemption Price

The redemption price for any redemption of Series F Preferred Stock, whether a Series F Optional Redemption or Series F Regulatory Event Redemption, will be equal to $1,000 per share of Series F Preferred Stock (equivalent to $25 per Series F Depositary Share) plus the sum of any declared and unpaid dividends for prior dividend periods and accrued but unpaid and undeclared dividends for the then-current dividend period to, but excluding, the date of redemption.

Redemption Procedures

If the Bank elects to redeem any shares of Series F Preferred Stock, the Bank will provide notice by first class mail, postage prepaid, addressed to the holders of record of the shares of Series F Preferred Stock to be redeemed, mailed not less than 30 days and not more than 60 days before the date fixed for redemption thereof (provided, however, that if the shares of Series F Preferred Stock or the Series F Depositary Shares are held in book-entry form through DTC, the Bank may give this notice in any manner permitted by DTC). Any notice mailed or otherwise given as provided in this paragraph will be conclusively presumed to have been duly given, whether or not the holder receives this notice, and failure duly to give this notice by mail or otherwise, or any defect in this notice or in the mailing or provision of this notice, to any holder of shares of Series F Preferred Stock designated for redemption will not affect the redemption of any other shares of Series F Preferred Stock. Each notice of redemption shall state:

- the redemption date;
- the redemption price;
- if fewer than all shares of Series F Preferred Stock are to be redeemed, the number of shares of Series F Preferred Stock to be redeemed; and
- the manner in which holders of Series F Preferred Stock called for redemption may obtain payment of the redemption price in respect to those shares.

If notice of redemption of any shares of Series F Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Bank in trust for the benefit of the holders of any shares of Series F Preferred Stock so called for redemption, then from and after the redemption date such shares of Series F Preferred Stock will no longer be deemed outstanding, and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In the case of any redemption of only part of the Series F Preferred Stock at the time outstanding, the shares of Series F Preferred Stock to be redeemed will be selected either pro rata or by lot. Subject to the provisions hereof,

the Board will have the full power and authority to prescribe the terms and conditions upon which shares of Series F Preferred Stock may be redeemed from time to time.

The Series F Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption provisions.

Regulatory Restrictions on Redemption Rights

Under current risk-based capital regulations, a bank insured by the FDIC may not redeem shares of Preferred Stock included as Tier 1 capital without the prior approval of the FDIC. Any redemption of the Series F Preferred Stock is subject to the Bank's receipt of any required prior approval by the FDIC and the Commissioner and to the satisfaction of any conditions in the capital guidelines or regulations of the FDIC applicable to such redemption. Ordinarily, the FDIC would not permit such a redemption unless the FDIC determines that the bank's condition and circumstances warrant the reduction of a source of permanent capital.

Voting Rights

Registered owners of Series F Preferred Stock will not have any voting rights, except as set forth below or as otherwise required by law.

On any matter in which the Series F Preferred Stock is entitled to vote as a class with holders of any other shares upon which like voting rights have been conferred and are exercisable, including any action by written consent, each share of Series F Preferred Stock are entitled to one vote. As more fully described under "-Description of Series F Depositary Shares," the depositary, as holder of all Series F Preferred Stock, will grant 1/40th of a vote per depositary share to the registered owner of each Series F Depositary Share so that each Series F Depositary Share is entitled to exercise its proportionate voting rights.

If at any time the full amount of dividends on the Series F Preferred Stock have not been paid or set aside for payment (whether or not declared) for any six dividend periods (whether or not consecutive), holders of the Series F Depositary Shares voting as a single class together with holders of any other stock, including the Series G Preferred Stock, Series H Preferred Stock, Series I Preferred Stock and Series J Preferred Stock, that ranks on a parity with the Series F Preferred Stock as to payment of dividends and that has voting rights equivalent to those described in this paragraph ("Series F Voting Parity Stock"), are entitled to elect two directors to serve on the Board (the "Preferred Stock Directors") at any annual meeting of shareholders or any special meeting of the holders of Series F Preferred Stock and any Series F Voting Parity Stock, and the holders of the Common Stock are entitled to vote for the election of the remaining number of directors authorized by the Articles or Bylaws. The Board will at no time have more than two Preferred Stock Directors.

If, at any time after the right to elect directors is vested in the Series F Preferred Stock, the holders of the Series F Preferred Stock and any Series F Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Stock Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Articles or Bylaws, then the holders of Series F Preferred Stock and any Series F Voting Parity Stock, voting as a single class, shall be entitled to elect the Preferred Stock Directors and the Common Stock shall be entitled to elect the remaining number of authorized directors, the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Bank's Series F Preferred Stock and any Series F Voting Parity Stock and the directors elected by the holders of the Common Stock shall constitute the directors of the Bank until the next annual meeting.

The Preferred Stock Directors elected at any such special meeting will hold office until the next annual meeting of the Bank's shareholders unless they have been previously terminated as described below. Except as otherwise provided for by applicable law, any Preferred Stock Director may be removed only by the vote of the holders of record of the outstanding Series F Preferred Stock entitled to vote (voting together as a single class with holders of any Series F Voting Parity Stock). As long as the right to elect Preferred Stock Directors is continuing,(i)

any vacancy in the office of any Preferred Stock Director may be filled by the vote of the holders of record of the outstanding Series F Preferred Stock entitled to vote (voting together as a single class with holders of any Series F Voting Parity Stock), and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series F Preferred Stock entitled to vote (voting together as a single class with holders of any Series F Voting Parity Stock) at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Stock Director.

Whenever all dividends on the Series F Preferred Stock and any other stock upon which like voting rights have been conferred and are exercisable have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series F Preferred Stock to elect the Preferred Stock Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other shareholders have like voting rights that are then exercisable, the terms of office of all Preferred Stock Directors will immediately terminate.

The Bank cannot take any of the following actions without the affirmative vote or written consent of holders of at least two-thirds of the outstanding shares of Series F Preferred Stock:

- create any class or series of shares that ranks, as to dividends or distribution of assets, senior to the Series F Preferred Stock; or
- alter or change the provisions of the Articles, the Certificate of Determination governing the Series F Preferred Stock or the Bylaws so as to adversely affect the voting powers, preferences or special rights of the holders of the Series F Preferred Stock;

provided, however, that with respect to the occurrence of any event listed in the second bullet point above, so long as any shares of Series F Preferred Stock remain outstanding with the terms thereof unchanged or new shares of the surviving corporation or entity are issued with the identical terms as the Series F Preferred Stock, in each case taking into account that upon the occurrence of this event the Bank may not be the surviving entity, the occurrence of any such event shall not, except as provided by law, be deemed to adversely affect any right, preference, privilege or voting power of the Series F Preferred Stock or the holders thereof, and provided, further, that any increase in the amount of the Bank's authorized Common Stock or Preferred Stock or the creation or issuance of any other Series F Parity Stock or Series F Junior Stock and any change to the number of directors or number of classes of directors shall not be deemed to adversely affect such rights, preferences, privileges or voting powers.

Under California law, in addition to any required approval by its board of directors or its voting shareholders, an amendment to the articles of incorporation of a California corporation also must be approved by the affirmative vote of a majority of the outstanding shares of a class of shares, whether or not such class is entitled to a vote by the articles of incorporation, if the amendment proposes to: (i) increase or decrease the aggregate number of authorized shares of such class; (ii) effect an exchange, reclassification, or cancellation of all or part of the shares of such class; (iii) effect an exchange, or create a right of exchange, of all or part of the shares of another class into the shares of such class; (iv) change the rights, preferences, privileges or restrictions of the shares of such class; (v) create a new class of shares having rights, preferences or privileges prior to the shares of such class, or increase the rights, preferences or privileges or the number of authorized shares of any class having rights, preferences or privileges prior to the shares of such class; (vi) in the case of preferred shares, divide the shares of any class into series having different rights, preferences, privileges or restrictions or authorize the board to do so; or (vii) cancel or otherwise affect dividends on the shares of such class which have accrued but have not been paid.

The holders of Series F Preferred Stock will have no voting rights if the Bank redeems all outstanding Series F Preferred Stock (or call for redemption all outstanding Series F Preferred Stock and deposit sufficient funds in a trust to effect the redemption) on or before the time the act occurs that would otherwise require a vote.

Regulatory Risk of Voting Rights

Although the Bank does not believe that any series of its Preferred Stock is considered "voting securities" for purposes of the BHCA, if one or more series were to become a class of "voting securities," whether because the Bank has missed six dividend payments and, as a result, holders of the Preferred Stock have the right to elect directors, or for other reasons, a "company" (as that term is defined for purposes of the BHCA) that owns or controls 25% or more of such class, or less than 25% if it otherwise exercises any "controlling influence" over the Bank (including by holding 25% or more or, in some cases, one-third or more of the Bank's total equity), may then be subject to regulation as a bank holding company in accordance with the BHCA. In addition, if one or more series of Preferred Stock becomes a class of "voting securities":

- any bank holding company may be required to obtain the prior approval of the Federal Reserve to acquire or retain more than 5% of such series of Preferred Stock;
- any person (or group of persons acting in concert) other than a bank holding company may be required to obtain the approval of the FDIC under the CIBCA to acquire or retain 10% or more such series of Preferred Stock; and
- any person may be required to obtain the prior approval of the Commissioner before acquiring "control" of the Bank, as defined in California statutes and regulations.

Holders of Preferred Stock should consult their own counsel with regard to regulatory implications.

Description of Series F Depositary Shares

General

The Series F Preferred Stock are deposited with the depositary, under a deposit agreement. Each Series F Depositary Share will represent a 1/40th fractional ownership interest in a share of Series F Preferred Stock. Subject to the terms of the deposit agreement, each holder of a Series F Depositary Share is entitled to all the rights and preferences of a 1/40th fractional ownership interest in a share of Series F Preferred Stock (including dividend, voting, redemption and liquidation rights and preferences). Immediately following the Bank's issuance of the Series F Preferred Stock, the Bank will deposit the Series F Preferred Stock with the depositary, which upon the Bank's instructions will issue and deliver the Series F Depositary Shares to DTC for credit to the accounts of such participants of DTC and in such amounts as Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC shall specify.

Listing

The Series F Preferred Depositary Shares are listed on the NYSE under the symbol "FRC-PrF."

Dividends

Each dividend payable on a Series F Depositary Share is in an amount equal to 1/40th of the dividend declared and payable on each share of Series F Preferred Stock.

The depositary will distribute all cash dividends paid on the Series F Preferred Stock to the record holders of the Series F Depositary Shares in proportion to the number of Series F Depositary Shares held by the holders. The depositary will distribute only such amount, however, as can be distributed without attributing to any holder of Series F Depositary Shares a fraction of one cent, and any balance not so distributable will be held by the depositary (without liability for interest thereon) and will be added to and be treated as part of the next sum received by the depositary for distribution to record holders of Series F Depositary Shares then outstanding.

If a dividend is other than in cash and it is feasible for the depositary to distribute the property it receives, the depositary, upon written instructions from the Bank, will distribute the property to the record holders of the Series F Depositary Shares . If such a distribution is not feasible and the Bank so directs, the depositary will sell on

behalf of the holders of Series F Depositary Shares the property and distribute the net proceeds from the sale to the holders of the Series F Depositary Shares in proportion to the number of Series F Depositary Shares held by the holders.

Record dates for the payment of dividends and other matters relating to the Series F Depositary Shares will be the same as the corresponding record dates for the Series F Preferred Stock.

The amounts distributed to holders of Series F Depositary Shares will be reduced by any amounts required to be withheld by the depositary or by the Bank on account of taxes or other governmental charges. The depositary may refuse to make any payment or distribution, or any transfer, exchange or withdrawal of any Series F Depositary Shares or the Series F Preferred Stock until such taxes or other governmental charges are paid. To the extent that the depositary determines that amounts are required to be withheld in relation to the distribution of any property pursuant to the deposit agreement, the depositary may, in certain circumstances, sell all or a portion of such property to pay such taxes and distribute the balance of the net proceeds (after the deduction of such taxes) to the holder of the Series F Depositary Shares in proportion to the number of Series F Depositary Shares held by the holder.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Bank's affairs, the holders of the Series F Depositary Shares are entitled to 1/40th of the liquidation preference accorded each share of Series F Preferred Stock.

If the Bank consolidates or merges with or into any other entity or the Bank sells, leases, transfers or conveys all or substantially all of the Bank's property or business, the Bank will not be deemed to have liquidated, dissolved or wound up. In the event of the Bank's liquidation, dissolution or winding up, a holder of Series F Depositary Shares will receive the fraction of the liquidation preference accorded each share of underlying Series F Preferred Stock represented by the Series F Depositary Shares.

Redemption

Whenever the Bank redeems any of the Series F Preferred Stock held by the depositary, the depositary will redeem as of the same redemption date, from the proceeds received by the depositary resulting from the redemption of the Series F Preferred Stock held by the depositary, the number of Series F Depositary Shares representing the redeemed Series F Preferred Stock. A notice of the redemption furnished by the Bank will be mailed by the depositary by first class mail, postage prepaid, not less than 30 nor more than 60 days before the date fixed for redemption thereof, addressed to the respective holders of record of the Series F Depositary Shares to be redeemed at their respective addresses as they appear on the share transfer records of the depositary (provided, however, that if the Series F Depositary Shares are held in book-entry form through DTC, the Bank may give this notice in any manner permitted by DTC). A failure to give such notice or any defect in the notice or in the Bank's mailing will not affect the validity of the proceedings for the redemption of any shares of Series F Preferred Stock or Series F Depositary Shares except as to the holder to whom notice was defective or not given. Each notice shall state:

- the redemption date;
- the redemption price;
- if fewer than all shares of Series F Preferred Stock are to be redeemed, the number of shares of Series F Preferred Stock to be redeemed (and the corresponding number of Series F Depositary Shares); and
- the place or places where the depositary receipts evidencing the Series F Depositary Shares are to be surrendered for payment of the redemption price.

If the Bank redeems fewer than all of the outstanding shares of Series F Preferred Stock, the depositary will select the corresponding number of Series F Depositary Shares to be redeemed pro rata or by lot. In any such case, Series F Depositary Shares will be redeemed only in increments of 40 Series F Depositary Shares and any integral multiple thereof, and the notice mailed to such holder shall also specify the number of Series F Depositary Shares to be redeemed from such holder.

The holders of Series F Depositary Shares at the close of business on a dividend record date are entitled to receive the dividend payable with respect to the Series F Depositary Shares evidenced by such Series F Depositary Shares on the corresponding dividend payment date notwithstanding the redemption of the Series F Depositary Shares between such dividend record date and the corresponding dividend payment date or the Bank's default in the payment of the dividend due. Except as provided above, the Bank will make no payment or allowance for unpaid dividends on the Series F Preferred Stock or Series F Depositary Shares to be redeemed.

Voting

Because each Series F Depositary Share represents a 1/40th ownership interest in a share of Series F Preferred Stock, holders of depositary receipts are entitled to vote 1/40th of a vote per Series F Depositary Share under those limited circumstances in which holders of the Series F Preferred Stock are entitled to vote, as described above.

When the depositary receives notice of any meeting at which the holders of the Series F Preferred Stock are entitled to vote, the depositary will mail the information contained in the notice to the record holders of the Series F Depositary Shares relating to the Series F Preferred Stock. Each record holder of the Series F Depositary Shares on the record date, which will be the same date as the record date for the Series F Preferred Stock, may instruct the depositary to vote the amount of the Series F Preferred Stock represented by the holder's Series F Depositary Shares. To the extent possible, the depositary will vote the amount of the Series F Preferred Stock represented by Series F Depositary Shares in accordance with the instructions it receives. The Bank will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any Series F Depositary Shares representing the Series F Preferred Stock, it will abstain from voting with respect to such shares (but shall appear at the meeting with respect to such shares unless directed to the contrary).

Withdrawal of Series F Preferred Stock

Upon surrender of Series F Depositary Shares at the principal office of the depositary, upon payment of any unpaid amount due the depositary, and subject to the terms of the deposit agreement, the owner of the Series F Depositary Shares evidenced thereby is entitled to delivery of the number of shares of Series F Preferred Stock and all money and other property, if any, represented by such Series F Depositary Shares. Only whole shares of Series F Preferred Stock may be withdrawn. If the Series F Depositary Shares surrendered by the holder in connection with withdrawal exceed the number of Series F Depositary Shares that represent the number of whole shares of Series F Preferred Stock to be withdrawn, the depositary will deliver to that holder at the same time a new depositary receipt evidencing the excess number of Series F Depositary Shares. Holders of Series F Preferred Stock thus withdrawn will not thereafter be entitled to deposit such shares under the deposit agreement or to receive Series F Depositary Shares therefor.

Miscellaneous

The depositary will forward to the holders of Series F Depositary Shares any reports and communications from the Bank with respect to the underlying Series F Preferred Stock. Neither the Bank nor the depositary will be liable if any law or any circumstances beyond their control prevent or delay them from performing their obligations under the deposit agreement. The obligations of the Bank and a depositary under the deposit agreement will be limited to performing their duties without bad faith, gross negligence or willful misconduct. Neither the Bank nor a depositary must prosecute or defend any legal proceeding with respect to any Series F Depositary Shares or the underlying Series F Preferred Stock unless they are furnished with satisfactory indemnity. Both the Bank and the depositary may rely on the written advice of counsel or accountants, or information provided by holders of Series F Depositary Shares or other persons they believe in good faith to be competent, and on documents they believe in good faith to be genuine and signed by a proper party. In the event a depositary receives conflicting claims, requests or instructions from the Bank and any holders of Series F Depositary Shares, the depositary are entitled to act on the claims, requests or instructions received from the Bank.

Book Entry, Delivery and Form

DTC acts as securities depositary for the Series F Depositary Shares. The Series F Depositary Shares are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC.

DTC has advised the Bank that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its Direct Participants deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of DTCC. DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or through Indirect Participants. The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Series F Depositary Shares under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series F Depositary Shares on DTC's records. The ownership interest of the beneficial owner is in turn recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial owner entered into the transaction. Transfers of ownership interest in the Series F Depositary Shares are accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interest in the Series F Depositary Shares, except in the event that use of the book-entry system for the Series F Depositary Shares is discontinued. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

To facilitate subsequent transfers, the Series F Depositary Shares deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series F Depositary Shares with DTC and its registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Series F Depositary Shares; DTC's records reflect only the identity of the Direct Participants to whose accounts are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

In those instances where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series F Depositary Shares unless authorized by a Direct Participant. Under its usual procedures, DTC mails an omnibus proxy to the Bank as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series F Depositary Shares are credited on the record date, which accounts are identified in a listing attached to the omnibus proxy.

Redemption proceeds, distributions and dividend payments on the Series F Depositary Shares will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice

is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Bank or the Bank's agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to beneficial owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and are the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), the Bank or any agent of the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividends to Cede & Co. (or such other DTC nominee) is the responsibility of the Bank or the Bank's agent, disbursement of such payments to Direct Participants are the responsibility of DTC, and disbursement of such payments to the beneficial owners are the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depositary with respect to the Series F Depositary Shares at any time by giving reasonable notice to the Bank or the Bank's agent. Additionally, the Bank may decide to discontinue the book-entry only system of transfers with respect to the Series F Depositary Shares. Under such circumstances, if a successor depository is not obtained, the Bank will print and deliver certificates in fully registered form for the Series F Depositary Shares.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bank believes to be reliable, but the Bank takes no responsibility for the accuracy thereof.

Transfer Restrictions

The Series F Depositary Shares were offered and sold pursuant to an exemption from registration under the Securities Act of 1933, as amended, and other exemptions provided by the laws of the United States and other jurisdictions where such securities are offered and sold. The Series F Depositary Shares may only be transferred or sold in compliance with all applicable state, federal and foreign securities laws.

DESCRIPTION OF DEPOSITARY SHARES, each representing a 1/40th interest in a share of Series G Preferred Stock

Ranking

The Series G Preferred Stock ranks senior to the Common Stock and any other class or series of Preferred Stock that by its terms ranks junior to the Series G Preferred Stock, and at least equally with the Series F Preferred Stock, Series H Preferred Stock, Series I Preferred Stock and Series J Preferred Stock and with all future series of Preferred Stock that the Bank may issue (except for any senior stock that may be issued with the requisite consent of the holders of the Series G Preferred Stock and all other Series G Parity Stock (as defined below)), with respect to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up.

Dividends

Holders of Series G Preferred Stock are entitled to receive, when, and as declared by the Board (or a duly authorized committee thereof), out of funds legally available for the payment of distributions, cash dividends that are noncumulative and payable quarterly, at the rate of 5.50% of the liquidation preference per annum (equivalent to $55.00 per annum per share of Series G Preferred Stock). Dividends on the Series G Preferred Stock, if declared, are payable quarterly on the 30th day of each March, June, September and December, or, if any such date is not a business day, the immediately preceding business day. A dividend period means each period commencing on (and including) a dividend payment date and continuing to (but excluding) the next succeeding dividend payment date, except that the first dividend period for the initial issuance of shares of Series G Preferred Stock commenced upon (and includes) the date of original issuance of those shares. If additional shares of Series G Preferred Stock are issued at a future date, the first dividend period for such shares will commence upon (and include) the later of the date of original issuance of Series G Preferred Stock and the first day of the quarterly period in which such later date of issue occurs. That dividend and any dividend payable on the Series G Preferred Stock for any other partial

dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bank will pay dividends to holders of record of Series G Preferred Stock as they appear in the Bank's share records at the close of business on the applicable record date designated by the Board for the payment of dividends that is not more than 60 nor less than 10 days prior to such dividend payment date; provided, however, that if the date fixed for redemption of any Series G Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid.

No dividends on the Series G Preferred Stock will be declared or be paid or set aside for payment at any time when the terms and provisions of any of the Bank's agreements, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting aside for payment or provides that such declaration, payment or setting aside for payment would constitute a breach of or a default under such agreement, or if such authorization or payment is restricted or prohibited by law.

Dividends are not cumulative. If the Bank fails to declare a dividend for any dividend payment date, then that dividend will not accumulate and be payable, the holders of the Series G Preferred Stock will have no right to receive a dividend related to that dividend period, and the Bank will have no obligation to pay a dividend for the related dividend period or to pay any interest, whether or not dividends on the Series G Preferred Stock are declared for any future dividend period. If the Bank fails to pay or set aside for payment scheduled dividends (whether or not declared) with respect to any six dividend periods (whether or not consecutive), holders of Series G Preferred Stock are entitled to vote for the election of two directors, as described below under "-Voting Rights."

Full dividends will not be declared or paid or set apart for payment on any Preferred Stock ranking on parity with the Series G Preferred Stock as to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up ("Series G Parity Stock") or any other shares of capital stock that rank junior to the Series G Preferred Stock as to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up ("Series G Junior Stock") during any dividend period unless dividends on the Series G Preferred Stock for that dividend period are declared and paid in full. When such cash dividends are not paid in full, or a sum sufficient for the full payment is not set aside, dividends upon shares of Series G Preferred Stock and dividends on other Series G Parity Stock payable during the dividend period will be declared pro rata so that the amount of dividends payable per share on the Series G Preferred Stock and any other Series G Parity Stock will in all cases bear to each other the same ratio that full dividends for the then-current dividend period on the shares of Series G Preferred Stock and full dividends, including required or permitted accumulations, if any, on shares of the other Series G Parity Stock, bear to each other. If full dividends on the Series G Preferred Stock have not been declared and paid or set aside for payment for a dividend period, the following restrictions will apply for that dividend period:

- no dividend or distribution, other than in shares of Series G Junior Stock, may be declared, set aside for payment or paid on any shares of stock of any class or series of Series G Junior Stock;
- the Bank may not redeem, purchase or otherwise acquire any Series G Junior Stock, and no monies may be paid to or made available for a sinking fund for the redemption of any Series G Junior Stock, except by conversion into or exchange for Series G Junior Stock, or by the tendering of Series G Junior Stock in payment for the exercise of options under the Bank's stock option plans then in effect; and
- the Bank may not redeem, purchase or otherwise acquire any shares of the Series G Preferred Stock other than pursuant to pro rata offers to purchase or exchange, or a concurrent redemption of all of, the outstanding shares of Series G Preferred Stock.

There can be no assurances that any dividends on the Series G Preferred Stock will be declared or, if declared, what the amounts of dividends will be or whether these dividends, if declared for any dividend period, will continue for any future dividend period. The declaration and payment of future dividends on the Series G Preferred Stock will be subject to business conditions, regulatory considerations, the Bank's earnings and financial condition and the judgment of the Board.

See "Item 1. Business—Supervision and Regulation—Restrictions on Dividends and Other Distributions" in this Annual Report on Form 10-K for bank regulatory restrictions on the Bank's ability to pay dividends on the Bank's capital stock.

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding up of First Republic Bank, the holders of the outstanding shares of Series G Preferred Stock are entitled to be paid out of the assets of First Republic Bank legally available for distribution to the Bank's shareholders, before any distribution of assets is made to holders of Common Stock or any other Series G Junior Stock, a liquidating distribution in the amount of a liquidation preference of $1,000 per share, plus the sum of any declared and unpaid dividends for dividend periods prior to the dividend period in which the liquidation distribution is made and declared and unpaid dividends for the then current dividend period in which the liquidation distribution is made to the date of such liquidation distribution. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series G Preferred Stock will have no right or claim to any of the Bank's remaining assets.

Distributions will be made only to the extent that the Bank's assets that are available after satisfaction of all liabilities to depositors, and creditors and subject to the rights of any securities ranking senior to the Series G Preferred Stock. If the Bank's remaining assets are not sufficient to pay the full liquidating distributions to the holders of all outstanding Series G Preferred Stock and all Series G Parity Stock, then the Bank will distribute the Bank's assets to those holders pro rata in proportion to the full liquidating distributions to which they would otherwise have received.

For purposes of the liquidation rights, neither the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the Bank's property or business, nor the consolidation or merger by the Bank with or into any other entity or by another entity with or into the Bank will constitute a liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series G Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series G Preferred Stock set forth herein.

Conversion Rights

The Series G Preferred Stock is not convertible into or exchangeable for any other of the Bank's property, interests or securities.

Redemption Rights

Optional Redemption

The Series G Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. However, the Series G Preferred Stock may be redeemed on or after March 30, 2021, with not less than 30 days' and not more than 60 days' notice ("Series G Optional Redemption"). On that date or any date thereafter, the Bank may redeem the Series G Preferred Stock from time to time, in whole or in part, at the Bank's option, for cash, subject to the approval of the appropriate federal banking agency (and any state banking agency, as may be required by law), at the cash redemption price provided below. Dividends will not accrue on those shares of Series G Preferred Stock on and after the redemption date. Neither the holders of Series G Preferred Stock nor the holders of the Series G Depositary Shares have the right to require the redemption or repurchase of the Series G Preferred Stock.

Redemption Following a Regulatory Capital Event

The Bank may redeem the Series G Preferred Stock, in whole but not in part, for cash, at any time within 90 days following a Series G Regulatory Capital Treatment Event, at the Bank's option, subject to the approval of the appropriate federal banking agency, at the cash redemption price provided below ("Series G Regulatory Event Redemption"). A "Series G Regulatory Capital Treatment Event" means the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political

subdivision of or in the United States that is enacted or becomes effective after the initial issuance of the Series G Preferred Stock; (ii) any proposed change in those laws or regulations that is announced after the initial issuance of the Series G Preferred Stock; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of the Series G Preferred Stock, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the Series G Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent) for purposes of the capital adequacy guidelines of the FDIC (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of Series G Preferred Stock is outstanding. Dividends will not accrue on those shares of Series G Preferred Stock on and after the redemption date.

Redemption Price

The redemption price for any redemption of Series G Preferred Stock, whether a Series G Optional Redemption or Series G Regulatory Event Redemption, will be equal to $1,000 per share of Series G Preferred Stock (equivalent to $25 per Series G Depositary Share) plus the sum of any declared and unpaid dividends for prior dividend periods and accrued but unpaid and undeclared dividends for the then-current dividend period to, but excluding, the date of redemption.

Redemption Procedures

If the Bank elects to redeem any shares of Series G Preferred Stock, the Bank will provide notice by first class mail, postage prepaid, addressed to the holders of record of the shares of Series G Preferred Stock to be redeemed, mailed not less than 30 days and not more than 60 days before the date fixed for redemption thereof (provided, however, that if the shares of Series G Preferred Stock or the Series G Depositary Shares are held in book-entry form through DTC, the Bank may give this notice in any manner permitted by DTC). Any notice mailed or otherwise given as provided in this paragraph will be conclusively presumed to have been duly given, whether or not the holder receives this notice, and failure duly to give this notice by mail or otherwise, or any defect in this notice or in the mailing or provision of this notice, to any holder of shares of Series G Preferred Stock designated for redemption will not affect the redemption of any other shares of Series G Preferred Stock. Each notice of redemption shall state:

- the redemption date;
- the redemption price;
- if fewer than all shares of Series G Preferred Stock are to be redeemed, the number of shares of Series G Preferred Stock to be redeemed; and
- the manner in which holders of Series G Preferred Stock called for redemption may obtain payment of the redemption price in respect to those shares.

If notice of redemption of any shares of Series G Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Bank in trust for the benefit of the holders of any shares of Series G Preferred Stock so called for redemption, then from and after the redemption date such shares of Series G Preferred Stock will no longer be deemed outstanding, and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In the case of any redemption of only part of the Series G Preferred Stock at the time outstanding, the shares of Series G Preferred Stock to be redeemed will be selected either pro rata or by lot. Subject to the provisions hereof, the Board will have the full power and authority to prescribe the terms and conditions upon which shares of Series G Preferred Stock may be redeemed from time to time.

The Series G Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption provisions.

Regulatory Restrictions on Redemption Rights

Under current risk-based capital regulations, a bank insured by the FDIC may not redeem shares of Preferred Stock included as Tier 1 capital without the prior approval of the FDIC. Any redemption of the Series G Preferred Stock is subject to the Bank's receipt of any required prior approval by the FDIC and the Commissioner and to the satisfaction of any conditions in the capital guidelines or regulations of the FDIC applicable to such redemption. Ordinarily, the FDIC would not permit such a redemption unless the FDIC determines that the bank's condition and circumstances warrant the reduction of a source of permanent capital.

Voting Rights

Registered owners of Series G Preferred Stock will not have any voting rights, except as set forth below or as otherwise required by law.

On any matter in which the Series G Preferred Stock is entitled to vote as a class with holders of any other shares upon which like voting rights have been conferred and are exercisable, including any action by written consent, each share of Series G Preferred Stock are entitled to one vote. As more fully described under "-Description of the Depositary Shares," the depositary, as holder of all Series G Preferred Stock, will grant 1/40th of a vote per depositary share to the registered owner of each Series G Depositary Share so that each Series G Depositary Share is entitled to exercise its proportionate voting rights.

If at any time the full amount of dividends on the Series G Preferred Stock have not been paid or set aside for payment (whether or not declared) for any six dividend periods (whether or not consecutive), holders of the Series G Depositary Shares voting as a single class together with holders of any other stock, including the Series F Preferred Stock, Series H Preferred Stock, Series I Preferred Stock and Series J Preferred Stock, that ranks on a parity with the Series G Preferred Stock as to payment of dividends and that has voting rights equivalent to those described in this paragraph ("Series G Voting Parity Stock"), are entitled to elect the Preferred Stock Directors at any annual meeting of shareholders or any special meeting of the holders of Series G Preferred Stock and any Series G Voting Parity Stock, and the holders of the Common Stock are entitled to vote for the election of the remaining number of directors authorized by the Articles or Bylaws. The Board will at no time have more than two Preferred Stock Directors.

If, at any time after the right to elect directors is vested in the Series G Preferred Stock, the holders of the Series G Preferred Stock and any Series G Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Stock Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Articles or Bylaws, then the holders of Series G Preferred Stock and any Series G Voting Parity Stock, voting as a single class, shall be entitled to elect the Preferred Stock Directors and the Common Stock shall be entitled to elect the remaining number of authorized directors, the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Bank's Series G Preferred Stock and any Series G Voting Parity Stock and the directors elected by the holders of the Common Stock shall constitute the directors of the Bank until the next annual meeting.

The Preferred Stock Directors elected at any such special meeting will hold office until the next annual meeting of the Bank's shareholders unless they have been previously terminated as described below. Except as otherwise provided for by applicable law, any Preferred Stock Director may be removed only by the vote of the holders of record of the outstanding Series G Preferred Stock entitled to vote (voting together as a single class with holders of any Series G Voting Parity Stock). As long as the right to elect Preferred Stock Directors is continuing,(i) any vacancy in the office of any Preferred Stock Director may be filled by the vote of the holders of record of the outstanding Series G Preferred Stock entitled to vote (voting together as a single class with holders of any Series G Voting Parity Stock), and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series G Preferred Stock entitled to vote (voting together as a single class with holders of any Series G Voting Parity Stock) at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the

Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Stock Director.

Whenever all dividends on the Series G Preferred Stock and any other stock upon which like voting rights have been conferred and are exercisable have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series G Preferred Stock to elect the Preferred Stock Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other shareholders have like voting rights that are then exercisable, the terms of office of all Preferred Stock Directors will immediately terminate.

The Bank cannot take any of the following actions without the affirmative vote or written consent of holders of at least two-thirds of the outstanding shares of Series G Preferred Stock:

- create any class or series of shares that ranks, as to dividends or distribution of assets, senior to the Series G Preferred Stock; or
- alter or change the provisions of the Articles, the Certificate of Determination governing the Series G Preferred Stock or the Bylaws so as to adversely affect the voting powers, preferences or special rights of the holders of the Series G Preferred Stock;

provided, however, that with respect to the occurrence of any event listed in the second bullet point above, so long as any shares of Series G Preferred Stock remain outstanding with the terms thereof unchanged or new shares of the surviving corporation or entity are issued with the identical terms as the Series G Preferred Stock, in each case taking into account that upon the occurrence of this event the Bank may not be the surviving entity, the occurrence of any such event shall not, except as provided by law, be deemed to adversely affect any right, preference, privilege or voting power of the Series G Preferred Stock or the holders thereof, and provided, further, that any increase in the amount of the Bank's authorized Common Stock or Preferred Stock or the creation or issuance of any other Series G Parity Stock or Series G Junior Stock and any change to the number of directors or number of classes of directors shall not be deemed to adversely affect such rights, preferences, privileges or voting powers.

Under California law, in addition to any required approval by its board of directors or its voting shareholders, an amendment to the articles of incorporation of a California corporation also must be approved by the affirmative vote of a majority of the outstanding shares of a class of shares, whether or not such class is entitled to a vote by the articles of incorporation, if the amendment proposes to: (i) increase or decrease the aggregate number of authorized shares of such class; (ii) effect an exchange, reclassification, or cancellation of all or part of the shares of such class; (iii) effect an exchange, or create a right of exchange, of all or part of the shares of another class into the shares of such class; (iv) change the rights, preferences, privileges or restrictions of the shares of such class; (v) create a new class of shares having rights, preferences or privileges prior to the shares of such class, or increase the rights, preferences or privileges or the number of authorized shares of any class having rights, preferences or privileges prior to the shares of such class; (vi) in the case of preferred shares, divide the shares of any class into series having different rights, preferences, privileges or restrictions or authorize the board to do so; or (vii) cancel or otherwise affect dividends on the shares of such class which have accrued but have not been paid.

The holders of Series G Preferred Stock will have no voting rights if the Bank redeems all outstanding Series G Preferred Stock (or call for redemption all outstanding Series G Preferred Stock and deposit sufficient funds in a trust to effect the redemption) on or before the time the act occurs that would otherwise require a vote.

Regulatory Risk of Voting Rights

Although the Bank does not believe that any series of its Preferred Stock is considered "voting securities" for purposes of the BHCA, if one or more series were to become a class of "voting securities," whether because the Bank has missed six dividend payments and, as a result, holders of the Preferred Stock have the right to elect directors, or for other reasons, a "company" (as that term is defined for purposes of the BHCA) that owns or controls

25% or more of such class, or less than 25% if it otherwise exercises any “controlling influence” over the Bank (including by holding 25% or more or, in some cases, one-third or more of the Bank’s total equity), may then be subject to regulation as a bank holding company in accordance with the BHCA. In addition, if one or more series of Preferred Stock becomes a class of “voting securities”:

- any bank holding company may be required to obtain the prior approval of the Federal Reserve to acquire or retain more than 5% of such series of Preferred Stock;
- any person (or group of persons acting in concert) other than a bank holding company may be required to obtain the approval of the FDIC under the CIBCA to acquire or retain 10% or more such series of Preferred Stock; and
- any person may be required to obtain the prior approval of the Commissioner before acquiring “control” of the Bank, as defined in California statutes and regulations.

Holders of Preferred Stock should consult their own counsel with regard to regulatory implications.

Description of Series G Depositary Shares

General

The Series G Preferred Stock are deposited with the depositary, under a deposit agreement. Each Series G Depositary Share will represent a 1/40th fractional ownership interest in a share of Series G Preferred Stock. Subject to the terms of the deposit agreement, each holder of a Series G Depositary Share is entitled to all the rights and preferences of a 1/40th fractional ownership interest in a share of Series G Preferred Stock (including dividend, voting, redemption and liquidation rights and preferences). Immediately following the Bank’s issuance of the Series G Preferred Stock, the Bank will deposit the Series G Preferred Stock with the depositary, which upon the Bank’s instructions will issue and deliver the Series G Depositary Shares to DTC for credit to the accounts of such participants of DTC and in such amounts as Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, UBS Securities LLC and Wells Fargo Securities, LLC shall specify.

Listing

The Series G Preferred Depositary Shares are listed on the NYSE under the symbol “FRC-PrG.”

Dividends

Each dividend payable on a Series G Depositary Share is in an amount equal to 1/40th of the dividend declared and payable on each share of Series G Preferred Stock.

The depositary will distribute all cash dividends paid on the Series G Preferred Stock to the record holders of the Series G Depositary Shares in proportion to the number of Series G Depositary Shares held by the holders. The depositary will distribute only such amount, however, as can be distributed without attributing to any holder of Series G Depositary Shares a fraction of one cent, and any balance not so distributable will be held by the depositary (without liability for interest thereon) and will be added to and be treated as part of the next sum received by the depositary for distribution to record holders of Series G Depositary Shares then outstanding.

If a dividend is other than in cash and it is feasible for the depositary to distribute the property it receives, the depositary, upon written instructions from the Bank, will distribute the property to the record holders of the Series G Depositary Shares . If such a distribution is not feasible and the Bank so directs, the depositary will sell on behalf of the holders of Series G Depositary Shares the property and distribute the net proceeds from the sale to the holders of the Series G Depositary Shares in proportion to the number of Series G Depositary Shares held by the holders.

Record dates for the payment of dividends and other matters relating to the Series G Depositary Shares will be the same as the corresponding record dates for the Series G Preferred Stock.

The amounts distributed to holders of Series G Depositary Shares will be reduced by any amounts required to be withheld by the depositary or by the Bank on account of taxes or other governmental charges. The depositary may refuse to make any payment or distribution, or any transfer, exchange or withdrawal of any Series G Depositary Shares or the Series G Preferred Stock until such taxes or other governmental charges are paid. To the extent that the depositary determines that amounts are required to be withheld in relation to the distribution of any property pursuant to the deposit agreement, the depositary may, in certain circumstances, sell all or a portion of such property to pay such taxes and distribute the balance of the net proceeds (after the deduction of such taxes) to the holder of the Series G Depositary Shares in proportion to the number of Series G Depositary Shares held by the holder.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Bank's affairs, the holders of the Series G Depositary Shares are entitled to 1/40th of the liquidation preference accorded each share of Series G Preferred Stock.

If the Bank consolidates or merges with or into any other entity or the Bank sells, leases, transfers or conveys all or substantially all of the Bank's property or business, the Bank will not be deemed to have liquidated, dissolved or wound up. In the event of the Bank's liquidation, dissolution or winding up, a holder of Series G Depositary Shares will receive the fraction of the liquidation preference accorded each share of underlying Series G Preferred Stock represented by the Series G Depositary Shares.

Redemption

Whenever the Bank redeems any of the Series G Preferred Stock held by the depositary, the depositary will redeem as of the same redemption date, from the proceeds received by the depositary resulting from the redemption of the Series G Preferred Stock held by the depositary, the number of Series G Depositary Shares representing the redeemed Series G Preferred Stock. A notice of the redemption furnished by the Bank will be mailed by the depositary by first class mail, postage prepaid, not less than 30 nor more than 60 days before the date fixed for redemption thereof, addressed to the respective holders of record of the Series G Depositary Shares to be redeemed at their respective addresses as they appear on the share transfer records of the depositary (provided, however, that if the Series G Depositary Shares are held in book-entry form through DTC, the Bank may give this notice in any manner permitted by DTC). A failure to give such notice or any defect in the notice or in the Bank's mailing will not affect the validity of the proceedings for the redemption of any shares of Series G Preferred Stock or Series G Depositary Shares except as to the holder to whom notice was defective or not given. Each notice shall state:

- the redemption date;
- the redemption price;
- if fewer than all shares of Series G Preferred Stock are to be redeemed, the number of shares of Series G Preferred Stock to be redeemed (and the corresponding number of Series G Depositary Shares); and
- the place or places where the depositary receipts evidencing the Series G Depositary Shares are to be surrendered for payment of the redemption price.

If the Bank redeems fewer than all of the outstanding shares of Series G Preferred Stock, the depositary will select the corresponding number of Series G Depositary Shares to be redeemed pro rata or by lot. In any such case, Series G Depositary Shares will be redeemed only in increments of 40 Series G Depositary Shares and any integral multiple thereof, and the notice mailed to such holder shall also specify the number of Series G Depositary Shares to be redeemed from such holder.

The holders of Series G Depositary Shares at the close of business on a dividend record date are entitled to receive the dividend payable with respect to the Series G Depositary Shares evidenced by such Series G Depositary Shares on the corresponding dividend payment date notwithstanding the redemption of the Series G Depositary Shares between such dividend record date and the corresponding dividend payment date or the Bank's default in the payment of the dividend due. Except as provided above, the Bank will make no payment or allowance for unpaid dividends on the Series G Preferred Stock or Series G Depositary Shares to be redeemed.

Voting

Because each Series G Depositary Share represents a 1/40th ownership interest in a share of Series G Preferred Stock, holders of depositary receipts are entitled to vote 1/40th of a vote per Series G Depositary Share under those limited circumstances in which holders of the Series G Preferred Stock are entitled to vote, as described above.

When the depositary receives notice of any meeting at which the holders of the Series G Preferred Stock are entitled to vote, the depositary will mail the information contained in the notice to the record holders of the Series G Depositary Shares relating to the Series G Preferred Stock. Each record holder of the Series G Depositary Shares on the record date, which will be the same date as the record date for the Series G Preferred Stock, may instruct the depositary to vote the amount of the Series G Preferred Stock represented by the holder's Series G Depositary Shares. To the extent possible, the depositary will vote the amount of the Series G Preferred Stock represented by Series G Depositary Shares in accordance with the instructions it receives. The Bank will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any Series G Depositary Shares representing the Series G Preferred Stock, it will abstain from voting with respect to such shares (but shall appear at the meeting with respect to such shares unless directed to the contrary).

Withdrawal of Series G Preferred Stock

Upon surrender of Series G Depositary Shares at the principal office of the depositary, upon payment of any unpaid amount due the depositary, and subject to the terms of the deposit agreement, the owner of the Series G Depositary Shares evidenced thereby is entitled to delivery of the number of shares of Series G Preferred Stock and all money and other property, if any, represented by such Series G Depositary Shares. Only whole shares of Series G Preferred Stock may be withdrawn. If the Series G Depositary Shares surrendered by the holder in connection with withdrawal exceed the number of Series G Depositary Shares that represent the number of whole shares of Series G Preferred Stock to be withdrawn, the depositary will deliver to that holder at the same time a new depositary receipt evidencing the excess number of Series G Depositary Shares. Holders of Series G Preferred Stock thus withdrawn will not thereafter be entitled to deposit such shares under the deposit agreement or to receive Series G Depositary Shares therefor.

Miscellaneous

The depositary will forward to the holders of Series G Depositary Shares any reports and communications from the Bank with respect to the underlying Series G Preferred Stock. Neither the Bank nor the depositary will be liable if any law or any circumstances beyond their control prevent or delay them from performing their obligations under the deposit agreement. The obligations of the Bank and a depositary under the deposit agreement will be limited to performing their duties without bad faith, gross negligence or willful misconduct. Neither the Bank nor a depositary must prosecute or defend any legal proceeding with respect to any Series G Depositary Shares or the underlying Series G Preferred Stock unless they are furnished with satisfactory indemnity. Both the Bank and the depositary may rely on the written advice of counsel or accountants, or information provided by holders of Series G Depositary Shares or other persons they believe in good faith to be competent, and on documents they believe in good faith to be genuine and signed by a proper party. In the event a depositary receives conflicting claims, requests or instructions from the Bank and any holders of Series G Depositary Shares, the depositary are entitled to act on the claims, requests or instructions received from the Bank.

Book Entry, Delivery and Form

DTC acts as securities depositary for the Series G Depositary Shares. The Series G Depositary Shares are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC.

DTC has advised the Bank that it is a limited-purpose trust company organized under the New York

Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its Direct Participants deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of DTCC. DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or through Indirect Participants. The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Series G Depositary Shares under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series G Depositary Shares on DTC's records. The ownership interest of the beneficial owner is in turn recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial owner entered into the transaction. Transfers of ownership interest in the Series G Depositary Shares are accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interest in the Series G Depositary Shares, except in the event that use of the book-entry system for the Series G Depositary Shares is discontinued. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

To facilitate subsequent transfers, the Series G Depositary Shares deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series G Depositary Shares with DTC and its registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Series G Depositary Shares; DTC's records reflect only the identity of the Direct Participants to whose accounts are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

In those instances where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series G Depositary Shares unless authorized by a Direct Participant. Under its usual procedures, DTC mails an omnibus proxy to the Bank as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series G Depositary Shares are credited on the record date, which accounts are identified in a listing attached to the omnibus proxy.

Redemption proceeds, distributions and dividend payments on the Series G Depositary Shares will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Bank or the Bank's agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to beneficial owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and are the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), the Bank or any agent of the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividends to Cede & Co. (or such other DTC nominee) is

the responsibility of the Bank or the Bank's agent, disbursement of such payments to Direct Participants are the responsibility of DTC, and disbursement of such payments to the beneficial owners are the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depositary with respect to the Series G Depositary Shares at any time by giving reasonable notice to the Bank or the Bank's agent. Additionally, the Bank may decide to discontinue the book-entry only system of transfers with respect to the Series G Depositary Shares. Under such circumstances, if a successor depository is not obtained, the Bank will print and deliver certificates in fully registered form for the Series G Depositary Shares.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bank believes to be reliable, but the Bank takes no responsibility for the accuracy thereof.

Transfer Restrictions

The Series G Depositary Shares were offered and sold pursuant to an exemption from registration under the Securities Act of 1933, as amended, and other exemptions provided by the laws of the United States and other jurisdictions where such securities are offered and sold. The Series G Depositary Shares may only be transferred or sold in compliance with all applicable state, federal and foreign securities laws.

DESCRIPTION OF DEPOSITARY SHARES, each representing a 1/40th interest in a share of Series H Preferred Stock

Ranking

The Series H Preferred Stock ranks senior to the Common Stock and any other class or series of Preferred Stock that by its terms ranks junior to the Series H Preferred Stock, and at least equally with the Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock and Series J Preferred Stock and with all future series of Preferred Stock that the Bank may issue (except for any senior stock that may be issued with the requisite consent of the holders of the Series H Preferred Stock and all other Series H Parity Stock (as defined below)), with respect to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up.

Dividends

Holders of Series H Preferred Stock are entitled to receive, when and as declared by the Board (or a duly authorized committee thereof), out of funds legally available for the payment of distributions, cash dividends that are noncumulative and payable quarterly, at the rate of 5.125% of the liquidation preference per annum (equivalent to $51.25 per annum per share of Series H Preferred Stock). Dividends on the Series H Preferred Stock, if declared, are payable quarterly on the 30th day of each March, June, September and December, or, if any such date is not a business day, the immediately preceding business day. A dividend period means each period commencing on (and including) a dividend payment date and continuing to (but excluding) the next succeeding dividend payment date, except that the first dividend period for the initial issuance of shares of Series H Preferred Stock commenced upon (and includes) the date of original issuance of those shares. If additional shares of Series H Preferred Stock are issued at a future date, the first dividend period for such shares will commence upon (and include) the later of the date of original issuance of Series H Preferred Stock and the first day of the quarterly period in which such later date of issue occurs. That dividend and any dividend payable on the Series H Preferred Stock for any other partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bank will pay dividends to holders of record of Series H Preferred Stock as they appear in the Bank's share records at the close of business on the applicable record date designated by the Board for the payment of dividends that is not more than 60 nor less than 10 days prior to such dividend payment date; provided, however, that if the date fixed for redemption of any Series H Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid.

No dividends on the Series H Preferred Stock will be declared or be paid or set aside for payment at any time when the terms and provisions of any of the Bank's agreements, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting aside for payment or provides that such declaration, payment or setting aside for payment would constitute a breach of or a default under such agreement, or if such authorization or payment is restricted or prohibited by law.

Dividends are not cumulative. If the Bank fails to declare a dividend for any dividend payment date, then that dividend will not accumulate and be payable, the holders of the Series H Preferred Stock will have no right to receive a dividend related to that dividend period, and the Bank will have no obligation to pay a dividend for the related dividend period or to pay any interest, whether or not dividends on the Series H Preferred Stock are declared for any future dividend period. If the Bank fails to pay or set aside for payment scheduled dividends (whether or not declared) with respect to any six dividend periods (whether or not consecutive), holders of Series H Preferred Stock are entitled to vote for the election of two directors, as described below under "-Voting Rights."

Full dividends will not be declared or paid or set apart for payment on any Preferred Stock ranking on parity with the Series H Preferred Stock as to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up ("Series H Parity Stock") or any other shares of capital stock that rank junior to the Series H Preferred Stock as to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up ("Series H Junior Stock") during any dividend period unless dividends on the Series H Preferred Stock for that dividend period are declared and paid in full. When such cash dividends are not paid in full, or a sum sufficient for the full payment is not set aside, dividends upon shares of Series H Preferred Stock and dividends on other Series H Parity Stock payable during the dividend period will be declared pro rata so that the amount of dividends payable per share on the Series H Preferred Stock and any other Series H Parity Stock will in all cases bear to each other the same ratio that full dividends for the then-current dividend period on the shares of Series H Preferred Stock and full dividends, including required or permitted accumulations, if any, on shares of the other Series H Parity Stock, bear to each other. If full dividends on the Series H Preferred Stock have not been declared and paid or set aside for payment for a dividend period, the following restrictions will apply for that dividend period:

- no dividend or distribution, other than in shares of Series H Junior Stock, may be declared, set aside for payment or paid on any shares of stock of any class or series of Series H Junior Stock;
- the Bank may not redeem, purchase or otherwise acquire any Series H Junior Stock, and no monies may be paid to or made available for a sinking fund for the redemption of any Series H Junior Stock, except by conversion into or exchange for Series H Junior Stock, or by the tendering of Series H Junior Stock in payment for the exercise of options under the Bank's stock option plans then in effect; and
- the Bank may not redeem, purchase or otherwise acquire any shares of the Series H Preferred Stock other than pursuant to pro rata offers to purchase or exchange, or a concurrent redemption of all of, the outstanding shares of Series H Preferred Stock.

There can be no assurances that any dividends on the Series H Preferred Stock will be declared or, if declared, what the amounts of dividends will be or whether these dividends, if declared for any dividend period, will continue for any future dividend period. The declaration and payment of future dividends on the Series H Preferred Stock will be subject to business conditions, regulatory considerations, the Bank's earnings and financial condition and the judgment of the Board.

See "Item 1. Business—Supervision and Regulation—Restrictions on Dividends and Other Distributions" in this Annual Report on Form 10-K for bank regulatory restrictions on the Bank's ability to pay dividends on the Bank's capital stock.

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding up of First Republic Bank, the holders of the outstanding shares of Series H Preferred Stock are entitled to be paid out of the assets of First Republic Bank legally available for distribution to the Bank's shareholders, before any distribution of assets is made to holders of Common Stock or any other Series H Junior Stock, a liquidating distribution in the amount of a

liquidation preference of $1,000 per share, plus the sum of any declared and unpaid dividends for dividend periods prior to the dividend period in which the liquidation distribution is made and declared and unpaid dividends for the then current dividend period in which the liquidation distribution is made to the date of such liquidation distribution. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series H Preferred Stock will have no right or claim to any of the Bank's remaining assets.

Distributions will be made only to the extent that the Bank's assets that are available after satisfaction of all liabilities to depositors, and creditors and subject to the rights of any securities ranking senior to the Series H Preferred Stock. If the Bank's remaining assets are not sufficient to pay the full liquidating distributions to the holders of all outstanding Series H Preferred Stock and all Series H Parity Stock, then the Bank will distribute the Bank's assets to those holders pro rata in proportion to the full liquidating distributions to which they would otherwise have received.

For purposes of the liquidation rights, neither the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the Bank's property or business, nor the consolidation or merger by the Bank with or into any other entity or by another entity with or into the Bank will constitute a liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series H Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series H Preferred Stock set forth herein.

Conversion Rights

The Series H Preferred Stock is not convertible into or exchangeable for any other of the Bank's property, interests or securities.

Redemption Rights

Optional Redemption

The Series H Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. However, the Series H Preferred Stock may be redeemed on or after June 30, 2022, with not less than 30 days' and not more than 60 days' notice ("Series H Optional Redemption"). On that date or any date thereafter, the Bank may redeem the Series H Preferred Stock from time to time, in whole or in part, at the Bank's option, for cash, subject to the approval of the appropriate federal banking agency (and any state banking agency, as may be required by law), at the cash redemption price provided below. Dividends will not accrue on those shares of Series H Preferred Stock on and after the redemption date. Neither the holders of Series H Preferred Stock nor the holders of the Series H Depositary Shares have the right to require the redemption or repurchase of the Series H Preferred Stock.

Redemption Following a Regulatory Capital Event

The Bank may redeem the Series H Preferred Stock, in whole but not in part, for cash, at any time within 90 days following a Series H Regulatory Capital Treatment Event, at the Bank's option, subject to the approval of the appropriate federal banking agency, at the cash redemption price provided below ("Series H Regulatory Event Redemption"). A "Series H Regulatory Capital Treatment Event" means the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of the Series H Preferred Stock; (ii) any proposed change in those laws or regulations that is announced after the initial issuance of the Series H Preferred Stock; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of the Series H Preferred Stock, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the Series H Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent)

for purposes of the capital adequacy guidelines of the FDIC (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of Series H Preferred Stock is outstanding. Dividends will not accrue on those shares of Series H Preferred Stock on and after the redemption date.

Redemption Price

The redemption price for any redemption of Series H Preferred Stock, whether a Series H Optional Redemption or Series H Regulatory Event Redemption, will be equal to $1,000 per share of Series H Preferred Stock (equivalent to $25 per Series H Depositary Share) plus the sum of any declared and unpaid dividends for prior dividend periods and accrued but unpaid and undeclared dividends for the then-current dividend period to, but excluding, the date of redemption.

Redemption Procedures

If the Bank elects to redeem any shares of Series H Preferred Stock, the Bank will provide notice by first class mail, postage prepaid, addressed to the holders of record of the shares of Series H Preferred Stock to be redeemed, mailed not less than 30 days and not more than 60 days before the date fixed for redemption thereof (provided, however, that if the shares of Series H Preferred Stock or the Series H Depositary Shares are held in book-entry form through DTC, the Bank may give this notice in any manner permitted by DTC). Any notice mailed or otherwise given as provided in this paragraph will be conclusively presumed to have been duly given, whether or not the holder receives this notice, and failure duly to give this notice by mail or otherwise, or any defect in this notice or in the mailing or provision of this notice, to any holder of shares of Series H Preferred Stock designated for redemption will not affect the redemption of any other shares of Series H Preferred Stock. Each notice of redemption shall state:

- the redemption date;
- the redemption price;
- if fewer than all shares of Series H Preferred Stock are to be redeemed, the number of shares of Series H Preferred Stock to be redeemed; and
- the manner in which holders of Series H Preferred Stock called for redemption may obtain payment of the redemption price in respect to those shares.

If notice of redemption of any shares of Series H Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Bank in trust for the benefit of the holders of any shares of Series H Preferred Stock so called for redemption, then from and after the redemption date such shares of Series H Preferred Stock will no longer be deemed outstanding, and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In the case of any redemption of only part of the Series H Preferred Stock at the time outstanding, the shares of Series H Preferred Stock to be redeemed will be selected either pro rata or by lot. Subject to the provisions hereof, the Board will have the full power and authority to prescribe the terms and conditions upon which shares of Series H Preferred Stock may be redeemed from time to time.

The Series H Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption provisions.

Regulatory Restrictions on Redemption Rights

Under current risk-based capital regulations, a bank insured by the FDIC may not redeem shares of Preferred Stock included as Tier 1 capital without the prior approval of the FDIC. Any redemption of the Series H Preferred Stock is subject to the Bank's receipt of any required prior approval by the FDIC and the Commissioner and to the satisfaction of any conditions in the capital guidelines or regulations of the FDIC applicable to such

redemption. Ordinarily, the FDIC would not permit such a redemption unless the FDIC determines that the bank's condition and circumstances warrant the reduction of a source of permanent capital.

Voting Rights

Registered owners of Series H Preferred Stock will not have any voting rights, except as set forth below or as otherwise required by law.

On any matter in which the Series H Preferred Stock is entitled to vote as a class with holders of any other shares upon which like voting rights have been conferred and are exercisable, including any action by written consent, each share of Series H Preferred Stock are entitled to one vote. As more fully described under "-Description of the Depositary Shares," the depositary, as holder of all Series H Preferred Stock, will grant 1/40th of a vote per depositary share to the registered owner of each Series H Depositary Share so that each Series H Depositary Share is entitled to exercise its proportionate voting rights.

If at any time the full amount of dividends on the Series H Preferred Stock have not been paid or set aside for payment (whether or not declared) for any six dividend periods (whether or not consecutive), holders of the Series H Depositary Shares voting as a single class together with holders of any other stock, including the Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock and Series J Preferred Stock, that ranks on a parity with the Series H Preferred Stock as to payment of dividends and that has voting rights equivalent to those described in this paragraph ("Series H Voting Parity Stock"), are entitled to elect the Preferred Stock Directors at any annual meeting of shareholders or any special meeting of the holders of Series H Preferred Stock and any Series H Voting Parity Stock, and the holders of the Common Stock are entitled to vote for the election of the remaining number of directors authorized by the Articles or Bylaws. The Board will at no time have more than two Preferred Stock Directors.

If, at any time after the right to elect directors is vested in the Series H Preferred Stock, the holders of the Series H Preferred Stock and any Series H Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Stock Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Articles or Bylaws, then the holders of Series H Preferred Stock and any Series H Voting Parity Stock, voting as a single class, shall be entitled to elect the Preferred Stock Directors and the Common Stock shall be entitled to elect the remaining number of authorized directors, the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Bank's Series H Preferred Stock and any Series H Voting Parity Stock and the directors elected by the holders of the Common Stock shall constitute the directors of the Bank until the next annual meeting.

The Preferred Stock Directors elected at any such special meeting will hold office until the next annual meeting of the Bank's shareholders unless they have been previously terminated as described below. Except as otherwise provided for by applicable law, any Preferred Stock Director may be removed only by the vote of the holders of record of the outstanding Series H Preferred Stock entitled to vote (voting together as a single class with holders of any Series H Voting Parity Stock). As long as the right to elect Preferred Stock Directors is continuing,(i) any vacancy in the office of any Preferred Stock Director may be filled by the vote of the holders of record of the outstanding Series H Preferred Stock entitled to vote (voting together as a single class with holders of any Series H Voting Parity Stock), and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series H Preferred Stock entitled to vote (voting together as a single class with holders of any Series H Voting Parity Stock) at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Stock Director.

Whenever all dividends on the Series H Preferred Stock and any other stock upon which like voting rights have been conferred and are exercisable have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series H Preferred Stock to elect the Preferred Stock Directors

will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other shareholders have like voting rights that are then exercisable, the terms of office of all Preferred Stock Directors will immediately terminate.

The Bank cannot take any of the following actions without the affirmative vote or written consent of holders of at least two-thirds of the outstanding shares of Series H Preferred Stock:

- create any class or series of shares that ranks, as to dividends or distribution of assets, senior to the Series H Preferred Stock; or
- alter or change the provisions of the Articles, the Certificate of Determination governing the Series H Preferred Stock or the Bylaws so as to adversely affect the voting powers, preferences or special rights of the holders of the Series H Preferred Stock;

provided, however, that with respect to the occurrence of any event listed in the second bullet point above, so long as any shares of Series H Preferred Stock remain outstanding with the terms thereof unchanged or new shares of the surviving corporation or entity are issued with the identical terms as the Series H Preferred Stock, in each case taking into account that upon the occurrence of this event the Bank may not be the surviving entity, the occurrence of any such event shall not, except as provided by law, be deemed to adversely affect any right, preference, privilege or voting power of the Series H Preferred Stock or the holders thereof, and provided, further, that any increase in the amount of the Bank's authorized Common Stock or Preferred Stock or the creation or issuance of any other P Series H arity Stock or Series H Junior Stock and any change to the number of directors or number of classes of directors shall not be deemed to adversely affect such rights, preferences, privileges or voting powers.

Under California law, in addition to any required approval by its board of directors or its voting shareholders, an amendment to the articles of incorporation of a California corporation also must be approved by the affirmative vote of a majority of the outstanding shares of a class of shares, whether or not such class is entitled to a vote by the articles of incorporation, if the amendment proposes to: (i) increase or decrease the aggregate number of authorized shares of such class; (ii) effect an exchange, reclassification, or cancellation of all or part of the shares of such class; (iii) effect an exchange, or create a right of exchange, of all or part of the shares of another class into the shares of such class; (iv) change the rights, preferences, privileges or restrictions of the shares of such class; (v) create a new class of shares having rights, preferences or privileges prior to the shares of such class, or increase the rights, preferences or privileges or the number of authorized shares of any class having rights, preferences or privileges prior to the shares of such class; (vi) in the case of preferred shares, divide the shares of any class into series having different rights, preferences, privileges or restrictions or authorize the board to do so; or (vii) cancel or otherwise affect dividends on the shares of such class which have accrued but have not been paid.

The holders of Series H Preferred Stock will have no voting rights if the Bank redeems all outstanding Series H Preferred Stock (or call for redemption all outstanding Series H Preferred Stock and deposit sufficient funds in a trust to effect the redemption) on or before the time the act occurs that would otherwise require a vote.

Regulatory Risk of Voting Rights

Although the Bank does not believe that any series of its Preferred Stock is considered "voting securities" for purposes of the BHCA, if one or more series were to become a class of "voting securities," whether because the Bank has missed six dividend payments and, as a result, holders of the Preferred Stock have the right to elect directors, or for other reasons, a "company" (as that term is defined for purposes of the BHCA) that owns or controls 25% or more of such class, or less than 25% if it otherwise exercises any "controlling influence" over the Bank (including by holding 25% or more or, in some cases, one-third or more of the Bank's total equity), may then be subject to regulation as a bank holding company in accordance with the BHCA. In addition, if one or more series of Preferred Stock becomes a class of "voting securities":

- any bank holding company may be required to obtain the prior approval of the Federal Reserve to acquire or retain more than 5% of such series of Preferred Stock;

- any person (or group of persons acting in concert) other than a bank holding company may be required to obtain the approval of the FDIC under the CIBCA to acquire or retain 10% or more such series of Preferred Stock; and
- any person may be required to obtain the prior approval of the Commissioner before acquiring "control" of the Bank, as defined in California statutes and regulations.

Holders of Preferred Stock should consult their own counsel with regard to regulatory implications.

Description of Series H Depositary Shares

General

The Series H Preferred Stock are deposited with the depositary, under a deposit agreement. Each Series H Depositary Share will represent a 1/40th fractional ownership interest in a share of Series H Preferred Stock. Subject to the terms of the deposit agreement, each holder of a Series H Depositary Share is entitled to all the rights and preferences of a 1/40th fractional ownership interest in a share of Series H Preferred Stock (including dividend, voting, redemption and liquidation rights and preferences). Immediately following the Bank's issuance of the Series H Preferred Stock, the Bank will deposit the Series H Preferred Stock with the depositary, which upon the Bank's instructions will issue and deliver the Series H Depositary Shares to DTC for credit to the accounts of such participants of DTC and in such amounts as Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, UBS Securities LLC and Wells Fargo Securities, LLC shall specify.

Listing

The Series H Preferred Depositary Shares are listed on the NYSE under the symbol "FRC-PrH."

Dividends

Each dividend payable on a Series H Depositary Share is in an amount equal to 1/40th of the dividend declared and payable on each share of Series H Preferred Stock.

The depositary will distribute all cash dividends paid on the Series H Preferred Stock to the record holders of the Series H Depositary Shares in proportion to the number of Series H Depositary Shares held by the holders. The depositary will distribute only such amount, however, as can be distributed without attributing to any holder of Series H Depositary Shares a fraction of one cent, and any balance not so distributable will be held by the depositary (without liability for interest thereon) and will be added to and be treated as part of the next sum received by the depositary for distribution to record holders of Series H Depositary Shares then outstanding.

If a dividend is other than in cash and it is feasible for the depositary to distribute the property it receives, the depositary, upon written instructions from the Bank, will distribute the property to the record holders of the Series H Depositary Shares . If such a distribution is not feasible and the Bank so directs, the depositary will sell on behalf of the holders of Series H Depositary Shares the property and distribute the net proceeds from the sale to the holders of the Series H Depositary Shares in proportion to the number of Series H Depositary Shares held by the holders.

Record dates for the payment of dividends and other matters relating to the Series H Depositary Shares will be the same as the corresponding record dates for the Series H Preferred Stock.

The amounts distributed to holders of Series H Depositary Shares will be reduced by any amounts required to be withheld by the depositary or by the Bank on account of taxes or other governmental charges. The depositary may refuse to make any payment or distribution, or any transfer, exchange or withdrawal of any Series H Depositary Shares or the Series H Preferred Stock until such taxes or other governmental charges are paid. To the extent that the depositary determines that amounts are required to be withheld in relation to the distribution of any property pursuant to the deposit agreement, the depositary may, in certain circumstances, sell all or a portion of such property to pay such taxes and distribute the balance of the net proceeds (after the deduction of such taxes) to the holder of

the Series H Depositary Shares in proportion to the number of Series H Depositary Shares held by the holder.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Bank's affairs, the holders of the Series H Depositary Shares are entitled to 1/40th of the liquidation preference accorded each share of Series H Preferred Stock.

If the Bank consolidates or merges with or into any other entity or the Bank sells, leases, transfers or conveys all or substantially all of the Bank's property or business, the Bank will not be deemed to have liquidated, dissolved or wound up. In the event of the Bank's liquidation, dissolution or winding up, a holder of Series H Depositary Shares will receive the fraction of the liquidation preference accorded each share of underlying Series H Preferred Stock represented by the Series H Depositary Shares.

Redemption

Whenever the Bank redeems any of the Series H Preferred Stock held by the depositary, the depositary will redeem as of the same redemption date, from the proceeds received by the depositary resulting from the redemption of the Series H Preferred Stock held by the depositary, the number of Series H Depositary Shares representing the redeemed Series H Preferred Stock. A notice of the redemption furnished by the Bank will be mailed by the depositary by first class mail, postage prepaid, not less than 30 nor more than 60 days before the date fixed for redemption thereof, addressed to the respective holders of record of the Series H Depositary Shares to be redeemed at their respective addresses as they appear on the share transfer records of the depositary (provided, however, that if the Series H Depositary Shares are held in book-entry form through DTC, the Bank may give this notice in any manner permitted by DTC). A failure to give such notice or any defect in the notice or in the Bank's mailing will not affect the validity of the proceedings for the redemption of any shares of Series H Preferred Stock or Series H Depositary Shares except as to the holder to whom notice was defective or not given. Each notice shall state:

- the redemption date;
- the redemption price;
- if fewer than all shares of Series H Preferred Stock are to be redeemed, the number of shares of Series H Preferred Stock to be redeemed (and the corresponding number of Series H Depositary Shares); and
- the place or places where the depositary receipts evidencing the Series H Depositary Shares are to be surrendered for payment of the redemption price.

If the Bank redeems fewer than all of the outstanding shares of Series H Preferred Stock, the depositary will select the corresponding number of Series H Depositary Shares to be redeemed pro rata or by lot. In any such case, Series H Depositary Shares will be redeemed only in increments of 40 Series H Depositary Shares and any integral multiple thereof, and the notice mailed to such holder shall also specify the number of Series H Depositary Shares to be redeemed from such holder.

The holders of Series H Depositary Shares at the close of business on a dividend record date are entitled to receive the dividend payable with respect to the Series H Depositary Shares evidenced by such Series H Depositary Shares on the corresponding dividend payment date notwithstanding the redemption of the Series H Depositary Shares between such dividend record date and the corresponding dividend payment date or the Bank's default in the payment of the dividend due. Except as provided above, the Bank will make no payment or allowance for unpaid dividends on the Series H Preferred Stock or Series H Depositary Shares to be redeemed.

Voting

Because each Series H Depositary Share represents a 1/40th ownership interest in a share of Series H Preferred Stock, holders of depositary receipts are entitled to vote 1/40th of a vote per Series H Depositary Share under those limited circumstances in which holders of the Series H Preferred Stock are entitled to vote, as described above.

When the depositary receives notice of any meeting at which the holders of the Series H Preferred Stock are entitled to vote, the depositary will mail the information contained in the notice to the record holders of the Series H Depositary Shares relating to the Series H Preferred Stock. Each record holder of the Series H Depositary Shares on the record date, which will be the same date as the record date for the Series H Preferred Stock, may instruct the depositary to vote the amount of the Series H Preferred Stock represented by the holder's Series H Depositary Shares. To the extent possible, the depositary will vote the amount of the Series H Preferred Stock represented by Series H Depositary Shares in accordance with the instructions it receives. The Bank will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any Series H Depositary Shares representing the Series H Preferred Stock, it will abstain from voting with respect to such shares (but shall appear at the meeting with respect to such shares unless directed to the contrary).

Withdrawal of Series H Preferred Stock

Upon surrender of Series H Depositary Shares at the principal office of the depositary, upon payment of any unpaid amount due the depositary, and subject to the terms of the deposit agreement, the owner of the Series H Depositary Shares evidenced thereby is entitled to delivery of the number of shares of Series H Preferred Stock and all money and other property, if any, represented by such Series H Depositary Shares. Only whole shares of Series H Preferred Stock may be withdrawn. If the Series H Depositary Shares surrendered by the holder in connection with withdrawal exceed the number of Series H Depositary Shares that represent the number of whole shares of Series H Preferred Stock to be withdrawn, the depositary will deliver to that holder at the same time a new depositary receipt evidencing the excess number of Series H Depositary Shares. Holders of Series H Preferred Stock thus withdrawn will not thereafter be entitled to deposit such shares under the deposit agreement or to receive Series H Depositary Shares therefor.

Miscellaneous

The depositary will forward to the holders of Series H Depositary Shares any reports and communications from the Bank with respect to the underlying Series H Preferred Stock. Neither the Bank nor the depositary will be liable if any law or any circumstances beyond their control prevent or delay them from performing their obligations under the deposit agreement. The obligations of the Bank and a depositary under the deposit agreement will be limited to performing their duties without bad faith, gross negligence or willful misconduct. Neither the Bank nor a depositary must prosecute or defend any legal proceeding with respect to any Series H Depositary Shares or the underlying Series H Preferred Stock unless they are furnished with satisfactory indemnity. Both the Bank and the depositary may rely on the written advice of counsel or accountants, or information provided by holders of Series H Depositary Shares or other persons they believe in good faith to be competent, and on documents they believe in good faith to be genuine and signed by a proper party. In the event a depositary receives conflicting claims, requests or instructions from the Bank and any holders of Series H Depositary Shares, the depositary are entitled to act on the claims, requests or instructions received from the Bank.

Book Entry, Delivery and Form

DTC acts as securities depositary for the Series H Depositary Shares. The Series H Depositary Shares are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC.

DTC has advised the Bank that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its Direct Participants deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of DTCC. DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or through Indirect Participants. The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Series H Depositary Shares under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series H Depositary Shares on DTC's records. The ownership interest of the beneficial owner is in turn recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial owner entered into the transaction. Transfers of ownership interest in the Series H Depositary Shares are accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interest in the Series H Depositary Shares, except in the event that use of the book-entry system for the Series H Depositary Shares is discontinued. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

To facilitate subsequent transfers, the Series H Depositary Shares deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series H Depositary Shares with DTC and its registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Series H Depositary Shares; DTC's records reflect only the identity of the Direct Participants to whose accounts are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

In those instances where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series H Depositary Shares unless authorized by a Direct Participant. Under its usual procedures, DTC mails an omnibus proxy to the Bank as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series H Depositary Shares are credited on the record date, which accounts are identified in a listing attached to the omnibus proxy.

Redemption proceeds, distributions and dividend payments on the Series H Depositary Shares will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Bank or the Bank's agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to beneficial owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and are the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), the Bank or any agent of the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividends to Cede & Co. (or such other DTC nominee) is the responsibility of the Bank or the Bank's agent, disbursement of such payments to Direct Participants are the responsibility of DTC, and disbursement of such payments to the beneficial owners are the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depositary with respect to the Series H Depositary Shares at any time by giving reasonable notice to the Bank or the Bank's agent. Additionally, the Bank may decide to discontinue the book-entry only system of transfers with respect to the Series H Depositary Shares. Under such

circumstances, if a successor depository is not obtained, the Bank will print and deliver certificates in fully registered form for the Series H Depositary Shares.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bank believes to be reliable, but the Bank takes no responsibility for the accuracy thereof.

Transfer Restrictions

The Series H Depositary Shares were offered and sold pursuant to an exemption from registration under the Securities Act of 1933, as amended, and other exemptions provided by the laws of the United States and other jurisdictions where such securities are offered and sold. The Series H Depositary Shares may only be transferred or sold in compliance with all applicable state, federal and foreign securities laws.

DESCRIPTION OF DEPOSITARY SHARES, each representing a 1/40th interest in a share of Series I Preferred Stock

Ranking

The Series I Preferred Stock ranks senior to the Common Stock and any other class or series of Preferred Stock that by its terms ranks junior to the Series I Preferred Stock, and at least equally with the Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock and Series J Preferred Stock and with all future series of Preferred Stock that the Bank may issue (except for any senior stock that may be issued with the requisite consent of the holders of the Series I Preferred Stock and all other Series I Parity Stock (as defined below)), with respect to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up.

Dividends

Holders of Series I Preferred Stock are entitled to receive, when and as declared by the Board (or a duly authorized committee thereof), out of funds legally available for the payment of distributions, cash dividends that are noncumulative and payable quarterly, at the rate of 5.50% of the liquidation preference per annum (equivalent to $55.00 per annum per share of Series I Preferred Stock). Dividends on the Series I Preferred Stock, if declared, are payable quarterly on the 30th day of each March, June, September and December, or, if any such date is not a business day, the immediately preceding business day. A dividend period means each period commencing on (and including) a dividend payment date and continuing to (but excluding) the next succeeding dividend payment date, except that the first dividend period for the initial issuance of shares of Series I Preferred Stock commenced upon (and includes) the date of original issuance of those shares. If additional shares of Series I Preferred Stock are issued at a future date, the first dividend period for such shares will commence upon (and include) the later of the date of original issuance of Series I Preferred Stock and the first day of the quarterly period in which such later date of issue occurs. That dividend and any dividend payable on the Series I Preferred Stock for any other partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bank will pay dividends to holders of record of Series I Preferred Stock as they appear in the Bank's share records at the close of business on the applicable record date designated by the Board for the payment of dividends that is not more than 60 nor less than 10 days prior to such dividend payment date; provided, however, that if the date fixed for redemption of any Series I Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid.

No dividends on the Series I Preferred Stock will be declared or be paid or set aside for payment at any time when the terms and provisions of any of the Bank's agreements, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting aside for payment or provides that such declaration, payment or setting aside for payment would constitute a breach of or a default under such agreement, or if such authorization or payment is restricted or prohibited by law.

Dividends are not cumulative. If the Bank fails to declare a dividend for any dividend payment date, then that dividend will not accumulate and be payable, the holders of the Series I Preferred Stock will have no right to receive a dividend related to that dividend period, and the Bank will have no obligation to pay a dividend for the related dividend period or to pay any interest, whether or not dividends on the Series I Preferred Stock are declared for any future dividend period. If the Bank fails to pay or set aside for payment scheduled dividends (whether or not declared) with respect to any six dividend periods (whether or not consecutive), holders of Series I Preferred Stock are entitled to vote for the election of two directors, as described below under "-Voting Rights."

Full dividends will not be declared or paid or set apart for payment on any Preferred Stock ranking on parity with the Series I Preferred Stock as to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up ("Series I Parity Stock") or any other shares of capital stock that rank junior to the Series I Preferred Stock as to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up ("Series I Junior Stock") during any dividend period unless dividends on the Series I Preferred Stock for that dividend period are declared and paid in full. When such cash dividends are not paid in full, or a sum sufficient for the full payment is not set aside, dividends upon shares of Series I Preferred Stock and dividends on other Series I Parity Stock payable during the dividend period will be declared pro rata so that the amount of dividends payable per share on the Series I Preferred Stock and any other Series I Parity Stock will in all cases bear to each other the same ratio that full dividends for the then-current dividend period on the shares of Series I Preferred Stock and full dividends, including required or permitted accumulations, if any, on shares of the other Series I Parity Stock, bear to each other. If full dividends on the Series I Preferred Stock have not been declared and paid or set aside for payment for a dividend period, the following restrictions will apply for that dividend period:

- no dividend or distribution, other than in shares of Series I Junior Stock, may be declared, set aside for payment or paid on any shares of stock of any class or series of Series I Junior Stock;
- the Bank may not redeem, purchase or otherwise acquire any Series I Junior Stock, and no monies may be paid to or made available for a sinking fund for the redemption of any Series I Junior Stock, except by conversion into or exchange for Series I Junior Stock, or by the tendering of Series I Junior Stock in payment for the exercise of options under the Bank's stock option plans then in effect; and
- the Bank may not redeem, purchase or otherwise acquire any shares of the Series I Preferred Stock other than pursuant to pro rata offers to purchase or exchange, or a concurrent redemption of all of, the outstanding shares of Series I Preferred Stock.

There can be no assurances that any dividends on the Series I Preferred Stock will be declared or, if declared, what the amounts of dividends will be or whether these dividends, if declared for any dividend period, will continue for any future dividend period. The declaration and payment of future dividends on the Series I Preferred Stock will be subject to business conditions, regulatory considerations, the Bank's earnings and financial condition and the judgment of the Board.

See "Item 1. Business—Supervision and Regulation—Restrictions on Dividends and Other Distributions" in this Annual Report on Form 10-K for bank regulatory restrictions on the Bank's ability to pay dividends on the Bank's capital stock.

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding up of First Republic Bank, the holders of the outstanding shares of Series I Preferred Stock are entitled to be paid out of the assets of First Republic Bank legally available for distribution to the Bank's shareholders, before any distribution of assets is made to holders of Common Stock or any other Series I Junior Stock, a liquidating distribution in the amount of a liquidation preference of $1,000 per share, plus the sum of any declared and unpaid dividends for dividend periods prior to the dividend period in which the liquidation distribution is made and declared and unpaid dividends for the then current dividend period in which the liquidation distribution is made to the date of such liquidation distribution. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series I Preferred Stock will have no right or claim to any of the Bank's remaining assets.

Distributions will be made only to the extent that the Bank's assets that are available after satisfaction of all liabilities to depositors, and creditors and subject to the rights of any securities ranking senior to the Series I Preferred Stock. If the Bank's remaining assets are not sufficient to pay the full liquidating distributions to the holders of all outstanding Series I Preferred Stock and all Series I Parity Stock, then the Bank will distribute the Bank's assets to those holders pro rata in proportion to the full liquidating distributions to which they would otherwise have received.

For purposes of the liquidation rights, neither the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the Bank's property or business, nor the consolidation or merger by the Bank with or into any other entity or by another entity with or into the Bank will constitute a liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series I Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series I Preferred Stock set forth herein.

Conversion Rights

The Series I Preferred Stock is not convertible into or exchangeable for any other of the Bank's property, interests or securities.

Redemption Rights

Optional Redemption

The Series I Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. However, the Series I Preferred Stock may be redeemed on or after June 30, 2023, with not less than 30 days' and not more than 60 days' notice ("Series I Optional Redemption"). On that date or any date thereafter, the Bank may redeem the Series I Preferred Stock from time to time, in whole or in part, at the Bank's option, for cash, subject to the approval of the appropriate federal banking agency (and any state banking agency, as may be required by law), at the cash redemption price provided below. Dividends will not accrue on those shares of Series I Preferred Stock on and after the redemption date. Neither the holders of Series I Preferred Stock nor the holders of the Series I Depositary Shares have the right to require the redemption or repurchase of the Series I Preferred Stock.

Redemption Following a Regulatory Capital Event

The Bank may redeem the Series I Preferred Stock, in whole but not in part, for cash, at any time within 90 days following a Series I Regulatory Capital Treatment Event, at the Bank's option, subject to the approval of the appropriate federal banking agency, at the cash redemption price provided below ("Series I Regulatory Event Redemption"). A "Series I Regulatory Capital Treatment Event" means the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of the Series I Preferred Stock; (ii) any proposed change in those laws or regulations that is announced after the initial issuance of the Series I Preferred Stock; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of the Series I Preferred Stock, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the Series I Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent) for purposes of the capital adequacy guidelines of the FDIC (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of Series I Preferred Stock is outstanding. Dividends will not accrue on those shares of Series I Preferred Stock on and after the redemption date.

Redemption Price

The redemption price for any redemption of Series I Preferred Stock, whether a Series I Optional Redemption or Series I Regulatory Event Redemption, will be equal to $1,000 per share of Series I Preferred Stock (equivalent to $25 per Series I Depositary Share) plus the sum of any declared and unpaid dividends for prior dividend periods and accrued but unpaid and undeclared dividends for the then-current dividend period to, but excluding, the date of redemption.

Redemption Procedures

If the Bank elects to redeem any shares of Series I Preferred Stock, the Bank will provide notice by first class mail, postage prepaid, addressed to the holders of record of the shares of Series I Preferred Stock to be redeemed, mailed not less than 30 days and not more than 60 days before the date fixed for redemption thereof (provided, however, that if the shares of Series I Preferred Stock or the Series I Depositary Shares are held in book-entry form through DTC, the Bank may give this notice in any manner permitted by DTC). Any notice mailed or otherwise given as provided in this paragraph will be conclusively presumed to have been duly given, whether or not the holder receives this notice, and failure duly to give this notice by mail or otherwise, or any defect in this notice or in the mailing or provision of this notice, to any holder of shares of Series I Preferred Stock designated for redemption will not affect the redemption of any other shares of Series I Preferred Stock. Each notice of redemption shall state:

- the redemption date;
- the redemption price;
- if fewer than all shares of Series I Preferred Stock are to be redeemed, the number of shares of Series I Preferred Stock to be redeemed; and
- the manner in which holders of Series I Preferred Stock called for redemption may obtain payment of the redemption price in respect to those shares.

If notice of redemption of any shares of Series I Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Bank in trust for the benefit of the holders of any shares of Series I Preferred Stock so called for redemption, then from and after the redemption date such shares of Series I Preferred Stock will no longer be deemed outstanding, and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In the case of any redemption of only part of the Series I Preferred Stock at the time outstanding, the shares of Series I Preferred Stock to be redeemed will be selected either pro rata or by lot. Subject to the provisions hereof, the Board will have the full power and authority to prescribe the terms and conditions upon which shares of Series I Preferred Stock may be redeemed from time to time.

The Series I Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption provisions.

Regulatory Restrictions on Redemption Rights

Under current risk-based capital regulations, a bank insured by the FDIC may not redeem shares of Preferred Stock included as Tier 1 capital without the prior approval of the FDIC. Any redemption of the Series I Preferred Stock is subject to the Bank's receipt of any required prior approval by the FDIC and the Commissioner and to the satisfaction of any conditions in the capital guidelines or regulations of the FDIC applicable to such redemption. Ordinarily, the FDIC would not permit such a redemption unless the FDIC determines that the bank's condition and circumstances warrant the reduction of a source of permanent capital.

Voting Rights

Registered owners of Series I Preferred Stock will not have any voting rights, except as set forth below or

as otherwise required by law.

On any matter in which the Series I Preferred Stock is entitled to vote as a class with holders of any other shares upon which like voting rights have been conferred and are exercisable, including any action by written consent, each share of Series I Preferred Stock are entitled to one vote. As more fully described under "-Description of the Depositary Shares," the depositary, as holder of all Series I Preferred Stock, will grant 1/40th of a vote per depositary share to the registered owner of each Series I Depositary Share so that each Series I Depositary Share is entitled to exercise its proportionate voting rights.

If at any time the full amount of dividends on the Series I Preferred Stock have not been paid or set aside for payment (whether or not declared) for any six dividend periods (whether or not consecutive), holders of the Series I Depositary Shares voting as a single class together with holders of any other stock, including the Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock and Series J Preferred Stock, that ranks on a parity with the Series I Preferred Stock as to payment of dividends and that has voting rights equivalent to those described in this paragraph ("Series I Voting Parity Stock"), are entitled to elect the Preferred Stock Directors at any annual meeting of shareholders or any special meeting of the holders of Series I Preferred Stock and any Series I Voting Parity Stock, and the holders of the Common Stock are entitled to vote for the election of the remaining number of directors authorized by the Articles or Bylaws. The Board will at no time have more than two Preferred Stock Directors.

If, at any time after the right to elect directors is vested in the Series I Preferred Stock, the holders of the Series I Preferred Stock and any Series I Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Stock Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Articles or Bylaws, then the holders of Series I Preferred Stock and any Series I Voting Parity Stock, voting as a single class, shall be entitled to elect the Preferred Stock Directors and the Common Stock shall be entitled to elect the remaining number of authorized directors, the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Bank's Series I Preferred Stock and any Series I Voting Parity Stock and the directors elected by the holders of the Common Stock shall constitute the directors of the Bank until the next annual meeting.

The Preferred Stock Directors elected at any such special meeting will hold office until the next annual meeting of the Bank's shareholders unless they have been previously terminated as described below. Except as otherwise provided for by applicable law, any Preferred Stock Director may be removed only by the vote of the holders of record of the outstanding Series I Preferred Stock entitled to vote (voting together as a single class with holders of any Series I Voting Parity Stock). As long as the right to elect Preferred Stock Directors is continuing,(i) any vacancy in the office of any Preferred Stock Director may be filled by the vote of the holders of record of the outstanding Series I Preferred Stock entitled to vote (voting together as a single class with holders of any Series I Voting Parity Stock), and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series I Preferred Stock entitled to vote (voting together as a single class with holders of any Series I Voting Parity Stock) at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Stock Director.

Whenever all dividends on the Series I Preferred Stock and any other stock upon which like voting rights have been conferred and are exercisable have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series I Preferred Stock to elect the Preferred Stock Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other shareholders have like voting rights that are then exercisable, the terms of office of all Preferred Stock Directors will immediately terminate.

The Bank cannot take any of the following actions without the affirmative vote or written consent of holders of at least two-thirds of the outstanding shares of Series I Preferred Stock:

- create any class or series of shares that ranks, as to dividends or distribution of assets, senior to the Series I Preferred Stock; or
- alter or change the provisions of the Articles, the Certificate of Determination governing the Series I Preferred Stock or the Bylaws so as to adversely affect the voting powers, preferences or special rights of the holders of the Series I Preferred Stock;

provided, however, that with respect to the occurrence of any event listed in the second bullet point above, so long as any shares of Series I Preferred Stock remain outstanding with the terms thereof unchanged or new shares of the surviving corporation or entity are issued with the identical terms as the Series I Preferred Stock, in each case taking into account that upon the occurrence of this event the Bank may not be the surviving entity, the occurrence of any such event shall not, except as provided by law, be deemed to adversely affect any right, preference, privilege or voting power of the Series I Preferred Stock or the holders thereof, and provided, further, that any increase in the amount of the Bank's authorized Common Stock or Preferred Stock or the creation or issuance of any other P Series I arity Stock or Series I Junior Stock and any change to the number of directors or number of classes of directors shall not be deemed to adversely affect such rights, preferences, privileges or voting powers.

Under California law, in addition to any required approval by its board of directors or its voting shareholders, an amendment to the articles of incorporation of a California corporation also must be approved by the affirmative vote of a majority of the outstanding shares of a class of shares, whether or not such class is entitled to a vote by the articles of incorporation, if the amendment proposes to: (i) increase or decrease the aggregate number of authorized shares of such class; (ii) effect an exchange, reclassification, or cancellation of all or part of the shares of such class; (iii) effect an exchange, or create a right of exchange, of all or part of the shares of another class into the shares of such class; (iv) change the rights, preferences, privileges or restrictions of the shares of such class; (v) create a new class of shares having rights, preferences or privileges prior to the shares of such class, or increase the rights, preferences or privileges or the number of authorized shares of any class having rights, preferences or privileges prior to the shares of such class; (vi) in the case of preferred shares, divide the shares of any class into series having different rights, preferences, privileges or restrictions or authorize the board to do so; or (vii) cancel or otherwise affect dividends on the shares of such class which have accrued but have not been paid.

The holders of Series I Preferred Stock will have no voting rights if the Bank redeems all outstanding Series I Preferred Stock (or call for redemption all outstanding Series I Preferred Stock and deposit sufficient funds in a trust to effect the redemption) on or before the time the act occurs that would otherwise require a vote.

Regulatory Risk of Voting Rights

Although the Bank does not believe that any series of its Preferred Stock is considered "voting securities" for purposes of the BHCA, if one or more series were to become a class of "voting securities," whether because the Bank has missed six dividend payments and, as a result, holders of the Preferred Stock have the right to elect directors, or for other reasons, a "company" (as that term is defined for purposes of the BHCA) that owns or controls 25% or more of such class, or less than 25% if it otherwise exercises any "controlling influence" over the Bank (including by holding 25% or more or, in some cases, one-third or more of the Bank's total equity), may then be subject to regulation as a bank holding company in accordance with the BHCA. In addition, if one or more series of Preferred Stock becomes a class of "voting securities":

- any bank holding company may be required to obtain the prior approval of the Federal Reserve to acquire or retain more than 5% of such series of Preferred Stock;
- any person (or group of persons acting in concert) other than a bank holding company may be required to obtain the approval of the FDIC under the CIBCA to acquire or retain 10% or more such series of Preferred Stock; and
- any person may be required to obtain the prior approval of the Commissioner before acquiring "control" of the Bank, as defined in California statutes and regulations.

Holders of Preferred Stock should consult their own counsel with regard to regulatory implications.

Description of Series I Depositary Shares

General

The Series I Preferred Stock are deposited with the depositary, under a deposit agreement. Each Series I Depositary Share will represent a 1/40th fractional ownership interest in a share of Series I Preferred Stock. Subject to the terms of the deposit agreement, each holder of a Series I Depositary Share is entitled to all the rights and preferences of a 1/40th fractional ownership interest in a share of Series I Preferred Stock (including dividend, voting, redemption and liquidation rights and preferences). Immediately following the Bank's issuance of the Series I Preferred Stock, the Bank will deposit the Series I Preferred Stock with the depositary, which upon the Bank's instructions will issue and deliver the Series I Depositary Shares to DTC for credit to the accounts of such participants of DTC and in such amounts as Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC shall specify.

Listing

The Series I Preferred Depositary Shares are listed on the NYSE under the symbol "FRC-PrI."

Dividends

Each dividend payable on a Series I Depositary Share is in an amount equal to 1/40th of the dividend declared and payable on each share of Series I Preferred Stock.

The depositary will distribute all cash dividends paid on the Series I Preferred Stock to the record holders of the Series I Depositary Shares in proportion to the number of Series I Depositary Shares held by the holders. The depositary will distribute only such amount, however, as can be distributed without attributing to any holder of Series I Depositary Shares a fraction of one cent, and any balance not so distributable will be held by the depositary (without liability for interest thereon) and will be added to and be treated as part of the next sum received by the depositary for distribution to record holders of Series I Depositary Shares then outstanding.

If a dividend is other than in cash and it is feasible for the depositary to distribute the property it receives, the depositary, upon written instructions from the Bank, will distribute the property to the record holders of the Series I Depositary Shares. If such a distribution is not feasible and the Bank so directs, the depositary will sell on behalf of the holders of Series I Depositary Shares the property and distribute the net proceeds from the sale to the holders of the Series I Depositary Shares in proportion to the number of Series I Depositary Shares held by the holders.

Record dates for the payment of dividends and other matters relating to the Series I Depositary Shares will be the same as the corresponding record dates for the Series I Preferred Stock.

The amounts distributed to holders of Series I Depositary Shares will be reduced by any amounts required to be withheld by the depositary or by the Bank on account of taxes or other governmental charges. The depositary may refuse to make any payment or distribution, or any transfer, exchange or withdrawal of any Series I Depositary Shares or the Series I Preferred Stock until such taxes or other governmental charges are paid. To the extent that the depositary determines that amounts are required to be withheld in relation to the distribution of any property pursuant to the deposit agreement, the depositary may, in certain circumstances, sell all or a portion of such property to pay such taxes and distribute the balance of the net proceeds (after the deduction of such taxes) to the holder of the Series I Depositary Shares in proportion to the number of Series I Depositary Shares held by the holder.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Bank's affairs, the holders of the Series I Depositary Shares are entitled to 1/40th of the liquidation preference accorded each share of Series I Preferred Stock.

If the Bank consolidates or merges with or into any other entity or the Bank sells, leases, transfers or conveys all or substantially all of the Bank's property or business, the Bank will not be deemed to have liquidated, dissolved or wound up. In the event of the Bank's liquidation, dissolution or winding up, a holder of Series I Depositary Shares will receive the fraction of the liquidation preference accorded each share of underlying Series I Preferred Stock represented by the Series I Depositary Shares.

Redemption

Whenever the Bank redeems any of the Series I Preferred Stock held by the depositary, the depositary will redeem as of the same redemption date, from the proceeds received by the depositary resulting from the redemption of the Series I Preferred Stock held by the depositary, the number of Series I Depositary Shares representing the redeemed Series I Preferred Stock. A notice of the redemption furnished by the Bank will be mailed by the depositary by first class mail, postage prepaid, not less than 30 nor more than 60 days before the date fixed for redemption thereof, addressed to the respective holders of record of the Series I Depositary Shares to be redeemed at their respective addresses as they appear on the share transfer records of the depositary (provided, however, that if the Series I Depositary Shares are held in book-entry form through DTC, the Bank may give this notice in any manner permitted by DTC). A failure to give such notice or any defect in the notice or in the Bank's mailing will not affect the validity of the proceedings for the redemption of any shares of Series I Preferred Stock or Series I Depositary Shares except as to the holder to whom notice was defective or not given. Each notice shall state:

- the redemption date;
- the redemption price;
- if fewer than all shares of Series I Preferred Stock are to be redeemed, the number of shares of Series I Preferred Stock to be redeemed (and the corresponding number of Series I Depositary Shares); and
- the place or places where the depositary receipts evidencing the Series I Depositary Shares are to be surrendered for payment of the redemption price.

If the Bank redeems fewer than all of the outstanding shares of Series I Preferred Stock, the depositary will select the corresponding number of Series I Depositary Shares to be redeemed pro rata or by lot. In any such case, Series I Depositary Shares will be redeemed only in increments of 40 Series I Depositary Shares and any integral multiple thereof, and the notice mailed to such holder shall also specify the number of Series I Depositary Shares to be redeemed from such holder.

The holders of Series I Depositary Shares at the close of business on a dividend record date are entitled to receive the dividend payable with respect to the Series I Depositary Shares evidenced by such Series I Depositary Shares on the corresponding dividend payment date notwithstanding the redemption of the Series I Depositary Shares between such dividend record date and the corresponding dividend payment date or the Bank's default in the payment of the dividend due. Except as provided above, the Bank will make no payment or allowance for unpaid dividends on the Series I Preferred Stock or Series I Depositary Shares to be redeemed.

Voting

Because each Series I Depositary Share represents a 1/40th ownership interest in a share of Series I Preferred Stock, holders of depositary receipts are entitled to vote 1/40th of a vote per Series I Depositary Share under those limited circumstances in which holders of the Series I Preferred Stock are entitled to vote, as described above.

When the depositary receives notice of any meeting at which the holders of the Series I Preferred Stock are entitled to vote, the depositary will mail the information contained in the notice to the record holders of the Series I Depositary Shares relating to the Series I Preferred Stock. Each record holder of the Series I Depositary Shares on the record date, which will be the same date as the record date for the Series I Preferred Stock, may instruct the depositary to vote the amount of the Series I Preferred Stock represented by the holder's Series I Depositary Shares. To the extent possible, the depositary will vote the amount of the Series I Preferred Stock represented by Series I Depositary Shares in accordance with the instructions it receives. The Bank will agree to take all reasonable actions

that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any Series I Depositary Shares representing the Series I Preferred Stock, it will abstain from voting with respect to such shares (but shall appear at the meeting with respect to such shares unless directed to the contrary).

Withdrawal of Series I Preferred Stock

Upon surrender of Series I Depositary Shares at the principal office of the depositary, upon payment of any unpaid amount due the depositary, and subject to the terms of the deposit agreement, the owner of the Series I Depositary Shares evidenced thereby is entitled to delivery of the number of shares of Series I Preferred Stock and all money and other property, if any, represented by such Series I Depositary Shares. Only whole shares of Series I Preferred Stock may be withdrawn. If the Series I Depositary Shares surrendered by the holder in connection with withdrawal exceed the number of Series I Depositary Shares that represent the number of whole shares of Series I Preferred Stock to be withdrawn, the depositary will deliver to that holder at the same time a new depositary receipt evidencing the excess number of Series I Depositary Shares. Holders of Series I Preferred Stock thus withdrawn will not thereafter be entitled to deposit such shares under the deposit agreement or to receive Series I Depositary Shares therefor.

Miscellaneous

The depositary will forward to the holders of Series I Depositary Shares any reports and communications from the Bank with respect to the underlying Series I Preferred Stock. Neither the Bank nor the depositary will be liable if any law or any circumstances beyond their control prevent or delay them from performing their obligations under the deposit agreement. The obligations of the Bank and a depositary under the deposit agreement will be limited to performing their duties without bad faith, gross negligence or willful misconduct. Neither the Bank nor a depositary must prosecute or defend any legal proceeding with respect to any Series I Depositary Shares or the underlying Series I Preferred Stock unless they are furnished with satisfactory indemnity. Both the Bank and the depositary may rely on the written advice of counsel or accountants, or information provided by holders of Series I Depositary Shares or other persons they believe in good faith to be competent, and on documents they believe in good faith to be genuine and signed by a proper party. In the event a depositary receives conflicting claims, requests or instructions from the Bank and any holders of Series I Depositary Shares, the depositary are entitled to act on the claims, requests or instructions received from the Bank.

Book Entry, Delivery and Form

DTC acts as securities depositary for the Series I Depositary Shares. The Series I Depositary Shares are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC.

DTC has advised the Bank that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its Direct Participants deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of DTCC. DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or through Indirect Participants. The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Series I Depositary Shares under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series I Depositary Shares on DTC's records. The ownership interest of the beneficial owner is in turn recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial owner entered into the transaction. Transfers of ownership interest in the Series I Depositary Shares are accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interest in the Series I Depositary Shares, except in the event that use of the book-entry system for the Series I Depositary Shares is discontinued. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

To facilitate subsequent transfers, the Series I Depositary Shares deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series I Depositary Shares with DTC and its registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Series I Depositary Shares; DTC's records reflect only the identity of the Direct Participants to whose accounts are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

In those instances where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series I Depositary Shares unless authorized by a Direct Participant. Under its usual procedures, DTC mails an omnibus proxy to the Bank as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series I Depositary Shares are credited on the record date, which accounts are identified in a listing attached to the omnibus proxy.

Redemption proceeds, distributions and dividend payments on the Series I Depositary Shares will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Bank or the Bank's agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to beneficial owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and are the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), the Bank or any agent of the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividends to Cede & Co. (or such other DTC nominee) is the responsibility of the Bank or the Bank's agent, disbursement of such payments to Direct Participants are the responsibility of DTC, and disbursement of such payments to the beneficial owners are the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depositary with respect to the Series I Depositary Shares at any time by giving reasonable notice to the Bank or the Bank's agent. Additionally, the Bank may decide to discontinue the book-entry only system of transfers with respect to the Series I Depositary Shares. Under such circumstances, if a successor depository is not obtained, the Bank will print and deliver certificates in fully registered form for the Series I Depositary Shares.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bank believes to be reliable, but the Bank takes no responsibility for the accuracy thereof.

Transfer Restrictions

The Series I Depositary Shares were offered and sold pursuant to an exemption from registration under the Securities Act of 1933, as amended, and other exemptions provided by the laws of the United States and other jurisdictions where such securities are offered and sold. The Series I Depositary Shares may only be transferred or sold in compliance with all applicable state, federal and foreign securities laws.

DESCRIPTION OF DEPOSITARY SHARES, each representing a 1/40th interest in a share of Series J Preferred Stock

Ranking

The Series J Preferred Stock ranks senior to the Common Stock and any other class or series of Preferred Stock that by its terms ranks junior to the Series J Preferred Stock, and at least equally with the Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock and Series I Preferred Stock and with all future series of Preferred Stock that the Bank may issue (except for any senior stock that may be issued with the requisite consent of the holders of the Series J Preferred Stock and all other Series J Parity Stock (as defined below)), with respect to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up.

Dividends

Holders of Series J Preferred Stock are entitled to receive, when and as declared by the Board (or a duly authorized committee thereof), out of funds legally available for the payment of distributions, cash dividends that are noncumulative and payable quarterly, at the rate of 4.70% of the liquidation preference per annum (equivalent to $47.00 per annum per share of Series J Preferred Stock). Dividends on the Series J Preferred Stock, if declared, are payable quarterly on the 30th day of each January, April, July and October, or, if any such date is not a business day, the immediately preceding business day. A dividend period means each period commencing on (and including) a dividend payment date and continuing to (but excluding) the next succeeding dividend payment date, except that the first dividend period for the initial issuance of shares of Series J Preferred Stock commenced upon (and includes) the date of original issuance of those shares. If additional shares of Series J Preferred Stock are issued at a future date, the first dividend period for such shares will commence upon (and include) the later of the date of original issuance of Series J Preferred Stock and the first day of the quarterly period in which such later date of issue occurs. That dividend and any dividend payable on the Series J Preferred Stock for any other partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bank will pay dividends to holders of record of Series J Preferred Stock as they appear in the Bank's share records at the close of business on the applicable record date designated by the Board for the payment of dividends that is not more than 60 nor less than 10 days prior to such dividend payment date; provided, however, that if the date fixed for redemption of any Series J Preferred Stock occurs after a dividend is authorized and declared but before it is paid, such dividend shall be paid as part of the redemption price to the person to whom the redemption price is paid.

No dividends on the Series J Preferred Stock will be declared or be paid or set aside for payment at any time when the terms and provisions of any of the Bank's agreements, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting aside for payment or provides that such declaration, payment or setting aside for payment would constitute a breach of or a default under such agreement, or if such authorization or payment is restricted or prohibited by law.

Dividends are not cumulative. If the Bank fails to declare a dividend for any dividend payment date, then that dividend will not accumulate and be payable, the holders of the Series J Preferred Stock will have no right to receive a dividend related to that dividend period, and the Bank will have no obligation to pay a dividend for the related dividend period or to pay any interest, whether or not dividends on the Series J Preferred Stock are declared for any future dividend period. If the Bank fails to pay or set aside for payment scheduled dividends (whether or not declared) with respect to any six dividend periods (whether or not consecutive), holders of Series J Preferred Stock are entitled to vote for the election of two directors, as described below under "-Voting Rights."

Full dividends will not be declared or paid or set apart for payment on any Preferred Stock ranking on parity with the Series J Preferred Stock as to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up ("Series J Parity Stock") or any other shares of capital stock that rank junior to the Series J Preferred Stock as to payment of dividends or amounts upon the Bank's liquidation, dissolution or winding up ("Series J Junior Stock") during any dividend period unless dividends on the Series J Preferred Stock for that dividend period are declared and paid in full. When such cash dividends are not paid in full, or a sum sufficient for the full payment is not set aside, dividends upon shares of Series J Preferred Stock and dividends on other Series J Parity Stock payable during the dividend period will be declared pro rata so that the amount of dividends payable per share on the Series J Preferred Stock and any other Series J Parity Stock will in all cases bear to each other the same ratio that full dividends for the then-current dividend period on the shares of Series J Preferred Stock and full dividends, including required or permitted accumulations, if any, on shares of the other Series J Parity Stock, bear to each other. If full dividends on the Series J Preferred Stock have not been declared and paid or set aside for payment for a dividend period, the following restrictions will apply for that dividend period:

- no dividend or distribution, other than in shares of Series J Junior Stock, may be declared, set aside for payment or paid on any shares of stock of any class or series of Series J Junior Stock;
- the Bank may not redeem, purchase or otherwise acquire any Series J Junior Stock, and no monies may be paid to or made available for a sinking fund for the redemption of any Series J Junior Stock, except by conversion into or exchange for Series J Junior Stock, or by the tendering of Series J Junior Stock in payment for the exercise of options under the Bank's stock option plans then in effect; and
- the Bank may not redeem, purchase or otherwise acquire any shares of the Series J Preferred Stock other than pursuant to pro rata offers to purchase or exchange, or a concurrent redemption of all of, the outstanding shares of Series J Preferred Stock.

There can be no assurances that any dividends on the Series J Preferred Stock will be declared or, if declared, what the amounts of dividends will be or whether these dividends, if declared for any dividend period, will continue for any future dividend period. The declaration and payment of future dividends on the Series J Preferred Stock will be subject to business conditions, regulatory considerations, the Bank's earnings and financial condition and the judgment of the Board.

See "Item 1. Business—Supervision and Regulation—Restrictions on Dividends and Other Distributions" in this Annual Report on Form 10-K for bank regulatory restrictions on the Bank's ability to pay dividends on the Bank's capital stock.

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding up of First Republic Bank, the holders of the outstanding shares of Series J Preferred Stock are entitled to be paid out of the assets of First Republic Bank legally available for distribution to the Bank's shareholders, before any distribution of assets is made to holders of Common Stock or any other Series J Junior Stock, a liquidating distribution in the amount of a liquidation preference of $1,000 per share, plus the sum of any declared and unpaid dividends for dividend periods prior to the dividend period in which the liquidation distribution is made and declared and unpaid dividends for the then current dividend period in which the liquidation distribution is made to the date of such liquidation distribution. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series J Preferred Stock will have no right or claim to any of the Bank's remaining assets.

Distributions will be made only to the extent that the Bank's assets that are available after satisfaction of all liabilities to depositors, and creditors and subject to the rights of any securities ranking senior to the Series J Preferred Stock. If the Bank's remaining assets are not sufficient to pay the full liquidating distributions to the holders of all outstanding Series J Preferred Stock and all Series J Parity Stock, then the Bank will distribute the Bank's assets to those holders pro rata in proportion to the full liquidating distributions to which they would otherwise have received.

For purposes of the liquidation rights, neither the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the Bank's property or business, nor the consolidation or merger by the Bank with or into any other entity or by another entity with or into the Bank will constitute a liquidation, dissolution or winding up of the Bank. If the Bank enters into any merger or consolidation transaction with or into any other entity and the Bank is not the surviving entity in such transaction, the Series J Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series J Preferred Stock set forth herein.

Conversion Rights

The Series J Preferred Stock is not convertible into or exchangeable for any other of the Bank's property, interests or securities.

Redemption Rights

Optional Redemption

The Series J Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. However, the Series J Preferred Stock may be redeemed on or after December 31, 2024, with not less than 30 days' and not more than 60 days' notice ("Series J Optional Redemption"). On that date or any date thereafter, the Bank may redeem the Series J Preferred Stock from time to time, in whole or in part, at the Bank's option, for cash, subject to the approval of the appropriate federal banking agency (and any state banking agency, as may be required by law), at the cash redemption price provided below. Dividends will not accrue on those shares of Series J Preferred Stock on and after the redemption date. Neither the holders of Series J Preferred Stock nor the holders of the Series J Depositary Shares have the right to require the redemption or repurchase of the Series J Preferred Stock.

Redemption Following a Regulatory Capital Event

The Bank may redeem the Series J Preferred Stock, in whole but not in part, for cash, at any time within 90 days following a Series J Regulatory Capital Treatment Event, at the Bank's option, subject to the approval of the appropriate federal banking agency, at the cash redemption price provided below ("Series J Regulatory Event Redemption"). A "Series J Regulatory Capital Treatment Event" means the Bank's good faith determination that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of the Series J Preferred Stock; (ii) any proposed change in those laws or regulations that is announced after the initial issuance of the Series J Preferred Stock; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of the Series J Preferred Stock, there is more than an insubstantial risk that the Bank will not be entitled to treat the full liquidation value of the Series J Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent) for purposes of the capital adequacy guidelines of the FDIC (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of Series J Preferred Stock is outstanding. Dividends will not accrue on those shares of Series J Preferred Stock on and after the redemption date.

Redemption Price

The redemption price for any redemption of Series J Preferred Stock, whether a Series J Optional Redemption or Series J Regulatory Event Redemption, will be equal to $1,000 per share of Series J Preferred Stock (equivalent to $25 per Series J Depositary Share) plus the sum of any declared and unpaid dividends for prior dividend periods and accrued but unpaid and undeclared dividends for the then-current dividend period to, but excluding, the date of redemption.

Redemption Procedures

If the Bank elects to redeem any shares of Series J Preferred Stock, the Bank will provide notice by first class mail, postage prepaid, addressed to the holders of record of the shares of Series J Preferred Stock to be redeemed, mailed not less than 30 days and not more than 60 days before the date fixed for redemption thereof (provided, however, that if the shares of Series J Preferred Stock or the Series J Depositary Shares are held in book-entry form through DTC, the Bank may give this notice in any manner permitted by DTC). Any notice mailed or otherwise given as provided in this paragraph will be conclusively presumed to have been duly given, whether or not the holder receives this notice, and failure duly to give this notice by mail or otherwise, or any defect in this notice or in the mailing or provision of this notice, to any holder of shares of Series J Preferred Stock designated for redemption will not affect the redemption of any other shares of Series J Preferred Stock. Each notice of redemption shall state:

- the redemption date;
- the redemption price;
- if fewer than all shares of Series J Preferred Stock are to be redeemed, the number of shares of Series J Preferred Stock to be redeemed; and
- the manner in which holders of Series J Preferred Stock called for redemption may obtain payment of the redemption price in respect to those shares.

If notice of redemption of any shares of Series J Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Bank in trust for the benefit of the holders of any shares of Series J Preferred Stock so called for redemption, then from and after the redemption date such shares of Series J Preferred Stock will no longer be deemed outstanding, and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In the case of any redemption of only part of the Series J Preferred Stock at the time outstanding, the shares of Series J Preferred Stock to be redeemed will be selected either pro rata or by lot. Subject to the provisions hereof, the Board will have the full power and authority to prescribe the terms and conditions upon which shares of Series J Preferred Stock may be redeemed from time to time.

The Series J Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption provisions.

Regulatory Restrictions on Redemption Rights

Under current risk-based capital regulations, a bank insured by the FDIC may not redeem shares of Preferred Stock included as Tier 1 capital without the prior approval of the FDIC. Any redemption of the Series J Preferred Stock is subject to the Bank's receipt of any required prior approval by the FDIC and the Commissioner and to the satisfaction of any conditions in the capital guidelines or regulations of the FDIC applicable to such redemption. Ordinarily, the FDIC would not permit such a redemption unless the FDIC determines that the bank's condition and circumstances warrant the reduction of a source of permanent capital.

Voting Rights

Registered owners of Series J Preferred Stock will not have any voting rights, except as set forth below or as otherwise required by law.

On any matter in which the Series J Preferred Stock is entitled to vote as a class with holders of any other shares upon which like voting rights have been conferred and are exercisable, including any action by written consent, each share of Series J Preferred Stock are entitled to one vote. As more fully described under "-Description of the Depositary Shares," the depositary, as holder of all Series J Preferred Stock, will grant 1/40th of a vote per depositary share to the registered owner of each Series J Depositary Share so that each Series J Depositary Share is entitled to exercise its proportionate voting rights.

If at any time the full amount of dividends on the Series J Preferred Stock have not been paid or set aside for payment (whether or not declared) for any six dividend periods (whether or not consecutive), holders of the Series J Depositary Shares voting as a single class together with holders of any other stock, including the Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock and Series I Preferred Stock, that ranks on a parity with the Series J Preferred Stock as to payment of dividends and that has voting rights equivalent to those described in this paragraph ("Series J Voting Parity Stock"), are entitled to elect the Preferred Stock Directors at any annual meeting of shareholders or any special meeting of the holders of Series J Preferred Stock and any Series J Voting Parity Stock, and the holders of the Common Stock are entitled to vote for the election of the remaining number of directors authorized by the Articles or Bylaws. The Board will at no time have more than two Preferred Stock Directors.

If, at any time after the right to elect directors is vested in the Series J Preferred Stock, the holders of the Series J Preferred Stock and any Series J Voting Parity Stock call a special meeting of shareholders for the election of directors, and at the time the special meeting is called, the election of the Preferred Stock Directors to the Board would cause the number of directors to exceed the maximum number authorized under the Articles or Bylaws, then the holders of Series J Preferred Stock and any Series J Voting Parity Stock, voting as a single class, shall be entitled to elect the Preferred Stock Directors and the Common Stock shall be entitled to elect the remaining number of authorized directors, the terms of office of all persons who were directors immediately prior to the special meeting shall terminate, and the directors elected by the holders of the Bank's Series J Preferred Stock and any Series J Voting Parity Stock and the directors elected by the holders of the Common Stock shall constitute the directors of the Bank until the next annual meeting.

The Preferred Stock Directors elected at any such special meeting will hold office until the next annual meeting of the Bank's shareholders unless they have been previously terminated as described below. Except as otherwise provided for by applicable law, any Preferred Stock Director may be removed only by the vote of the holders of record of the outstanding Series J Preferred Stock entitled to vote (voting together as a single class with holders of any Series J Voting Parity Stock). As long as the right to elect Preferred Stock Directors is continuing,(i) any vacancy in the office of any Preferred Stock Director may be filled by the vote of the holders of record of the outstanding Series J Preferred Stock entitled to vote (voting together as a single class with holders of any Series J Voting Parity Stock), and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Series J Preferred Stock entitled to vote (voting together as a single class with holders of any Series J Voting Parity Stock) at the same meeting at which such removal shall be voted. Until the time that any such vacancy is filled at a shareholder meeting as provided above, a successor shall be elected by the Board to serve until the next such shareholder meeting upon the nomination of the then remaining Preferred Stock Director.

Whenever all dividends on the Series J Preferred Stock and any other stock upon which like voting rights have been conferred and are exercisable have been paid in full for four consecutive dividend periods (or otherwise for at least one year), then the right of the holders of Series J Preferred Stock to elect the Preferred Stock Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), and if no other shareholders have like voting rights that are then exercisable, the terms of office of all Preferred Stock Directors will immediately terminate.

The Bank cannot take any of the following actions without the affirmative vote or written consent of holders of at least two-thirds of the outstanding shares of Series J Preferred Stock:

- create any class or series of shares that ranks, as to dividends or distribution of assets, senior to the Series J Preferred Stock; or
- alter or change the provisions of the Articles, the Certificate of Determination governing the Series J Preferred Stock or the Bylaws so as to adversely affect the voting powers, preferences or special rights of the holders of the Series J Preferred Stock;

provided, however, that with respect to the occurrence of any event listed in the second bullet point above, so long as any shares of Series J Preferred Stock remain outstanding with the terms thereof unchanged or new shares

of the surviving corporation or entity are issued with the identical terms as the Series J Preferred Stock, in each case taking into account that upon the occurrence of this event the Bank may not be the surviving entity, the occurrence of any such event shall not, except as provided by law, be deemed to adversely affect any right, preference, privilege or voting power of the Series J Preferred Stock or the holders thereof, and provided, further, that any increase in the amount of the Bank's authorized Common Stock or Preferred Stock or the creation or issuance of any other P Series J arity Stock or Series J Junior Stock and any change to the number of directors or number of classes of directors shall not be deemed to adversely affect such rights, preferences, privileges or voting powers.

Under California law, in addition to any required approval by its board of directors or its voting shareholders, an amendment to the articles of incorporation of a California corporation also must be approved by the affirmative vote of a majority of the outstanding shares of a class of shares, whether or not such class is entitled to a vote by the articles of incorporation, if the amendment proposes to: (i) increase or decrease the aggregate number of authorized shares of such class; (ii) effect an exchange, reclassification, or cancellation of all or part of the shares of such class; (iii) effect an exchange, or create a right of exchange, of all or part of the shares of another class into the shares of such class; (iv) change the rights, preferences, privileges or restrictions of the shares of such class; (v) create a new class of shares having rights, preferences or privileges prior to the shares of such class, or increase the rights, preferences or privileges or the number of authorized shares of any class having rights, preferences or privileges prior to the shares of such class; (vi) in the case of preferred shares, divide the shares of any class into series having different rights, preferences, privileges or restrictions or authorize the board to do so; or (vii) cancel or otherwise affect dividends on the shares of such class which have accrued but have not been paid.

The holders of Series J Preferred Stock will have no voting rights if the Bank redeems all outstanding Series J Preferred Stock (or call for redemption all outstanding Series J Preferred Stock and deposit sufficient funds in a trust to effect the redemption) on or before the time the act occurs that would otherwise require a vote.

Regulatory Risk of Voting Rights

Although the Bank does not believe that any series of its Preferred Stock is considered "voting securities" for purposes of the BHCA, if one or more series were to become a class of "voting securities," whether because the Bank has missed six dividend payments and, as a result, holders of the Preferred Stock have the right to elect directors, or for other reasons, a "company" (as that term is defined for purposes of the BHCA) that owns or controls 25% or more of such class, or less than 25% if it otherwise exercises any "controlling influence" over the Bank (including by holding 25% or more or, in some cases, one-third or more of the Bank's total equity), may then be subject to regulation as a bank holding company in accordance with the BHCA. In addition, if one or more series of Preferred Stock becomes a class of "voting securities":

- any bank holding company may be required to obtain the prior approval of the Federal Reserve to acquire or retain more than 5% of such series of Preferred Stock;
- any person (or group of persons acting in concert) other than a bank holding company may be required to obtain the approval of the FDIC under the CIBCA to acquire or retain 10% or more such series of Preferred Stock; and
- any person may be required to obtain the prior approval of the Commissioner before acquiring "control" of the Bank, as defined in California statutes and regulations.

Holders of Preferred Stock should consult their own counsel with regard to regulatory implications.

Description of Series J Depositary Shares

General

The Series J Preferred Stock are deposited with the depositary, under a deposit agreement. Each Series J Depositary Share will represent a 1/40th fractional ownership interest in a share of Series J Preferred Stock. Subject to the terms of the deposit agreement, each holder of a Series J Depositary Share is entitled to all the rights and preferences of a 1/40th fractional ownership interest in a share of Series J Preferred Stock (including dividend,

voting, redemption and liquidation rights and preferences). Immediately following the Bank's issuance of the Series J Preferred Stock, the Bank will deposit the Series J Preferred Stock with the depositary, which upon the Bank's instructions will issue and deliver the Series J Depositary Shares to DTC for credit to the accounts of such participants of DTC and in such amounts as BofA Securities, Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, UBS Securities LLC and Wells Fargo Securities, LLC shall specify.

Listing

The Series J Preferred Depositary Shares are listed on the NYSE under the symbol "FRC-PrJ."

Dividends

Each dividend payable on a Series J Depositary Share is in an amount equal to 1/40th of the dividend declared and payable on each share of Series J Preferred Stock.

The depositary will distribute all cash dividends paid on the Series J Preferred Stock to the record holders of the Series J Depositary Shares in proportion to the number of Series J Depositary Shares held by the holders. The depositary will distribute only such amount, however, as can be distributed without attributing to any holder of Series J Depositary Shares a fraction of one cent, and any balance not so distributable will be held by the depositary (without liability for interest thereon) and will be added to and be treated as part of the next sum received by the depositary for distribution to record holders of Series J Depositary Shares then outstanding.

If a dividend is other than in cash and it is feasible for the depositary to distribute the property it receives, the depositary, upon written instructions from the Bank, will distribute the property to the record holders of the Series J Depositary Shares. If such a distribution is not feasible and the Bank so directs, the depositary will sell on behalf of the holders of Series J Depositary Shares the property and distribute the net proceeds from the sale to the holders of the Series J Depositary Shares in proportion to the number of Series J Depositary Shares held by the holders.

Record dates for the payment of dividends and other matters relating to the Series J Depositary Shares will be the same as the corresponding record dates for the Series J Preferred Stock.

The amounts distributed to holders of Series J Depositary Shares will be reduced by any amounts required to be withheld by the depositary or by the Bank on account of taxes or other governmental charges. The depositary may refuse to make any payment or distribution, or any transfer, exchange or withdrawal of any Series J Depositary Shares or the Series J Preferred Stock until such taxes or other governmental charges are paid. To the extent that the depositary determines that amounts are required to be withheld in relation to the distribution of any property pursuant to the deposit agreement, the depositary may, in certain circumstances, sell all or a portion of such property to pay such taxes and distribute the balance of the net proceeds (after the deduction of such taxes) to the holder of the Series J Depositary Shares in proportion to the number of Series J Depositary Shares held by the holder.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Bank's affairs, the holders of the Series J Depositary Shares are entitled to 1/40th of the liquidation preference accorded each share of Series J Preferred Stock.

If the Bank consolidates or merges with or into any other entity or the Bank sells, leases, transfers or conveys all or substantially all of the Bank's property or business, the Bank will not be deemed to have liquidated, dissolved or wound up. In the event of the Bank's liquidation, dissolution or winding up, a holder of Series J Depositary Shares will receive the fraction of the liquidation preference accorded each share of underlying Series J Preferred Stock represented by the Series J Depositary Shares.

Redemption

Whenever the Bank redeems any of the Series J Preferred Stock held by the depositary, the depositary will redeem as of the same redemption date, from the proceeds received by the depositary resulting from the redemption of the Series J Preferred Stock held by the depositary, the number of Series J Depositary Shares representing the redeemed Series J Preferred Stock. A notice of the redemption furnished by the Bank will be mailed by the depositary by first class mail, postage prepaid, not less than 30 nor more than 60 days before the date fixed for redemption thereof, addressed to the respective holders of record of the Series J Depositary Shares to be redeemed at their respective addresses as they appear on the share transfer records of the depositary (provided, however, that if the Series J Depositary Shares are held in book-entry form through DTC, the Bank may give this notice in any manner permitted by DTC). A failure to give such notice or any defect in the notice or in the Bank's mailing will not affect the validity of the proceedings for the redemption of any shares of Series J Preferred Stock or Series J Depositary Shares except as to the holder to whom notice was defective or not given. Each notice shall state:

- the redemption date;
- the redemption price;
- if fewer than all shares of Series J Preferred Stock are to be redeemed, the number of shares of Series J Preferred Stock to be redeemed (and the corresponding number of Series J Depositary Shares); and
- the place or places where the depositary receipts evidencing the Series J Depositary Shares are to be surrendered for payment of the redemption price.

If the Bank redeems fewer than all of the outstanding shares of Series J Preferred Stock, the depositary will select the corresponding number of Series J Depositary Shares to be redeemed pro rata or by lot. In any such case, Series J Depositary Shares will be redeemed only in increments of 40 Series J Depositary Shares and any integral multiple thereof, and the notice mailed to such holder shall also specify the number of Series J Depositary Shares to be redeemed from such holder.

The holders of Series J Depositary Shares at the close of business on a dividend record date are entitled to receive the dividend payable with respect to the Series J Depositary Shares evidenced by such Series J Depositary Shares on the corresponding dividend payment date notwithstanding the redemption of the Series J Depositary Shares between such dividend record date and the corresponding dividend payment date or the Bank's default in the payment of the dividend due. Except as provided above, the Bank will make no payment or allowance for unpaid dividends on the Series J Preferred Stock or Series J Depositary Shares to be redeemed.

Voting

Because each Series J Depositary Share represents a 1/40th ownership interest in a share of Series J Preferred Stock, holders of depositary receipts are entitled to vote 1/40th of a vote per Series J Depositary Share under those limited circumstances in which holders of the Series J Preferred Stock are entitled to vote, as described above.

When the depositary receives notice of any meeting at which the holders of the Series J Preferred Stock are entitled to vote, the depositary will mail the information contained in the notice to the record holders of the Series J Depositary Shares relating to the Series J Preferred Stock. Each record holder of the Series J Depositary Shares on the record date, which will be the same date as the record date for the Series J Preferred Stock, may instruct the depositary to vote the amount of the Series J Preferred Stock represented by the holder's Series J Depositary Shares. To the extent possible, the depositary will vote the amount of the Series J Preferred Stock represented by Series J Depositary Shares in accordance with the instructions it receives. The Bank will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any Series J Depositary Shares representing the Series J Preferred Stock, it will abstain from voting with respect to such shares (but shall appear at the meeting with respect to such shares unless directed to the contrary).

Withdrawal of Series J Preferred Stock

Upon surrender of Series J Depositary Shares at the principal office of the depositary, upon payment of any unpaid amount due the depositary, and subject to the terms of the deposit agreement, the owner of the Series J Depositary Shares evidenced thereby is entitled to delivery of the number of shares of Series J Preferred Stock and all money and other property, if any, represented by such Series J Depositary Shares. Only whole shares of Series J Preferred Stock may be withdrawn. If the Series J Depositary Shares surrendered by the holder in connection with withdrawal exceed the number of Series J Depositary Shares that represent the number of whole shares of Series J Preferred Stock to be withdrawn, the depositary will deliver to that holder at the same time a new depositary receipt evidencing the excess number of Series J Depositary Shares. Holders of Series J Preferred Stock thus withdrawn will not thereafter be entitled to deposit such shares under the deposit agreement or to receive Series J Depositary Shares therefor.

Miscellaneous

The depositary will forward to the holders of Series J Depositary Shares any reports and communications from the Bank with respect to the underlying Series J Preferred Stock. Neither the Bank nor the depositary will be liable if any law or any circumstances beyond their control prevent or delay them from performing their obligations under the deposit agreement. The obligations of the Bank and a depositary under the deposit agreement will be limited to performing their duties without bad faith, gross negligence or willful misconduct. Neither the Bank nor a depositary must prosecute or defend any legal proceeding with respect to any Series J Depositary Shares or the underlying Series J Preferred Stock unless they are furnished with satisfactory indemnity. Both the Bank and the depositary may rely on the written advice of counsel or accountants, or information provided by holders of Series J Depositary Shares or other persons they believe in good faith to be competent, and on documents they believe in good faith to be genuine and signed by a proper party. In the event a depositary receives conflicting claims, requests or instructions from the Bank and any holders of Series J Depositary Shares, the depositary are entitled to act on the claims, requests or instructions received from the Bank.

Book Entry, Delivery and Form

DTC acts as securities depositary for the Series J Depositary Shares. The Series J Depositary Shares are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC.

DTC has advised the Bank that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its Direct Participants deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of DTCC. DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or through Indirect Participants. The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Series J Depositary Shares under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series J Depositary Shares on DTC's records. The ownership interest of the beneficial owner is in turn recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive

written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial owner entered into the transaction. Transfers of ownership interest in the Series J Depositary Shares are accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interest in the Series J Depositary Shares, except in the event that use of the book-entry system for the Series J Depositary Shares is discontinued. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

To facilitate subsequent transfers, the Series J Depositary Shares deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series J Depositary Shares with DTC and its registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Series J Depositary Shares; DTC's records reflect only the identity of the Direct Participants to whose accounts are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

In those instances where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series J Depositary Shares unless authorized by a Direct Participant. Under its usual procedures, DTC mails an omnibus proxy to the Bank as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series J Depositary Shares are credited on the record date, which accounts are identified in a listing attached to the omnibus proxy.

Redemption proceeds, distributions and dividend payments on the Series J Depositary Shares will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Bank or the Bank's agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to beneficial owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and are the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), the Bank or any agent of the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividends to Cede & Co. (or such other DTC nominee) is the responsibility of the Bank or the Bank's agent, disbursement of such payments to Direct Participants are the responsibility of DTC, and disbursement of such payments to the beneficial owners are the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depositary with respect to the Series J Depositary Shares at any time by giving reasonable notice to the Bank or the Bank's agent. Additionally, the Bank may decide to discontinue the book-entry only system of transfers with respect to the Series J Depositary Shares. Under such circumstances, if a successor depository is not obtained, the Bank will print and deliver certificates in fully registered form for the Series J Depositary Shares.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bank believes to be reliable, but the Bank takes no responsibility for the accuracy thereof.

Transfer Restrictions

The Series J Depositary Shares were offered and sold pursuant to an exemption from registration under the Securities Act of 1933, as amended, and other exemptions provided by the laws of the United States and other jurisdictions where such securities are offered and sold. The Series J Depositary Shares may only be transferred or sold in compliance with all applicable state, federal and foreign securities laws.

Exhibit 10.36

FIRST REPUBLIC BANK

2017 OMNIBUS AWARD PLAN

PERFORMANCE SHARE UNIT AGREEMENT

THIS PERFORMANCE SHARE UNIT AGREEMENT (this "Agreement"), dated as of December 13, 2019 (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** 2017 Omnibus Award Plan (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 55,000 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 Restricted Period (up to the target number) will be determined by the level of achievement of the performance goals ("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, 100% of the PSUs shall become vested on the three-year anniversary of the Date of Grant, subject to both (i) the Committee's certification of Bank's achievement of a

return on average tangible common equity ("ROATCE") of at least 10.0% averaged over the 12 calendar quarters ending on the last day of the calendar quarter immediately preceding the vesting date, and (ii) Participant's continuous service as an employee, director, consultant or advisor to the Bank or its Affiliates ("Continuous Service") through such vesting date. Continuous Service for purposes of this agreement includes service as Chairman of the Board of Directors. ROATCE is computed as net income available to common shareholders less intangible asset amortization (net of tax) divided by average tangible common equity, excluding the impact or costs associated with (i) the divestiture (including any partial sale or wind down) of one or more business operations of the Bank or the assets thereof at such divestiture timing and (ii) the costs incurred in connection with such divestitures. 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. Except as may otherwise be provided herein, no additional RSUs vest after termination of Continuous Service for any reason.

(b) Termination of Continuous Service.

(i) General. Except as otherwise expressly provided in Sections 2(b)(ii), Section 2(b)(iii), Section 2(b)(iv), Section 2(b)(v) and Section 2(c)(i) below, if Participant's Continuous Service is terminated at any time during the Restricted Period (other than by reason of death, Disability, Retirement, and Involuntary Termination 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 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(b)(i), if Participant's Continuous Service terminates during the Restricted 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 Restricted 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(b)(i), 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.

(iv) Retirement. Notwithstanding Section 2(b)(i), if Participant's Continuous Service is terminated during the Restricted Period as a result of Participant's career retirement with the mutual agreement of the

Committee ("Retirement"), Participant will remain eligible to vest in the Target Award 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(i).

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

A. if Participant's Continuous Service is terminated during the Restricted Period as a result of termination by Bank of Participant without "Cause" (as defined for purposes of this Agreement in that certain employment agreement between Participant and Bank, dated June 15, 2010, as amended by Amendment No. 1 effective as of February 27, 2012, Amendment No. 2 effective February 25, 2014, Amendment No. 3 effective December 1, 2015, Amendment No. 4 effective May 10, 2017 and Amendment No. 5 effective February 13, 2019 (the "Employment Agreement")), Participant will remain eligible to vest in the Target Award (without proration) on the last day of the Restricted 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 Restricted Period as a result of Participant's resignation for "Good Reason" (as defined for purposes of this Agreement or in the Employment Agreement), Participant will remain eligible to vest in the Target Award (without proration) on the last day of the Restricted 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(c)(i), if Participant's Continuous Service is terminated during the Restricted Period and on or after the commencement of the Extended Term (as defined in the Employment Agreement) as a result of Participant's resignation because Participant is not elected to the Board by shareholders of Bank or is not appointed as Executive Chairman, Participant will remain eligible to vest in the Target Award (without proration) on the last day of the Restricted 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.

(c) 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 or 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 Restricted 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 Restricted 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 Restricted 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 Restricted 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(c)(i), if Participant's Continuous Service is terminated during the Restricted 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 Restricted 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(b)(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 Restricted Period following the Change in Control as a result of Participant's death, or Participant becomes Disabled during the Restricted Period following the Change in Control, the provisions of Sections 2(b)(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 Restricted Period following the Change in Control as a result of Participant's Retirement, the provisions of Section 2(b)(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 Restricted Period to the extent required by and subject to the conditions of Section 409A of the Code.

(ii) <u>No Substitution or Assumption by Successor</u>. The Performance Goals 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.

(d) Settlement of PSUs. As soon as practicable after vesting, each outstanding PSU will be settled through the delivery by Bank of one share of Bank Common Stock and any dividend equivalents credited with respect to such PSU, 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.

(e) 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.

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

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

(h) Withholding Taxes. To the extent that the vesting of the PSUs or the receipt of Shares (including any cash or other securities or property payable in lieu thereof), or the vesting or receipt of dividend equivalents, results in income to 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.

(i) 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 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(i).

(j) 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: Michael Roffler
Facsimile No.: (415) 262-4131

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

(b) No Right to Continued Employment. 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) or a "change in control event" within the meaning of Section 409A of the Code).

(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.

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/ Michael J. Roffler

Exhibit 10.37

FIRST REPUBLIC BANK

2017 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** 2017 Omnibus Award Plan (the "Plan"), pursuant to which performance share unit awards may be granted with respect to Common Stock of Bank;

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

WHEREAS, Bank's grant of performance share units is conditioned on Participant's agreeing to the Restrictive Covenants attached as Appendix A (which is an integral part of this Agreement) (the "Restrictive Covenants").

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.

(c) Compliance with Employment Policies and Restrictive Covenants. Notwithstanding anything to the contrary contained herein, Participant agrees that his or her entitlement to retain any 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 the Restrictive Covenants and otherwise in the employment policies of Bank, as such covenants, obligations and policies may be revised from time to time

by Bank (collectively, the "Employment Policies"), and Participant further agrees that the Committee may in its sole discretion cancel any 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 any of the Employment Policies and the other provisions of this Section 1(c).

2. Terms and Conditions.

(a) Restricted Period. The period of time between the Date of Grant and the vesting of PSUs (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 PSUs shall become vested on the three-year anniversary of the Date of Grant, subject to both (i) the Committee's certification of Bank's achievement of a return on average tangible common equity ("ROATCE") of at least 10.0% averaged over the 12 calendar quarters ending on the last day of the calendar quarter immediately preceding the vesting date, and (ii) Participant's continuous service as an employee or, if determined by the Committee or as appropriate the CEO, CFO or Chief People Officer, a consultant ("Continuous Service") with Bank or its Affiliates through such vesting date. ROATCE is computed as net income available to common shareholders less intangible asset amortization (net of tax) divided by average tangible common equity, excluding the impact or costs associated with (i) the divestiture (including any partial sale or wind down) of one or more business operations of the Bank or the assets thereof at such divestiture timing and (ii) the costs incurred in connection with such divestitures. 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.

(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 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) 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), but without regard to Participant's Continuous Service as set forth in Section 2(a).

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

(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 Shares, a cash dividend equivalent equal to the total cash dividend Participant would have received had his or her outstanding PSUs been actual Shares will be accumulated and paid in cash to Participant through payroll if and when such PSUs become vested and settled. Neither Participant nor any successors, heirs, assigns, or legal representatives of Participant shall have any rights or interest in dividend equivalent amounts in respect of any 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 (i) the PSU shall have become vested pursuant to its terms and (ii) 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.

3. Miscellaneous.

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

(i) if to Bank:

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

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

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

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

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

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

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

Code. If the Committee determines that any Shares issued or amounts payable hereunder will be taxable to Participant under Section 409A of the Code and related Department of Treasury guidance, prior to delivery to such Participant of such Shares or payment to such Participant of such amount, Bank may (a) adopt such amendments to this Agreement and the Plan, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the 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) or a "change in control event" within the meaning of Section 409A of the Code).

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

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

(i) Venue and Governing Law. The parties agree that the exclusive jurisdiction and venue for any action or proceeding arising under or related to this Agreement shall be the state or federal courts located in the State of the Bank office to which Participant is assigned as of (i) the Date of Grant, or (ii) in the event Participant previously received a grant of 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.

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

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

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

First Republic Bank

By: ______________________

APPENDIX A

RESTRICTIVE COVENANTS

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

1. Non-Competition; Garden Leave.

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

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

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

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

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

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

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

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

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

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

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

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

First Republic Bank

By: ______________________

PARTICIPANT NAME: __________________

ACCEPTED ON: ________________

EXHIBIT 21

FIRST REPUBLIC BANK

SUBSIDIARIES

The following is a list of the subsidiaries of First Republic Bank as of December 31, 2019:

Subsidiary	State of Incorporation or Organization
First Republic Lending Corporation	Nevada
First Republic Investment Management, Inc.	New York
First Republic Securities Company, LLC	Nevada
First Republic Trust Company of Delaware LLC	Delaware
First Republic Trust Company of Wyoming, LLC	Wyoming

EXHIBIT 31.1

CERTIFICATION

I, James H. Herbert, II, certify that:

1. I have reviewed this annual report on Form 10-K of First Republic Bank;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   (d) Disclosed in this annual 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: February 28, 2020

/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 annual report on Form 10-K of First Republic Bank;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   (d) Disclosed in this annual report any change in the registrant's internal controls 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: February 28, 2020

/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 Annual Report on Form 10-K for the year ended December 31, 2019 (the “Form 10-K”), 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2020

/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 Annual Report on Form 10-K for the year ended December 31, 2019 (the "Form 10-K"), 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2020

/s/ Michael J. Roffler

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